PREM 19/1841

Payne inspired joint DE/DHSS Study into the payment of Unemployment Benefits.

Social Services
~~MANPOWER~~

October 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~27.10.80~~		~~24.7.81~~					
~~4.11.80~~		~~22.2.81~~					
~~23.12.80~~		~~30.5.82~~					
~~31.12.81~~		~~5.4.82~~					
~~2.2.81~~		~~24.5.82~~					
23.2.81		27.5.82					
~~13.3.81~~							
~~1.4.81~~		— Pt Ends —					
~~21.4.81~~							
~~27.4.81~~							
31-7-81							

For papers on the Rayner Study on arrangements for paying Social Security Benefits see :—

SOCIAL SERVICES : PART 2.

RAYNER (DE. DYSE) MAIN REPORT AND SUMMARY "THE PAYMENT OF BENEFIT TO THE UNEMPLOYED" See attached folder.

PART 1 ends:-

s/s DHSS to PM 27th May 1982

PART 2 begins:-

WR to DHSS 4th June 1982

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(82)16	29.03.82
H(82)8th Meeting, Minute 4	05.04.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed C Wayland Date 4 November 2014

PREM Records Team

It is very disappointing. We are delaying an important change.

Prime Minister,
Content that consideration of changes in the availability rules should be left until we have the CPRS study? Mr Fowler sees a number of difficulties in implementing the Rayner proposals on this point, and would prefer to take a more radical look at it when the CPRS reports. The Policy Unit do not agree with this approach.
WM 3/6

PRIME MINISTER

MT

Your private secretary wrote to mine on 24 May, seeking further justification of my proposal not to make changes in the availability conditions as part of the regulation changes associated with "voluntary registration".

As I explained, the Rayner proposals themselves were not acceptable: they would have been more difficult to operate, not easier; and they could have allowed some people to get benefit who might well have been ineligible under the current rules.

The alternatives we devised would in all essentials have reflected current practice, and would certainly have added little to the existing effects of labour market realities, and the substantial reductions in unemployment benefit. Thus they appeared to offer no significant gain to set against a number of disadvantages:

1. Even as changes which were largely presentational, in such a sensitive area they would inevitably arouse deep suspicion; and in allaying those suspicions we would merely stir up criticism in other quarters.

2. To the extent that they would convincingly be seen as making any substantive change at all, it would be by appearing to force the more skilled or managerial unemployed to 'drop their sights' after only three months. This could arouse hostility among our own supporters; and, if the effects turned out to be real rather than apparent, would not in fact be sensible (because there is some evidence that when such people take lower grade work too early, it tells against them when trying for something more suitable).

3. There would be a contrary risk that formalising the three month criteria would have encouraged everyone to believe that they had this breathing space before

E.R.

widening their job search.

4. Perhaps most important of all, such changes could get in the way of implementing more radical changes if viable proposals emerge from the current CPRS study and associated work, both because we would be probed on future intentions and because it could subsequently be argued that time should be given to judge their effect.

Other colleagues who responded to my proposals have indicated their willingness to accept that we should leave things as they are on availability at this stage (although Norman Tebbit has raised a separate point on seasonal workers which I shall be following up with him).

I hope that in the light of what I have said, you will be content to proceed without changing the availability rules, on the understanding that they will be picked up again for consideration when we have the CPRS study.

27 May 1982

N F

Margaret.

cc D/m
HO
CO

10 DOWNING STREET

From the Private Secretary

24 May 1982

RAYNER SCRUTINY ON THE PAYMENT OF UNEMPLOYMENT BENEFIT

The Prime Minister has seen your Secretary of State's letter of 14 May to the Home Secretary, in which he seeks the agreement of H Committee to some changes in Regulations consequential on the decision to introduce voluntary registration for unemployment benefit.

Mrs. Thatcher notes that your Secretary of State proposes not to implement the suggestion in the Rayner scrutiny that the rules on claimants who restrict their availability for work should be made less discretionary. The Prime Minister has some doubts about this. She recognises that Mr. Fowler's proposals will not prejudice the continuing discussion of the definition of suitable work, which is part of current CPRS studies. But she feels that the Rayner recommendation is a step in the right direction. Not to implement it would maintain a system which could be said to act against skill and regional mobility and labour market adjustments which are vital for both future economic growth and lower inflation rates. She also doubts whether a person has to be unemployed in order for him effectively to seek a "suitable job".

In short, the Prime Minister is reluctant to go along with your Secretary of State's proposal that this Rayner recommendation should not be implemented, at least without seeing a more detailed justification.

I am copying this to Barnaby Shaw (Department of Employment), John Halliday (Home Office) and David Wright (Cabinet Office).

W. F. S. RICKETT

Brendan O'Gorman, Esq.,
Department of Health and Social Security.

E.R.

cc Mr. Mount
Mr. Vereker
Mr. Smith

MR. RICKETT

ARRANGEMENTS FOR PAYMENT OF UNEMPLOYMENT BENEFIT (UB)

1. In the context of the agreed move to voluntary registration, Mr. Fowler essentially attempts to avoid a Rayner proposal to tighten up UB rules and so perpetuates an aspect of the existing more liberal system. The proposed new regulations would have allowed a maximum of three months for claimants to find a job in their own occupation and after that they would be expected to take other suitable work or disqualify themselves from unemployment benefit. The dropping of this proposal is suggested on the grounds that unemployed with certain highly specialised skills are often unsuccessful in their restricted searches within the three months time limit.

2. In economic terms, by effectively encouraging a longer search period for all skills and talents, the system would continue, as in the past, to act against skill and regional mobility and labour market adjustments which are vital for both future economic growth and lower inflation rates; a labour market restriction would be perpetuated. The fact that some highly skilled workers need, or take, a lengthy period to find another similar job is indicative of the labour market for their specialised skills in a particular locality, as well, possibly, of high replacement ratios. Whilst the latter is being dealt with in (as our part of) the CPRS Study on Unemployment, every effort should be made to increase both skill and regional mobility within the labour market as well as providing suitable skill training programmes which the new Training Initiative contemplates.

3. The DHSS view also presumes that a person must be unemployed in order for him effectively to seek a "suitable job". But job-search need not be and is not normally, a full-time business. One can seek a new job while one is employed in another occupation.

4. The potential benefits of tightening up the UB regulations as Rayner originally proposed and not maintaining the old system appears to be quite clear. The Prime Minister is correct.

20 May 1982

ALAN WALTERS

10 DOWNING STREET

Mr Vereker

The attached. I agree with Mr Fowler that his decisions do not prejudge the CPRS study, which includes work on the definition of "suitable" employment. But does the policy unit share the Prime Minister's qualms? I would have thought this leaves ministers free to take whatever decisions they choose on the CPRS study.

WM 18/5.

E. R.

2

PRIME MINISTER

Mr. Fowler seeks the agreement of H to some changes in Regulations consequential on the decision to introduce voluntary registration for unemployment benefit. The changes are set out at A below. Mr. Fowler also proposes that he should not implement the suggestion in the Rayner scrutiny that the rules on claimants who restrict their availability for work should be made less discretionary. The Rayner team put forward this suggestion (at Flag B) in the interests of simplicity; they could not estimate whether it would result in staff savings; and they recognised it was a largely political decision. Mr. Fowler judges that the benefits of clarification to do not outweigh the harmful effects on those with specialised skills who may need some time to find new jobs. He feels his decisions do not prejudge the outcome of the CPRS work on the definition of "suitable" work.

We were looking more generally at the kind of work which an unemployed person should be expected to take. The changes seem to remove the old system not

18 May 1982

JW.

Arrwit

cc JV

cc Mr RDF Whitelaw
Mrs Mc Ginnis
Miss Lingwood
Mr Stephens
Mr Ogilvie
Mr Regan
Mr Walmsley
Mr J W White
Mr Sladden
Mr Whitelaw
Mr Stocker
Miss Clayton

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home
Department
Home Office
50 Queen Anne's Gate
London SW1

14 May 1982

Dear Willie.

As colleagues will remember, we decided in July 1981, following a recommendation of the Rayner report on the payment of benefits to unemployed people, that registration for work at a Jobcentre should no longer be a general condition of entitlement to benefit. The introduction of voluntary registration on 18 October 1982, which will save some 1350 staff in the public employment service, will require a number of associated, minor, changes in Regulations to which I now seek the agreement of colleagues.

The changes are explained in more detail in the note attached to this letter but they can be summarised as follows:-

A

1. a power to require people receiving unemployment benefit to attend for interview with unemployment review officers;

2. abolition of the condition which requires a seasonal worker claiming during his 'off season' to have been registered for employment during any periods of unemployment in the two preceding years; and

3. a power to require an unemployed claimant to answer questions put to him by the unemployment benefit office about his availability for work.

For the reasons set out in the note, I am not proposing to add to 1 and 3 above the Rayner suggestion that the rules relating to a claimant who restricts his availability should be made less discretionary. We have recognised for some time that the Rayner proposals would represent a slackening of the existing rules in some respects, and might not be workable in others, but until recently we hoped to introduce modified proposals to accompany the transfer of availability testing to unemployment benefit offices. The further changes we might have made however would have been largely window-dressing since they would for the most part merely have reflected what happens now, and their main effect would have been to clarify the rules. To the extent that the new rules were tighter than the existing ones, ie by allowing a maximum three months for a person to find a job in his own occupation, this would have handicapped managers and others with highly specialised skills who at present are often not able to find

R.

another job within three months; and my DHSS colleagues and I formed the view that the benefits of clarification were not sufficient to outweigh the harmful effects on this category of claimant. Because of the tight timetable, I have not been able to consult Norman Tebbit in advance as I would have liked; but I hope that he and other colleagues will agree that the overall package is in fact better without this extra element.

The changes, which will be made by regulations subject to negative resolution following their consideration by the Social Security Advisory Committee, will form a self-contained package. They will not prejudice the continuing discussion of the definition of suitable work, which is part of current CPRS studies; but they need to be settled now. There are no staff costs and the only benefit cost in 1982/83 will be the sum of about £5,000 needed for the abolition of the seasonal workers' registration condition rising to £100,000 in 1984/85 which I will find from my PESC allocation for minor improvements.

I should be grateful for the early agreement of H Committee colleagues - to whom I am copying this letter - to the changes proposed, if possible within the next week.

Yours ever

Norman

NORMAN FOWLER

VOLUNTARY REGISTRATION AT JOBCENTRES FOR UNEMPLOYED CLAIMANTS - CONSEQUENTIAL CHANGES

Proposals

A penalty for unemployment benefit claimants who fail to attend for inteview with Unemployment Review Officers (UROs)

1. With the introduction of voluntary registration, UROs will increasingly be dealing with unemployed people receiving unemployment benefit only, as well as those getting supplementary benefit, and a power is needed to ensure that claimants attend for interview when summoned. There is at present a power in the regulations to require an unemployed person to attend for interview at a Jobcentre, failing which his unemployment benefit may be disallowed; and it is proposed to extend that provision to cover interviews with UROs.

Abolition of the registration condition for seasonal workers

2. One of the additional conditions which a seasonal worker has to satisfy in order to be entitled to unemployment benefit is that he has registered for work, when unemployed, during the preceding two years. Abolition of this condition was one of three recommendations made by the National Insurance Advisory Committee in their report on seasonal workers in 1977 but not implemented by the then Government on grounds of cost. (The others related to the definition of a seasonal worker and a change concerning the length of his off-season.) No commitment has been made by the present Government to implement the recommendations.

3. When voluntary registration comes into effect the registration condition for seasonal workers will no longer be appropriate. Since however complete abolition of the condition would involve an immediate cost of just over £100,000 in a full year, it is proposed that the condition should be abolished only for periods of unemployment occurring after the introduction of voluntary registration in October 1982. This will have the effect of reducing the 1982/83 cost to about £5,000 and deferring the full-year cost until 1985/86.

Legislative backing for the new initial availability test

4. With the introduction of voluntary registration, the responsibility for testing a claimant's availability for work will shift from the Jobcentre to the unemployment benefit office. When a claimant first claims benefit he will be asked if he is prepared to take any full-time job which he can do; and if the reply to this raises doubts about his availability the unemployment benefit office will ask him to complete a questionnaire giving further information and, if necessary, interview him. When the procedures were tested in a number of unemployment benefit offices there was considerable opposition to the new test in some quarters and it is not certain that refusal by a claimant to answer the questions asked would, under the present rules, lead to disallowance of his benefit. It is therefore proposed to amend the regulations so as to ensure that benefit can be disallowed in these circumstances.

Tightening and clarification of the rules about restricting availability for work

5. The present rules provide that if a claimant restricts the nature, hours, rate of pay, locality or other conditions of employment he is prepared to accept, so that as a result of the restrictions he has no reasonable prospect of getting a job, he will not be eligible for unemployment benefit. There are fairly tightly drawn exemptions to this rule where:-

a) the real trouble is temporary local employment difficulties;

b) his restrictions arise from the fact that he is disabled;

c) he has not been unemployed very long and it is still reasonable for him to be trying to get a job where he can use his skills and training.

6. The Rayner report recommended various changes, intended to be clearer and tougher, but which would in fact have slackened some of the rules and made them extremely difficult to operate.

7. Having accepted the principle of tightening the rules, alternative changes were considered which would have retained the present flexibility to expect a person to lower his sights before the expiry of 3 months, but also kept the 3-months cut-off recommended by Rayner. This proposal would however have operated against highly-skilled claimants and in particular those with managerial experience, who in present circumstances often need more than 3 months in order to find suitable employment in their occupation.

8. There seems no point in making largely presentational changes from which the undue strictness in relation to people with skills would emerge as the obvious feature. Overall, availability will be more appropriately tested under the new arrangements which will come into effect in October, and the present rules can be allowed to continue without any sacrifice of control.

Recommendation 4: 1) during the first three months of unemployment availability should be called into question where a claimant would be unwilling, on other than health grounds, to take a job on similar terms to his last one;

2) if the claimant is unwilling to return to his last job, or similar work, the test should be whether, in the district where the claimant is now prepared to work, any vacancies of the kind sought are available in the local Jobcentre on the day of receipt of the enquiry or the next 4 working days. Alternatively the claimant would have to demonstrate (eg through newspaper advertisements) that, although not notified to the Jobcentre, the work sought was currently available or would be available within the next month;

3) after 3 months unemployment claimants whose last job had been manual would be expected to accept any manual work within their mental and physical abilities. Claimants whose last job had been non-manual would be expected similarly after 3 months to accept any non-manual work.

Effect: some saving on manpower and benefit but no estimate is possible.

E.R.

Manpower

2

PRIME MINISTER

AMO

I have been pressing Mr. Fowler's Office for some months now for a report to H on progress on implementing the Rayner Scrutiny of payment of benefits to the unemployed. But there have been considerable differences between the DHSS and the Department of Employment, and the delay has largely been due to attempts to reconcile these differences. The attached report by Mr. Fowler shows that there are still differences between him and Mr. Tebbit (paragraphs 4 and 5), though they are both agreed that it would be too costly (£80 m) to move to a one office system (paragraphs 2 and 3 and Annex 1).

GM

30 March, 1982.

010 mm

WM 19/3

Miss Sullivan

Note copy to Mr. Ricketts.

Mrs. Frost

Please file.

SD 18/3

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

Rt Hon Norman Fowler MP
Secretary of State
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1

D Norman,

THE RAYNER SCRUTINY OF PAYMENT OF UNEMPLOYMENT BENEFIT

Thank you for your letter of 27 February. You will meanwhile have received my letter of 2 March and the Chief Secretary's letter of 26 February about unemployed people who fall sick, and no doubt you will be replying to both.

I thought, however, that I should let you know of my continued concern over the location of the management of the NUBS computers at Reading and Livingston. As you say, the current arrangements have coped with over 3 million unemployed and the introduction of taxation of benefit is going smoothly. I am naturally glad of this, but it seems to me to be a triumph of staff endeavour over faulty organisation. I do not find the fact that we have managed so far is a persuasive argument against streamlining the management structure, particularly if we can achieve some saving in staff.

I do not myself think that this particular change should be regarded as dependent on decisions on the operational strategy. You may recall what the Rayner Team had to say on that score in their report. I was pleased to see the note about the development of this strategy, its aims and this Department's future engagement in it. But it is clearly going to be at least approaching a decade - and probably more when one looks at the scale of the investment in mind - before we could start introducing an integrated system.

I cannot think that it is right to forego meanwhile the advantages of allowing the UBS to manage its own computers. This is a natural extension of the agency agreement, not a change of policy control which I have already agreed should remain with your Department. And provided my Department participates in the management structure of the operational strategy and in the central planning team, I can

see no reason why this particular change of managerial responsibility should be inconsistent with the development of the operational strategy when finally approved.

I would hope very much that we can settle this issue without going to colleagues, but if you find yourself unable to agree to this transfer of responsibility I must reserve the right to insist that it be included in the report to H which the Prime Minister has now asked for by the end of the month.

As regards the one office recommendation, we must inform colleagues of the position we have reached. I agree that the postal claim form is the route that we have to try immediately and the pilot run is now going ahead. But in my view we must be ready to look again at the possibility of a short term scheme when the conditions in UBOs permit.

Finally, I think we must take the mind of colleagues on milk tokens. There is a clear clash here between the possible political repercussions and more efficient administration and I am not convinced that the latter should give way to the former in this instance.

I am copying this letter to Derek Rayner.

DEPARTMENT OF EMPLOYMENT

Caxton House
Tothill Street
London SW1H 9NF
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GTN Code 213

T/S Prime Minister

WITH THE COMPLIMENTS OF
THE PRIVATE SECRETARY

4/8/81

Transport.

WM +LK

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The Rt Hon Lord Soames GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON SW1

31 July 1981

Dear Christopher

RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

You wrote to Willie Whitelaw on 23 July in response to the letter which Patrick Jenkin and I sent him on 17 July.

As you know, we made our announcement on 30 July and I attach a copy. You will see that we were able to say something about savings from the procedural changes in the report and both Patrick Jenkin and I will continue to press ahead urgently with those procedural changes that are acceptable. We have in fact already approved the implementation of a first batch of recommendations - mostly minor but including recommendation 23 which extends quarterly attendance and makes substantial savings. As we have stressed before, however, a number of the procedural recommendations do raise difficulties, both of policy and practice, and we must be clear that the eventual savings from the procedural recommendations as a whole, while likely to be substantial, are also likely to be less than the figures you quote. In particular, as we said in our letter of 17 July, the 800 'one office' related staff savings, which we hope to make independently of the move to one office, are particularly uncertain at present.

As far as one office itself is concerned, I accept of course that we need to take decisions soon and we shall hope to come back to colleagues by early October as the Prime Minister has asked.

Your letter also raised wider questions about the role of the MSC's employment service. Naturally I am anxious to ensure the MSC maximise the efficiency of this and the other services it provides. We have already cut the staff and other resources available for the Commission's employment and training services pretty sharply, thus forcing them to review priorities and improve performance. The savings resulting from voluntary registration will bring the level of staff cuts in the general placing service to well over 20%. I will nonetheless be continuing to keep a close eye on its activities, and I am certainly not ruling out the possibility of a further scrutiny before too long. However, I think we must be a little cautious in drawing conclusions about the needs of the MSC's employment service for the future from the present exceptionally depressed state of the labour market. Once there is some revival of economic activity,

the labour market in turn is likely to become more active and we are likely to see increasing calls by employers on the services provided by the public employment service.

I am sending copies of this letter to the recipients of yours.

Yours

Tom

DEPARTMENT OF EMPLOYMENT

WRITTEN REPLY

THURSDAY 30 JULY 1981

143 MR PETER BOTTOMLEY (GREENWICH WOOLWICH WEST): To ask the Secretary of State for Employment, if he will summarise reactions during the consultation period to the report "Payment of Benefits to Unemployed People" and if he will announce the Government's decisions on the report's recommendations.

MR JIM PRIOR REPLIED:

The three major proposals in the report were that registration for employment at a Jobcentre should no longer be a pre-condition of entitlement to benefit; that administration of unemployment benefit and supplementary benefit for unemployed people should be centred on one office; and that abuse of the benefit system should be measured and more resources devoted to combating it. The report was published on 20 March and comments invited. Some 70 organisations and individuals responded, most of them concentrating on the three main proposals.

As far as making registration for employment voluntary is concerned, comments have varied widely between those who oppose it, generally on the ground that it may reduce the help given to unemployed people including those who are disabled. Concern has been expressed that the need in present circumstances for controls against possible abuse of benefits should not be exaggerated and the positive role of the public employment service be given insufficient emphasis.

In the light of these varied comments, the Government has decided to accept the recommendation that for those aged 18 and over registration for employment should no longer be a condition for receipt of unemployment and supplementary benefits. Legislation will be introduced with the aim of implementing the recommendations in October 1982. The Government considers that this change will bring advantages both for the employment service and for unemployed people, while at the same time making useful economies through the elimination of unnecessary procedures.

The Government has also decided to accept the recommendation that, as part of the move to voluntary registration, there should be a test of availability in benefit offices when a claim is first made and amendment of the rules on restricted availability. The precise changes to these latter rules have still to be decided and proposals will be put to the Social Security Advisory Committee in due course.

On further consideration, the Government has decided to increase the number of Unemployment Review Officers in the Department of Health and Social Security by 50, instead of the 300 recommended in the Report, and to allocate 250 staff to the public employment service to provide additional help to longer-term unemployed people in finding jobs, working in cooperation with the UROs.

As regards unemployed disabled people, the Government intends, under voluntary registration, to give them particular encouragement to use the services available to them in Jobcentre

publicising these services fully at both unemployment benefit and social security offices.

The consultations have reflected widespread agreement with the principle that unemployed people should have to deal with only one office for their benefits but some concern that, while unemployment benefit offices are the appropriate contact point for unemployed people, assessment of supplementary benefit for unemployed people should remain in DHSS offices linked to the main social security system. In its initial response to the report, the Government accepted the principle of the recommendation, but set in hand further work to see how this principle might best be achieved. The results of this further work are now being considered and the Government's decision will be made known as soon as possible. Meanwhile, the Government will be going ahead with a number of procedural changes which, while they would be achieved as part of the"one office"proposal, could also be made independently.

The comments have tended to reflect the Government's own doubts about the statistical accuracy of the report's estimate of the level of benefit fraud and to agree on the need for more soundly based estimates. At the same time there is concern that genuine claimants - the vast majority - should not suffer. The Government has carefully considered, in the light of the comments made, how best to obtain more soundly based estimates of the level of benefit fraud and has concluded that it would be wrong to investigate for this purpose unemployed people

where there is no cause for suspicion. Investigations under the exercise will therefore concentrate on cases where the papers held by the Department of Employment or Department of Health and Social Security give some grounds for thinking that the claim could be fraudulent. Full details of the exercise have still to be worked out.

As regards the report's recommendation that more staff should be engaged in special reviews of cases in areas of high fraud risk, 30 additional staff will be employed on this work in the Department of Employment as a first step. In the Department of Health and Social Security some 150 existing fraud specialists will be redeployed to this work.

Some recommendations in the report require further study, taking account of the comments. There are, however, many procedural changes with which progress can be made, and the Government intends to move on these as quickly as possible. Overall, the change to voluntary registration and the procedural recommendations in the report which the Government has already decided to implement will lead to staff savings of around 1,650, representing an annual saving of some £13 million. In addition, the procedural changes which the Government is pursuing independently of the one office proposal could, depending on the outcome of further work, save about an additional 2,000 staff, representing an annual saving of £15 million.

30.7.81 **EMPLOYMENT** Page 2
Written Answer

"Payments of Benefits to Unemployed People"

Mr. Peter Bottomley asked the Secretary of State for Employment if he will summarise reactions during the consultation period to the report "Payments of Benefits to Unemployed People"; and if he will announce the Government's decisions on the report's recommendations.

Mr. Prior: The three major proposals in the report were that registration for employment at a jobcentre should no longer be a pre-condition of entitlement to benefit; that administration of unemployment benefit and supplementary benefit for unemployed people should be centred on one office; and that abuse of the benefit system should be measured and more resources devoted to combating it. The report was published on 20 March and comments invited. Some 70 organisations and individuals responded, most of them concentrating on the three main proposals.

As far as making registration for employment voluntary is concerned, comments have varied widely between those who oppose it, generally on the ground that it may reduce the help given to unemployed people, including those who are disabled. Concern has been expressed that the need in present circumstances for controls against possible abuse of benefits should not be exaggerated and the positive role of the public employment service be given insuffient emphasis.

In the light of these varied comments, the Government have decided to accept the recommendation that for those aged 18 and over registration for employment should no longer be a condition for receipt of unemployment and supplementary beneits. Legislation will be introduced with the aim of implementing the recommendations in October 1982. The Government consider that this change will bring advantages both for the employment service and for unemployed people, while at the same time making useful economies through the elimination of unnecessary procedures.

The Government have also decided to accept the recommendation that, as part of the move to voluntary registration, there should be a test of availability in benefit offices when a claim is first made and amendment of the rules on restricted availability. The precise changes to these latter rules have still to be decided and proposals will be put to the social security advisory committee in due course.

On further consideration, the Government have decided to increase the number of unemployment review officers in the Department of Health and Social Security by 50, instead of the 300 recommended in the Report, and to

Mr. Murphy asked the Secretary of State for Industry what measures he intends to take in respect of the postal monopoly after enactment of the British Telecommunications Bill.

Mr. Kenneth Baker: In my right hon. Friend's statement to the House on 16 July 1980 he set out the Government's intention to remove certain categories of mail from the scope of the postal monopoly. The British Telecommunications Act also contains provisions which give the Secretary of State the power to make further relaxations to the monopoly in certain circumstances.

After consultation with all interested parties, including the Post Office, I now propose to take the following measures to remove certain categories of mail from the scope of the monopoly:

(i) There will be a general suspension of the monopoly allowing any person to carry time sensitive/valuable mail subject to the condition that for each item carried a minimum charge of at least £1 is levied.

(ii) In respect of document exchanges, a general licence will be issued allowing any document exchange to arrange for the transfer of mail to any other document exchange. This general licence will not affect the present position where the sender is required to bring his own documents to an exchange and the addressee is required to pick up documents addressed to him from an exchange.

(iii) A general licence will also be issued to enable charities to carry Christmas cards. This concession will be restricted to the period approximately one month prior to Christmas. As in the case of document exchanges it will not be necessary for any individual charity to apply for a licence; any organisation which comes within the definition of "charity", which will be set out in the licence, will be able to take advantage of the general licence, subject of course, to observing any terms and conditions set out in the licence.

I shall shortly issue the general licences and lay the Statutory Instrument for the suspension of the monopoly in respect of time sensitive/valuable mail.

In addition to these specific derogations, my right hon. Friend also announced on 16 July 1980 that he would be seeking to amend the law relating to the Post Office letter monopoly in order to provide for powers to make relaxations in respect of certain further categories of mail and to remove the monopoly either in a local area or nationally in the event of actions within the control of the Post Office which result in a cessation or serious decline in the quality of service, or, if after due warning, the Post Office fails for reasons within its control to satisfy him as to its performance in serving the public. The criteria which will be used in deciding whether to make further derogations are still under consideration.

The Post Office has already taken steps to become more responsive to customer needs. These measures and the powers taken to make further relaxations where customer

allocate 2[illegible] staff to the public employment service to provide additional help to longer-term unemployed people in finding jobs, working in cooperation with the UROs.

As regards unemployed disabled people, the Government intend, under voluntary registration, to give them particular encouragement to use the services available to them in jobcentres publicising these services fully at both unemployment benefit and social security offices.

The consultations have reflected widespread agreement with the principle that unemployed people should have to deal with only one office for their benefits, but some concern that, while unemployment benefit offices are the appropriate contact point for unemployed people, assessment of supplementary benefit for unemployed people should remain in DHSS offices linked to the main social security aystem. In its initial response to the report, the Government accepted the principle of the recommendation, but set in hand further work to see how this principle might best be achieved. The results of this further work are now being considered and the Government's decision will be made known as soon as possible. Meanwhile, the Government will be going ahead with a number of procedural changes which, while they would be achieved as part of the one office proposal, could also be made independently.

The comments have tended to reflect the Government's own doubts about the statistical accuracy of the report's estimate of the level of benefit fraud and to agree on the need for more soundly based estimates. At the same time these is concern that genuine claimants—the vast majority—should not suffer. The Government have carefully considered, in the light of the comments made, how best to obtain more soundly based estimates of the level of benefit fraud and have concluded that it would be wrong to investigate for this purpose unemployed people where there is no cause for suspicion. Investigations under the exercise will therefore concentrate on cases where the papers held by the Department of Employment or Department of Health and Social Security give some grounds for thinking that the claim could be fraudulent. Full details of the exercise have still to be worked out.

As regards the report's recommendation that more staff should be engaged in special reviews of cases in areas of high fraud risk, 30 additional staff will be employed on this work in the Department of Employment as a first step. In the Department of Health and Social Security some 150 existing fraud specialists will be redeployed to this work.

Some recommendations in the report require further study, taking account of the comments. There are, however, many procedural changes with which progress can be made, and the Government intend to move on these as quickly as possible. Overall, the change to voluntary registration and the procedural recommendations inthe report which the Government have already decided to implement will lead to staff savings of around 1,650, representing an annual saving of some £13 million. In addition, the procedural changes which the Government are pursuing independently of the one office proposal could, depending on the outcome of further work, save about an additional 2,000 staff, representing an annual saving of £15 million.

of engineering, and their students' interests and abilities. We hope that the proposed Engineering Council would have particularly in mind this objective in accrediting first degree courses, but we also hope that its accreditation arrangements would be flexible, and that it would co-operate with validating bodies, such as the CNAA. An important consideration is maintaining and, where necessary, improving opportunities for those who wish or need to obtain or enhance their qualifications through part-time study. We look to all responsible for the management and financing of higher education institutions to respond constructively so far as resources allow to proposals for the enhancement of engineering degree courses. We look to them also, in collaboration with the new Engineering Council, to develop a consistent and co-ordinated approach across the whole higher education system.

Particular attention has been paid by commentators to the question of the length of engineering degree courses and the problem of encompassing within them a wider range of engineering knowledge. There are already precedents, not only in Scotland, for courses taking four years. The Government recognise that a number of further courses will contain essential material making a longer duration than three years necessary. Such courses should be clearly distinctive in terms of staff and student quality and should be of demonstrable value to industry. The Government's view is that their numbers should be limited, and that normal engineering education should continue to take the form of three-year bachelor courses—or of sandwich courses—followed by structured training and experience. In the present financial climate there can, in any case, be no question of the Government providing extra resources to extend engineering degree courses. The enhancement and extension of courses will have to accomplished within the funds available; and institutions and those who fund them must weigh the cost of raising quality against the number they wish to accept on their courses. The Government have been glad to note the University Grants Committee's statement that numbers in the universities in engineering and technology should increase slightly over the next three years and that, within total numbers, universities should decide the extent to which the lengthening of courses can be justified.

The Government endorse the importance attached by both Finniston and the NCEET to the structured two-year training period after graduation as part of an engineer's basic formation. Industry will have to be prepared to increase its training places if sufficient provision is to be achieved.

The Government also endorse fully the emphasis in the Finniston and NCEET reports on the continuing formation of engineers as the most effective way of raising the general level of competence in the engineering profession. The development of professional skill and knowledge must continue beyond registration, and demands a provision for integrated education and training to match the needs of industry. Educational institutions and employers must be partners in the design of such provision.

My Department has recognised the need for the expansion of relevant continuing education at all levels and is actively pursuing the programme of action outlined in its document on post-experience vocational education published last October. But we consider that Finniston was right in saying that the main impetus must come from the engineers and their employers, who together must pursue the essential integration of employment, education and

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TMP

Manpower

10 DOWNING STREET

From the Private Secretary

27 July 1981

Dear Marie

RAYNER SCRUTINY OF BENEFITS FOR UNEMPLOYED PEOPLE

The Prime Minister has seen a copy of the letter from Mr. Prior and Mr. Jenkin to the Home Secretary of 17 July.

She is content with their proposals for following up this Rayner scrutiny. She has noted that a further report will be given to colleagues on the move to a "one office" system and she hopes that this report will be ready by early October. She would also like to see a report on the outcome of the exercise to obtain better estimates of fraud levels. Finally, and as I mentioned to you this morning, the Prime Minister hopes the announcement of these decisions can be deferred until after today's censure debate. I understand you have now arranged for the decisions to be announced on Thursday, 30 July.

B/F

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Lord President, other members of H Committee, Sir Derek Rayner and to Sir Robert Armstrong.

Yours

Wilnie Rickett

Miss Marie Fahey,
Department of Employment.

CONFIDENTIAL

ffu

CONFIDENTIAL

Margaret

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

WR 24/7

The Rt. Hon. William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

24 July 1981

Dear Willie,

RAYNER SCRUTINY OF BENEFITS FOR UNEMPLOYED PEOPLE

Although the Rayner scrutiny team addressed themselves only to the situation in Great Britain, their report has fairly major implications for Northern Ireland and it may therefore be helpful if I add a footnote to the letter dated 17 July from Jim Prior and Patrick Jenkin. In doing so I will confine myself to the three major proposals.

Voluntary Registration

If registration for employment is to be voluntary in Great Britain there are no special factors in Northern Ireland which would justify the continuation of the present system of obligatory registration there. I should add, however, that I share the doubts about the level of voluntary registration assumed by the Rayner team, and these will have some bearing on the staff savings which will flow from this change. Because of the very high rate of unemployment in Northern Ireland I do not think it would be profitable in present circumstances to re-establish the unemployment review service which was discontinued several years ago. I propose instead to look for an enhancement of our efforts to counter fraud and abuse through the local DHSS network.

Fraud

I agree that there are problems about obtaining more soundly based estimates of the level of fraud, but Northern Ireland officials will be keeping in touch with developments on this front in Great Britain with a view to mounting a similar exercise. The increase which took place last September in the number of staff engaged on counter measures against fraud in Northern Ireland has proved highly cost-effective and a further expansion is already under active consideration.

.../

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.../

'One Office'

In Northern Ireland both benefits are already dealt with at one (DHSS) Office, although one officer does not normally deal with both. A limited experiment on unified handling had started before the Rayner study became available and the report on this has now been received. A more extensive trial is under consideration.

Conclusion

So far as Northern Ireland is concerned a great deal will depend on the outcome in Great Britain, especially on the question of voluntary registration, but I do not expect any significant problems in keeping the two systems in line. An additional factor is that we have recently received the report of a Rayner scrutiny team which has been looking at the employment service in Northern Ireland but its recommendations are not incompatible with the Great Britain study.

I am copying this to the recipients of our colleagues' letter.

Yours ever

Humphrey

SD

WR 24/7

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

23 July 1981

The Rt Hon William Whitelaw, CH, MC, MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON
SW1H 9AT

Dear Willie,

T.P.M.

RAYNER SCRUTINY OF BENEFITS FOR UNEMPLOYED PEOPLE

I agree generally with the conclusions Jim Prior and Patrick Jenkin have now reached on the proposals from the scrutiny of benefits to the unemployed. (Their letter to you of 17 July.) I have three comments.

First, although the manpower savings from voluntary registration are now less than I had hoped, I was glad to see that this has been more than compensated for by greater savings from procedural improvements. I understand that these could now amount to over 2000 by 1984, combining the changes recommended directly in the scrutiny (1300), and further procedural improvements (saving up to 800) originally recommended as part of the move to one office, but which could be implemented independently. So procedural improvement has become the major part of the total package. This underlines a main message of the White Paper on Efficiency which was the contribution that steady, relatively detailed administrative improvements can make to efficiency and savings. I would hope the proposed announcement will bring out how much is going to be achieved in this way as well as through the larger policy changes which the scrutiny recommended.

Secondly, the proposed concession to the MSC's claims for fewer Job Centre savings seems to me to raise very real questions about the future of the MSC's placement service. As a matter of principle, I am not clear that this Government should attach any importance to the MSC's Employment Service retaining its present market share; should we not be glad to see the private sector share increased? As a matter of practice, I wonder whether it can be a sensible use of manpower to continue to use a lot of staff on matching vacancies to applicants at a time when vacancies are so short that applicants fall over each other to get every vacancy that appears. Is there not a clear danger that a service which was originally devised to handle a high

level of vacancies will find itself at a loose end, with strong pressures to make work and with a consequent increase in the unit cost of handling each case?

I recognise, of course, that Jim Prior has needed to handle his relationship with the MSC with great care in the present circumstances. I am not necessarily pressing for further cuts to MSC manpower above the additional 500 he has offered, though obviously any that could be found would be very welcome. But I do wonder whether the MSC's determination to maintain their placing activities at the highest level they can, makes sense in terms of the effective use of scarce manpower over the next 2-3 years. I should be grateful for Jim Prior's views. Despite the diplomatic difficulties, is this a good case for a further scrutiny next year?

Finally, on the "one office" proposal to combine the payment of benefits to the unemployed, I think it is important to get the longer term arrangements right so that they are simpler both for the unemployed and for those who have to operate the system. But I appreciate that there are a number of other potential changes such as the introduction of unified housing benefit and a simplified short-term supplementary benefit, which, as the scrutiny report itself recognised, are also highly relevant. I hope it will be possible to take decisions on these very soon and that in turn this will clear the way for taking a firm view on the right organisation to aim for in the latter part of the 1980's, and beyond.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Employment and Social Services, other members of H Committee, Sir Derek Rayner and Sir Robert Armstrong.

Yours ever

Christopher

SOAMES

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8550

WM 23/7

22 July 1981

Richard Dykes Esq
Department of Employment

Dear Richard

RAYNER SCRUTINY OF BENEFITS FOR UNEMPLOYED PEOPLE

Sir Derek Rayner is out of the office until 10 August, partly on leave and partly on business, and so cannot respond to the letter of 17 July from the Secretaries of State to the Home Secretary. I am sure however that he will be encouraged by the progress made and the decisions taken on the various fronts and would want to see an early announcement of these and the estimated savings.

2. Although the savings from voluntary registration are not as high as originally envisaged, I know he would not want to second-guess the reasons for this believing that the important thing is realism in estimation and learning by experience. And as to the use of URO's, he would be understanding of the limitations on their role in the present unemployment situation, which of course has changed substantially since the scrutiny was completed.

3. Sir Derek will look forward to receiving soon the detailed account of progress on the procedural recommendations which are very important. I know that he would be very glad to be kept in touch with the further work on one-office, the results of the pilot exercise of a claimant completed form and the work of the estimation of the level of fraud.

4. I am copying this to the private secretaries to the Prime Minister, the Chancellor of the Exchequer, the Home Secretary and other members of H Committee and Sir Robert Armstrong.

Yours sincerely
David Allen.

D R ALLEN

PRIME MINISTER

On 20 March, Mr. Prior and Mr. Jenkin published the report of the Rayner Scrutiny of Benefits for Unemployed People, and their response. This invited comments on the report's recommendations.

The attached letter from Mr. Prior and Mr. Jenkin to the Home Secretary reports the results of this consultation, and makes proposals for action on the Rayner Scrutiny's recommendations.

On the report's three main recommendations, the letter takes the following line:-

(a) Voluntary registration: Despite the comments received, Mr. Prior and Mr. Jenkin believe this should be implemented. They raise some doubts about the level of staff savings that will be achieved, and their revised estimates seem realistic. They propose that instead of using some of the staff savings to increase by 300 the numbers of DHSS Unemployment Review Officers, 250 should be retained in the Employment Service and the number of UROs increased by only 50.

(b) One Office: Both Mr. Prior and Mr. Jenkin see considerable practical difficulties with implementing this recommendation swiftly. They propose at first to pursue a number of new alternative proposals for saving staff. But they promise to study the possible move to a one-office system further and to report to colleagues again.

(c) Fraud: Mr. Prior and Mr. Jenkin make revised proposals for the exercise to obtain better estimates of the level of fraud.

I have consulted Sir Derek Rayner's Office. They are broadly content with the line taken by Mr. Prior and Mr. Jenkin. But they suggest you may wish to keep the pressure up by :

/ (a)

(a) setting a deadline of early October for the report on the further study of moving to a "one office" system; and

(b) asking for a report on the outcome of the exercise to obtain better estimates of fraud levels.

1. Agree? Yes

2. There is one other point. Mr. Jenkin and Mr. Prior propose to publish their response on Monday, 27 July. Agree that publication should take place after any censure debate? Yes

CWSR

MCB

21 July, 1981.

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Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

17 July 1981

Dear Willie

RAYNER SCRUTINY OF BENEFITS FOR UNEMPLOYED PEOPLE

We wrote to you on 18 February telling you of our intention to publish this report with a draft of our proposed response. We published the report and our response, under one cover, on 20 March, and gave interested individuals and organisations some two months to comment on the report's recommendations and on our initial reactions to them.

Subsequently we granted the two major civil service unions - CPSA and SCPS - an extra month in which to submit comments. We have now received these submissions and considered them along with the other submissions received. This letter summarises the comments and makes proposals for action on the report's major recommendations.

The reaction to the report and to the Government's response

The three major proposals in the report were to make registration for employment at Jobcentres voluntary; to combine the administration of unemployment benefit and supplementary benefit for unemployed people in one office; and to measure, and take more steps to combat abuse of the benefit system. The response to the report, which has been a fairly muted one, has tended to concentrate on these major recommendations. Overall we have received some 70 submissions; two thirds of them from staff. Major outside organisations to react have included the TUC and CBI; the Manpower Services Commission (MSC); the Social Security Advisory Committee (SSAC); the Child Poverty Action Group; and the Federation of Claimants' Unions. Overall, outside organisations have been critical of the major recommendations, but more evenly balanced on the procedural changes. Staff comments have tended to favour the latter, with reaction to the major recommendations being more mixed.

Procedural recommendations

We are continuing to press ahead with planning the implementation of the many acceptable procedural recommendations in the report, broadly according to the timetable set out in our response although some slippage is inevitably occuring as a result of the severe effect which the current industrial dispute is having on the local offices of our Departments and the time we shall need to get back to normal. We still hope to be able to bring in this year most of the recommendations shown for 1981 implementation, including the extension of quarterly signing for those over 50, which alone should save nearly 400 staff, but this does depend very much on the dispute ending in the next few weeks. We shall be letting Derek Rayner have separately a more detailed account of progress on all these procedural recommendations.

(1) Voluntary registration

We said in our published response to the Rayner report that we wished to consult the Manpower Services Commission before taking a firm decision on this recommendation. The Commission's reaction has been to accept voluntary registration in principle, but to oppose any staff cuts as a result beyond those to which MSC is already committed. This was a majority position. TUC commissioners oppose both voluntary registration and further staff cuts; CBI commissioners support both. The majority see the condition of no further staff cuts as being essential in order to allow the Employment Service to retain its present market share; to cope with a high level of voluntary registration (around 75%) and to co-operate with DHSS Unemployment Review Officers (UROs). The Commission also want measures to encourage Jobcentre use and to limit the adverse effects of voluntary registration on manpower statistics; and a commitment to review the whole voluntary registration concept after three years. The Commission also object - here unanimously - to the proposal for 300 more UROs as being wasteful, objectionable and at the expense of the positive functions of the Employment Service. The Commission strongly stressed these points at a meeting last month with the Secretary of State for Employment.

We also said in our response to the report that we wished to consult the Social Security Advisory Committee. The SSAC do not object to voluntary registration provided there is no reduction in the effective interest, support and help given to unemployed people by DHSS, DE and MSC, but they are anxious that the consequential changes in availability rules and in the work of UROs should not assume a punitive aspect.

Other reaction to voluntary registration has included opposition from the TUC, the Federation of Claimants' Unions and the

Child Poverty Action Group. The burden of their objections is that those unemployed people most in need of help will not get it because they will not register; that the Employment Service will be undermined by voluntary registration and the associated staff cuts; and that the proposals for more controls in the system (tighter availability rules; more UROs etc) are punitive, and particularly unnecessary at a time when jobs are scarce. A delegation from the TUC General Council stressed these points to us at a meeting on 13 July. Strong opposition has come also from the main Civil Service trade unions - CPSA and SCPS - on similar grounds while a number of groups representing the disabled, including the Commons All Party Disablement Group and the National Advisory Council on the Employment of Disabled People, are concerned that disabled people will lose the special help they get at the moment. On the other hand voluntary registration has been supported by amongst others the CBI, with Terence Beckett writing personally to urge the maximum reduction in manpower as a result consonant with the maintenance of reasonable standards of service.

None of these comments has changed our view that voluntary registration is right. However, they have raised genuine questions about the level of savings assumed and how some of them can best be deployed to the alternative system of benefit control.

Staff savings

As we recognised in February, the crucial determinant of the level of staff savings is the level of registration assumed. We opened consultations with MSC on the basis of the Rayner Report's estimate of 50%. There is now fresh survey evidence available since the Rayner Report, which has led the MSC to suggest that around 75% of claimants would register and that the staff savings at any given registration level will be less than previously estimated. We do not accept this entirely, but we cannot deny that the new evidence does indicate that the 50% registration assumption was too low. It is impossible to be precise about the figure, but 60% looks nearer the mark and we propose to allow for that. This will reduce the savings by about 300. We must avoid establishing a direct relationship between the assumed registration level and ESD staffing because this could enable them to seek later variations in staff levels according to the actual registration level. So we propose to put this reduction in staff saving to them simply as an acknowledgement that there is some force in their arguments both from new evidence on registration and from associated factors, and not state that we believe 60% is the right figure.

Benefit control

We earlier proposed to increase UROs by 300 from the savings made in Jobcentres from voluntary registration. But there is force in the fairly widespread objection that this is to add to the controls in the system just when the scarcity of jobs makes such control less relevant, and also in the point that UROs will be coming increasingly involved in trying to place people in jobs - the natural function of the Employment Service which has trained employment advisers. There is no doubt that, as well as its own specific functions in relation to long term unemployed people the effective functioning of the UROs does depend on the help of the Employment Service with placings and we have concluded that it would be better to get the Employment Service to submit to jobs, wherever possible, individuals referred to it by UROs and to report the outcome to DHSS. With this co-operation UROs can match their functions with the employment functions of the Employment Service. We are agreed that there should be some increase in the URO force and propose 50, and that the remaining 250 staff set aside for this purpose from the Jobcentre savings should be retained in the Employment Service to provide service geared to the needs of those referred by UROs. The slightly expanded URO force of about 1,000 would, against a background of very large numbers of long term unemployed people, have regard in its work both to those whose attitude to work is suspect and to those who for other reasons seem to need special help going beyond the simple need to find a job,

The effect of these proposals on staff savings (ie registration assuming 60% level and allowing ESD to retain the 250 staff for URO type work) is to reduce the total of Jobcentre savings from the figure of around 1,750 quoted in our earlier minute to around 1,250. As we made clear in February, these savings cannot be additional to those of around 750 to which the Employment Service was already committed as part of the 630,000 exercise - we cannot ask them to cut the same staff twice - so the net effect in Jobcentres would be a further contribution towards our 630,000 target of around 500. This would mean some 1,000 fewer staff in the general placing service than in 1974. In addition, there would be net savings from the Department of Employment of around 50 (after allowing for the extra staff needed there and in DHSS for the improved benefit control system). So the net effect of the whole package would be savings of around 1,300 of which 550 would be further savings towards the 630,000 target. We regard this as an acceptable result of voluntary registration and we seek the approval of colleagues to our proposals.

Disabled people

It seems inconceivable that we should retain compulsory registration for work as an entitlement condition for this group alone - not least because many disabled people would undoubtedly resent it. However we intend to give an undertaking that under voluntary registration for work, we will give particular encouragement to

disabled people to use the special services available to help them at Jobcentres by publicising these services fully at UBOs and Social Security offices.

As far as timing is concerned we can confirm that the necessary legislation will be in next session's Social Security Bill with the aim of Royal Assent by April or May of 1982 and introduction of voluntary registration in October of 1982.

(2) 'One Office'

Comments during the consultative period on 'one office' have reflected widespread agreement with the principle but some feeling from outside organisations that, whilst UBOs might well be the contact point for the system, assessment of Supplementary Benefit for unemployed people should remain in DHSS offices where the expertise now is. Both main Civil Service unions oppose the transfer of Supplementary Benefit work and staff into UBOs, while the majority of DHSS staff who commented as individuals think that 'one office' should be based on DHSS offices. DE staff, predictably enough, tend to support building on the UBOs. Both the TUC and the Child Poverty Action Group oppose any transfer of the policy responsibility for unemployment benefit away from DHSS on the ground that UB should be seen as part of a coherent social security system.

The SSAC also welcome the 'one office' principle although they think it might well be better to leave the back up work on supplementary benefit in DHSS offices. They also feel strongly that the policy responsibility for Unemployment Benefit should remain with DHSS.

Since the publication of the consultative document detailed consideration has been given to the possibility of implementing that one office principle. What is clear at present is that there are developments which while they would be achieved as part of the one office proposal could also be made independently. These, by minimising the number of non-computer payments made to unemployed people and reducing some of the associated procedures, should reduce the substantial overpayments which can occur at the beginning of the claim and should assist claimants. They could also save staff - about 600 in DHSS offices and 200 in UBOs before the end of 1983 although these savings are particularly uncertain at present. We would also go ahead with the piloting of a claimant completed claim from which could save about 1,300 DHSS staff by the end of 1983 if it proved successful in trials.

The detailed examination of further moves to the one office - with the likelihood of longer term savings, in return for substantial interim costs - has revealed considerable problems which will take a little time to consider. We will return to colleagues on the issue as soon as possible.

(3) Fraud

Particularly strong views have been expressed during the consultative period on the fraud recommendations in the report with the Civil Service Unions, the TUC, GMWU, and Claimant's Unions amongst other objecting to what they regard as the report's over-emphasis on fraud and seeing the Government's doubt over the team's 8% fraud estimate as proof that that estimate is in fact exaggerated. Those who take this line also, not surprisingly, object to the introduction of more anti-fraud staff, fearing that further measures will lead to a reduced take-up of benefit by genuine claimants. The TUC however, welcome our decision to seek more soundly based estimates of the level of benefit fraud. The SSAC also agree that more needs to be known about the real extent of fraud but oppose random checks to measure this.

In the light of the comments we have considered how best to obtain the more soundly based estimates of the level of fraud which we said in our response to Rayner we wished to get. This is not an easy issue, especially with present levels of unemployment. To confirm or refute the Rayner estimate it would be necessary to investigate, in sufficient depth to have a good chance of establishing whether their claims were fraudulent, a random sample of claimants, the majority of whom we have no reason to suspect. There are obvious, and very serious, risks of adverse public reaction to investigating, and in many cases following or watching, claimants who have given no cause for suspicion. The Civil Service Unions would undoubtedly object to the whole exercise. On the other hand some random element is essential if we are to obtain a figure that is indeed more soundly based than the Rayner estimate.

Having looked at a number of options our conclusion is that to avoid difficulties which would almost certainly arise if the whole of a random sample of claimants were subjected to the rull range of methods used where there is prime facie evidence of fraud, we should carry out a paper sift considering all the information relating to those in the sample available to our two Departments. Where the paper sift threw up some lead for further investigation, the case would be followed up. Some fraudulent cases would be missed on the paper sift but nevertheless we believe that this method would be consistent with our response to Rayner, and we propose to ask officials to work out the details of what would be involved.

As far as devoting more resources to special fraud drives is concerned we intend to proceed on the basis set out in our response. In DHSS this means re-deploying some 150 existing fraud specialists on to this work. In DE, 30 additional staff are being put on to this work initially with more to follow if

the results justify it. In both cases, however, progress is being delayed by the current industrial action.

Next steps

There are other, less substantial issues still unsettled, which we would propose to resolve between our two Departments. These need not hold up the major decisions, and we would very much like to announce the decisions in good time before the summer recess, and propose to do so, subject to points made by colleagues by close of play on Thursday 23 July, by means of a Written Answer to a Question on Monday 27 July.

We are copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Lord President of the Council, other members of H Committee, Sir Derek Rayner, and Sir Robert Armstrong.

Yours ever

Jim o Patch

Wednesday 6 May 1981
Written Answer

PQ 2351/1980/81
Han Ref Vol
Col

FRAUD AND ABUSE

141 Mr Nigel Forman (C. Carshalton)

To ask the Secretary of State for Social Services, whether he will announce the outcome of the special action the Government took during 1980-81 to counter social security fraud and abuse.

MR PATRICK JENKIN

In February 1980, the Government announced [Vol 978 Cols 710-711] their intention to take firmer measures to counter social security fraud and abuse. The problems giving rise to concern were mainly the fraud of claiming benefit as an unemployed person whilst gainfully employed, wilful failure to take up job vacancies, and failure to maintain dependent members of families who then had to claim supplementary benefit. The Government, therefore, announced that they would use 1,050 additional staff to investigate these problem areas.

The House was promised [Vol 981, Cols 1155-1159 and Vol 989 Col 371] that a statement on the results of those measures would be made as soon as possible after the end of the 1980-81 financial year. I can now give the House this information.

We estimate that, during the 1980-81 financial year, the employment of 1,050 additional specialists saved over £40 million which would otherwise have been unjustifiably paid out by way of benefit. This figure does not include the additional savings made during the run-up to the campaign between September 1979 and March 1980, which are calculated as some £13 million. These savings are not of course the whole sum of my Department's efforts in this field. In total, DHSS staff working in this field who number about 5,600 saved the tax-payer and contributor some £170 million during 1980-81.

This is a satisfactory result and owes much to the dedication and expertise of my Department's specialist staff. No new investigation procedures have been introduced, and we have throughout been careful to ensure that there has been no departure from

the standards of conduct laid down in Departmental instructions, and the honest and the innocent have nothing to fear from the enquiries of our officials. None of the safeguards against the use of unfair pressure has been relaxed - some are indeed being strengthened. Fundamental safeguards are provided for all claimants by the system of independent adjudicating authorities and appeal tribunals.

Helping genuine claimants to get their benefits remains the main function of the social security organisation, and we have fully maintained it. The reduction of fraud and abuse helps to ensure that money can be made available for those who really need it.

In view of the outcome of this campaign the Government are continuing broadly the same level of commitment to measures against social security fraud and abuse.

I shall shortly place a fuller statement about these matters in the Library of the House.

file

DSG

5 May 1981

BF for Hansard.

The Prime Minister has seen a copy of the second draft of your Secretary of State's proposed Written Answer on social security fraud and abuse. She saw this on the basis that it had not yet been approved by your Secretary of State.

As I told you on the telephone, she is content with an Answer on these lines, although she has suggested that the words "anti-fraud and abuse" might not be necessary in the second sentence of the fourth paragraph.

MAP

Don Brereton, Esq.,
Department of Health and Social Security.

2

10 DOWNING STREET

PRIME MINISTER

Patrick Jenkin wants to put out a Statement about the Government's drive to reduce fraud and abuse in Social Security offices. He thinks it would be advantageous to do so before the local elections and he and Mr. Pym have agreed that an arranged Written Answer would be the best approach.

Here is the current draft, which has yet to be approved by Mr. Jenkin himself. It is likely to be given on Tuesday.

Agreed - but MT

in the phrase "anti fraud and abuse staff" necessary? See p. 2.

1 May 1981

MINISTERIAL STATEMENT ON FRAUD AND ABUSE

Arranged PQ

To ask the Secretary of State for Social Services, whether he will announce the outcome of the special action the Government took during 1980-81 to counter social security fraud and abuse.

Suggested Reply

In February 1980 the Government announced [Hansard Vol 978 Cols 710-711] their intention to take firmer measures to counter social security fraud and abuse. The main problems identified were frauds such as doing undisclosed work while claiming benefit as an unemployed person, undue reluctance by unemployed persons claiming benefit to take up job vacancies and failure to maintain dependent members of families who then had to claim supplementary benefit. The Government therefore announced that they would use 1050 additional staff, including 270 to deal with fraud, 530 on "unemployment review" (of whom 60 were to be used to extend this form of check to claimants receiving unemployment, as opposed to supplementary, benefit) and 170 more 'Liable Relative Officers'.

We estimated that, during the 1980-81 year, these extra staff might save some £50 million. We subsequently informed the House [Vol 981, Cols 1155-1159 and Vol 989, Col 371] that special arrangements were being made to monitor the results of this extra effort, and that a statement about the results achieved would be made as soon as possible after the end of the 1980-81 financial year. I can now give the House this information.

We estimate that, during the 1980-81 financial year, the additional benefit savings made by the employment of 1050 additional fraud and abuse specialists amount to over £40 million. This figure does not take into account the additional savings made during the run-up to the campaign between September 1979 and March 1980, which are calculated as some £13 million, nor, of course, the unquantifiable but doubtless substantial deterrent effect of the Government's measures. The salary and administrative costs of the additional staff provided for this purpose in 1980-81 were some £8 million. These savings are not of course the whole sum of my Department's efforts in this field. In total, DHSS staff working in this field who number about 5600 saved the tax-payer and contributor some £170 million during 1980-81.

/This is .....

This is a satisfactory outcome and fully vindicates the Government's decision to allocate more resources to this work. It owes much to the dedication and expertise of my Department's specialist (anti-fraud and abuse) staff. We have throughout been careful to ensure that there has been no departure from the standards of conduct laid down in Departmental instructions. None of the safeguards against the use of unfair pressure has been relaxed - some are indeed being strengthened. For example, as the House knows, we have recently put new restrictions on the questioning of mothers who claim supplementary benefit. Fundamental safeguards are provided for all claimants by the system of independent adjudicating authorities and appeal tribunals.

The campaign against fraud and abuse has not been conducted at the expense of measures to increase the take-up of benefits. Helping genuine claimants to get their benefits is the main function of the social security organisation and we have fully maintained it. Honest people are more likely to claim their entitlement if the system is efficient and fair and cheating is prevented.

In view of the outcome of this campaign the Government are continuing broadly the same level of commitment to measures against social security fraud and abuse.

I shall shortly place a fuller statement about these matters in the Library of the House.

1 May, 1981

S

✓MAP

Manpower

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/13564/81

Your ref:

27 April 1981

Dear Derek

SCRUTINY OF PAYMENTS OF BENEFITS TO UNEMPLOYED PEOPLE

Thank you for your letter of 8 April.

I recognise the need to make progress with carrying forward action on the DE/DHSS report as quickly as possible. But when it comes to implementing these changes on the ground there will be no escape from examining each local office in turn and devising the most economical solution. At that stage it will be necessary to ensure that the maximum staff savings are realised and these savings will need to be balanced against the cost of any necessary accommodation changes. It is at that stage, I suggest, that either consultants' expertise should be brought to bear or else the kind of independent view represented by the scrutiny team.

I am copying this letter to the Prime Minister, Christopher Soames, Willie Whitelaw, Francis Pym, Geoffrey Howe, Jim Prior and Patrick Jenkin; and to Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

Sir Derek Rayner

MG

MAP(O/R)

MAP MS

Man power

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1

22 April 1981

Dear Michael,

SCRUTINY OF THE PAYMENT OF BENEFITS TO UNEMPLOYED PEOPLE

Thank you for copying to me your letter to Derek Rayner of 30 March 1981 on certain aspects of the scrutiny of the payment of benefits to people who are unemployed. I have now seen the responses from Number 10 and from Sir Derek.

I agree entirely with the point you make about the need to reconcile the aims of minimal disturbance of existing offices, which have a very important job to do under difficult circumstances, and maximum staff saving from improved efficiency.

The purpose of the detailed analysis which officials from the various Departments involved are presently undertaking is, of course, to determine how best to make progress.

On the possibility of seeking expert outside help in identifying all possible staff savings, I share the doubts that others have expressed. We could look at this when the present analysis has been completed, and if serious doubts persisted about whether the potential savings from any particular course had been properly identified, perhaps there might be a case for a further scrutiny by outsiders. There might conceivably be a case for independent experts to be involved in any experiments which are mounted. I make no advance judgement on the need for experiments, but it is by no means impossible that the best way of moving ahead with reasonable confidence will be by way of thoroughly testing one or two alternatives. The identified advantages and disadvantages of the various options are likely to be finely balanced.

Copies as for your letter.

Yours ever

Patrick

CABINET OFFICE
70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

13 April 1981

The Rt Hon Patrick Jenkin MP

Many thanks for your letter of 7 April.

I am grateful for the explanation and applaud the urgency which you attach to taking these proposals forward. The fact that you will be taking a close interest in progress with recommendations 65 and 66 is very encouraging.

Copies of this go to recipients of yours.

Derek Rayner

cc DOE
DHSS
HO
HMT
CSD
CO
D. Rayner

HS

Manpower
DE/DI

10 DOWNING STREET

From the Private Secretary

9 April 1981

The Prime Minister has seen the Secretary of State for the Environment's letter of 30 March, about unemployment benefits, and Sir Derek Rayner's comments in his letter of 8 April.

The Prime Minister shares Sir Derek's view that Ministers should now be working towards the implementation of the recommendations in the report already to hand, and not commissioning a repeat of part of this work, given that the exercise has already been running for well over a year.

I am sending copies of this letter to David Edmonds (Department of the Environment), Don Brereton (Department of Health and Social Security), Stephen Boys Smith (Home Office), Peter Jenkins (H.M. Treasury), Jim Buckley (Civil Service Department), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

Richard Dykes, Esq.,
Department of Employment.

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

8 April 1981

The Rt Hon Michael Heseltine MP

Dear Michael,

SCRUTINY OF PAYMENTS OF BENEFITS TO UNEMPLOYED PEOPLE

1. Thank you for your letter of 30 March. I am as ever heartened by the importance you attach to economical administration.

2. Your suggestion that the staff savings estimated by the joint DE/DHSS scrutiny team should be re-assessed by "outside experts" is an interesting one. In the nature of the scrutiny programme, it would be for Jim Prior and Patrick Jenkin as the responsible Ministers to decide whether they wanted an external appraisal of the possible manpower savings in addition to the internal analysis now in train. But it is not something that I myself would regard as necessary for several reasons, the most important of which are these.

3. First, I expect that against the background of the Government's manpower policy the two Secretaries of State have every interest in getting the most out of the team's recommendation, and as quickly as possible. (I should add that I myself would not strain to achieve every last "potential saving"; the important thing is to take the big steps forward to administrative simplification that the report offers.)

4. Secondly, the team itself was of very high quality. The standard of its work, to my mind, justified one of the basic principles underlying the scrutiny programme, namely that the Civil Service has the knowledge, competence and integrity to be radical on behalf of Ministers who make plain their determination to reform and improve their administration. I would not expect management consultants to make a better fist at the job than the team or to come up with proposals which differed greatly from those now before Ministers.

5. Thirdly, there is a question of time. Big scrutinies often cross the borderline between decisions which Ministers can take in-house because they affect only themselves and those on which they are bound to consult interests affected by the proposals. The DE/DHSS scrutiny began in February 1980; reported in November 1980; was published last month; and is open for public comment until 22 May. Thereafter, as the

Government's response says, Ministers wish "to reach decisions quickly in the light of the consultations and comments received". Bringing in consultants to work over the team's recommendations would be bound to slow decisions down and put off the time when Ministers and the taxpayer could get a return on the effort so far invested.

6. Your reference to accommodation is important and fair. Happily, I do not think that any of those concerned wants gratuitous changes. My own view is that is is impossible to achieve good quality administration without having regard to the cost of making do with arrangements for accommodation which divide the staff concerned with a particular operation between different offices and which put up with a poor standard in many of those. Dividing staff who deliver a service between three different outlets is something that no thrusting private sector organisation could afford to live with. In this particular case, I thinkthat it would be a mistake to exchange substantial long-term improvements - in which I include the good morale which should flow froma good working environment - for short-term advantages.

7. Copies go to your copy addressees.

Yours ever
Derek

Derek Rayner

E.R.

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PRIME MINISTER

UNEMPLOYMENT BENEFITS SCRUTINY

We are still making progress slowly on the implementation of the scrutiny proposals.

The latest side issue has been raised by Mr. Heseltine, who thinks that the potential manpower savings should now be re-assessed by outsiders. Derek Rayner has said in response that he doubts whether outsiders would produce better or radically different results from the team who did the work; and that a further outside study will only further prolong a process which started in February 1980, and which ought to be getting near conclusions now. But he makes it clear that it must be for Messrs. Jenkin and Prior to reach a decision on this.

Would you like to endorse Derek's view that we should now be getting on with the implementation of the existing report, and not starting the process again?

MAP

Yes - very much so MT

8 April 1981

MG

Mr Rayner

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Sir Derek Rayner
Cabinet Office
70 Whitehall
London
SW1A 2AS

7 April 1981

Dear Derek,

SCRUTINY OF THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

You wrote to Jim Prior on 27 February about the Government's response to the report of this scrutiny and raised queries on pay periods and the DHSS management formula. He said that I would be dealing with these points.

On the problem of correcting the over-spending attributable to the difference in payment periods (recommendation 38): we aim to draw up detailed plans for carrying out the two experiments which the scrutiny team recommended, within the next month or two. As stated in the Government's response, the exercises will take some months to complete but we intend to move ahead as quickly as we can given the difficulties the report identified.

On the DHSS management formula (recommendations 65 and 66), we are as you know pressing ahead with the review and are now considering a report on the fact-finding study carried out by our Central Management Services Branch. As the Prime Minister has recognised, the results of this work will need very careful handling. And we shall also have to take into consideration the findings of another study, now well advanced, of the flow of work and relationships between our headquarters, regional and local offices. A change in the extent to which work is devolved to local offices, for example, could have considerable implications for the management task in those offices. I shall continue to take a close interest in progress, and shall be looking as soon as possible for the introduction of a structure fitted to the large and intricate task which falls on it.

I am copying this to the Prime Minister, Jim Prior, Willie Whitelaw, Geoffrey Howe, Christopher Soames and Robert Armstrong.

Yours ever

Patrick

010

MAP to Sec + PS
MS

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8224

7 April 1981

The Rt Hon Francis Pym MC MP

Dear Francis,

Thank you for your letter of 23 March about savings which need legislation. I quite accept that you have to cope with many competitors for limited places in the legislative programme.

My interest is less in the Government's manpower policy, important as that is, than in its policy to improve administration and the delivery of services to itself and the public. It may not be possible to tell at the start of a scrutiny what will come out at the end. If subjects were selected so as to avoid any which might conceivably point to a change in legislation, I think that the programme might be rather thin and so serve the "good management" policy less well than it might.

At present, Ministers and their officials choose for scrutiny those activities where there seems to be scope for doing things more economically and effectively. Once the problems are exposed, they decide on the most sensible way of putting them right. I am sure that this is the only way and I am glad that you will continue to look kindly at bills which enable Ministers to make the improvements they need.

I am copying this letter to the Prime Minister and to the other recipients of yours.

Yours ever
Derek

Derek Rayner

EM

✓ MAP

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

30 March 1981

Dear Derek

SCRUTINY OF THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

I have been following the correspondence about the payment of benefits to the unemployed arising from the joint DE/DHSS scrutiny.

? My immediate concern is the large sums we would have to spend on accommodation if there is any general post between Unemployment Benefit Offices and DHSS Offices. I therefore welcome - as my letter of 27 February to Willie Whitelaw made clear - any solution which is based on the minimum of accommodation changes.

It goes without saying however that we should aim not only for the least disturbance of existing offices, but for the maximum staff savings. This is a point which Christopher Soames has already made from the CSD. My interest is that the smaller the number to be housed, the cheaper and quicker it will be to complete the task and get the benefit of the savings.

Before we sanction any accommodation changes to introduce the one office concept we need to satisfy ourselves that all the potential staff savings have been identified and that the accommodation plans take these into account. While I welcome the fact that officials - including those from the PSA - are already making a more detailed analysis, I wonder whether you have considered the case for having the staff savings re-assessed by outside experts? Can we be sure that without this kind of outside scrutiny and expert appraisal we will realise all the potential savings that such a major administrative simplification should yield?

I am sending copies of this letter to those who have taken part in earlier correspondence - the Prime Minister, Christopher Soames, Willie Whitelaw, Francis Pym, Geoffrey Howe, Jim Prior and Patrick Jenkin; and to Sir Robert Armstrong.

Yours ever

Michael

MICHAEL HESELTINE

Sir Derek Rayner

with compliments

CHANCELLOR OF THE DUCHY OF LANCASTER
68 Whitehall London SW1A 2AT

Telephone 01-233-7113

Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL LONDON SW1A 2AT

MAP to see
MS 25/3

23 March 1981

Dear Derek,

LEGISLATION ON MANPOWER SAVINGS

Thank you for your letter of 17 March about legislation needed in order to achieve manpower savings.

The purpose of my letter of 13 March to Patrick Jenkin was to safeguard the ability of QL Committee to look, as we have just done, at the bids for legislative time next session on their merits without any prior public commitments having been made to particular measures. It is always a difficult business to assess the undoubtedly varied merits of different proposals for legislation in the next session and it becomes more difficult to do so if the Government is or appears to be publicly committed to legislation on a particular subject beforehand.

I entirely agree that we must not allow the Government's drive for administrative reform to lose impetus. Bills which achieve manpower or financial savings have had a generous allocation of the legislative time available so far in this Parliament, and I can assure you that QL had the importance of manpower savings very much in mind in planning the programme for next session. However the balance of the legislative programme is also important and it has to be bourne in mind that our manpower policy is only one of the policies competing for scarce legislative time. I could not accept, nor, I am sure, would you suggest, that it should automatically have priority over other aspects of policy. But we shall continue to find space for bills which serve the aims you have in mind.

/Cont ....

Sir Derek Rayner
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

I would, however, like to add one general comment. It is of course in the very nature of our Parliamentary system that legislative time is scarce and that savings reliant on legislation are bound to be less graspable, or at least less immediately graspable, than savings which are not. This consideration is something which I am sure we need to have very much in mind when looking at the quickest and most efficient ways of achieving the staffing improvements which are our common objective.

I am copying this letter to the Prime Minister, to the other recipients of yours and, with a copy of your letter, to the Chief Whip and Sir Robert Armstrong.

Yours ever
Francis

FRANCIS PYM

V
MS

ab

Caxton House Tothill Street London SW1H 9NA

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Switchboard 01-213 3000

GTN .Code 213

John Halliday Esq
Private Secretary to the Home Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9A7

30 March 1981

Dear John.

DE/DHSS RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

Further to my Secretary of State's letter to the Home Secretary of 18 March, I now attach a copy of the published report and Government response.

I am sending copies of this letter and the report to Mike Pattison (10 Downing Street), Richard Tolkein (Treasury), David Wright (Cabinet Office), Clive Priestly (Sir Derek Rayner's office) and to the Private Secretaries of other members of H Committee.

Yours ever

Richard Dykes

R T B DYKES
Principal Private
Secretary

Department of Employment PRESS NOTICE

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Telephone : Direct Line 01-213 7439 (24 hour answering service)
Exchange 01-213 3000 Telex 915564 DEPEMP

✓ MS

March 20, 1981

RAYNER REPORT ON BENEFIT PAYMENTS

The following statement was made today by Mr James Prior, Secretary of State for Employment:

"This is a clear-sighted report which gets to the heart of the matter - how to run a system of benefit payments that balances the interests of unemployed people, staff and taxpayers.

"The fact that the Government is immediately able to accept so many of its proposals for change is evidence that the right balance has been struck.

"Once implemented they will keep red tape to a minimum, which is important for people suffering the difficulties and distress of unemployment.

"The report also deals with the minority who try to cheat the system and the taxpayer: it contains realistic proposals to deal with fraud and abuse wherever it occurs. But it is very important to keep this in perspective. Most people claiming benefits are honest: they want a job and while they are looking they need some support from the rest of the community. So our job is to ensure that those in need of benefits get that benefit with the least fuss and delay to avoid any possibility of hardship.

"The Government intends to bring in the agreed changes as rapidly as possible. This is no reflection on the service at present provided by staff who have coped admirably with the pressures of sharply rising unemployment without lowering the quality of the work they are doing. Indeed I hope the changes we are proposing will ease the burden on them."

DE

Issued jointly by the Department of Employment (01-213 7439) and the Department of Health and Social Security (01-407 5522).

✓ MS

March 20, 1981

LESS BUREAUCRACY AND A BETTER SERVICE FOR UNEMPLOYED PEOPLE

Proposals to streamline the arrangements for paying benefits to unemployed people are put forward in a report* published today. Most of the proposals are accepted in principle by the Government which believes that, overall, they will improve the service to the public as well as saving money and staff.

Among 81 recommendations the report proposes:

- That people claiming unemployment benefit and supplementary allowance should have to deal with only one office instead of two or three as at present. The report says such a move could take 5 to 10 years to complete. The Government accepts that this would be a significant improvement for unemployed people and is studying the best way of achieving it.

- To remove the legal requirement on unemployed adults claiming benefit to register at a Jobcentre and make it voluntary instead. The report says this change would eliminate wasted effort and save staff. The Government sees a strong case for this change and is consulting the Manpower Services Commission about it.

- That steps should be taken to obtain more accurate estimates of the amount of fraud and that more effort should be put into anti-fraud drives. The Government accepts these recommendations.

The report was prepared by a team of officials from the Department of Employment and the Department of Health and Social Security in consultation with Sir Derek Rayner - the Prime Minister's adviser on Civil Service efficiency. It was commissioned jointly by the Secretary of State for

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* "The Payment of Benefits to Unemployed People"; Department of Employment and Department of Health and Social Security (HMSO - £2.35).

Employment, Mr James Prior, and the Secretary of State for Social Services, Mr Patrick Jenkin.

The Government will now be consulting the civil service trade unions on the report's recommendations and also the Manpower Services Commission and the Social Security Advisory Committee as appropriate. Organisations and individuals are also being invited to comment on what is initially proposed. Two months have been set aside for public consultation and the Government wishes to reach decisions quickly thereafter.

The bulk of the report's recommendations relate to existing procedures in social security and unemployment benefit offices for paying benefits to unemployed people. The Government intends to phase-in the agreed procedural changes as rapidly as possible giving priority to those which will improve the service and ease the burden on staff at a time when they are under considerable pressure.

The report also examines three major areas affecting benefits to unemployed people:-

Registration for Employment

At present unemployed people, as well as having to sign on at unemployment benefit offices, must register for employment at a Jobcentre or Employment Office run by the Manpower Services Commission. The report finds that that is neither an effective check on whether they are available and looking for work, nor of help to Jobcentres in placing people in employment. The report therefore recommends that registration for employment at a Jobcentre should in future be voluntary, except in the case of young people. Unemployed people would still have to sign on at benefit offices and the report also recommends other checks in unemployment benefit and social security offices on whether claimants are in fact available and looking for work. The report points to substantial staff savings which would result from these recommendations.

The Government accepts the report's analysis that compulsory registration is not a cost-effective method of benefit control and that there are other, more cost-effective means. The Government also sees advantage for both the Employment Service and for unemployed people themselves in a voluntary system of registration. Overall it sees a very strong case for

abolishing the legal requirement on unemployed adults to register at Jobcentres for work.

Fraud

The report suggests that 8% or more of unemployed people are unlawfully working and claiming benefits. It says that attempts should be made to establish the actual level of this type of fraud. It also recommends employing more staff on anti-fraud drives and points to considerable financial savings which it believes would result.

In the Government's view there is considerable doubt about the statistical accuracy of the report's 8% estimate, which is based on data from only two out of the twelve DHSS regions and relates only to claimants receiving supplementary allowance. But the Government accepts the need for better estimates of the level of this type of fraud and will be taking urgent steps to this end. The Government also intends to commit more staff to anti-fraud drives as the report recommends.

One office to deal with all claims to benefit from unemployed people

Most unemployed people at present have to go to both an unemployment benefit office, in order to claim unemployment benefit, and a social security office in order to claim supplementary allowance. The report finds this an unsatisfactory arrangement both for the unemployed person and for efficient administration. It therefore recommends that both unemployment benefit and supplementary allowance for unemployed people should in future be administered from a single office - the unemployment benefit office. It estimates that substantial long-term savings would result, although there would be a significant transitional cost through making the change, which the report estimates would take 5 to 10 years to complete.

The Government accepts the recommendation that unemployed people claiming unemployment benefit and supplementary allowance should have to deal with only one office. This is in line with its overall social security strategy of dealing with people at a single point of contact for all their benefits. It is now examining urgently whether to give effect to the proposal by combining all the work in the unemployment benefit office or by means of an alternative approach which would use the network of unemployment benefit offices to provide the contact point for the unemployed person with some or all of the backroom work being done in social security offices.

DH

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1

TELEPHONE: 01-407 5522

Marjorie

✓ MAP

The Rt Hon Francis Pym MC MP
Chancellor of the Duchy of Lancaster
Privy Council Office
Whitehall
London
SW1

19 March 1981

Dear Francis,

DHSS/DE SCRUTINY OF BENEFITS FOR PEOPLE WHO ARE UNEMPLOYED

Thank you for your letter of 13 March about this Rayner Scrutiny. I did not see your letter until the following day, but I had, of course, taken account of your earlier comments on the legislation in the way I had proposed. This seemed to respect the realities of the Parliamentary timetable and its management, while at the same time recognising our intention - which the Prime Minister has again strongly supported - to make early progress on those parts of the report that lend themselves to early action.

The report, with our response, is being published this Friday (20 March). I am afraid that by the time we received your letter it was too late to incorporate any further amendments to the text.

I am sorry I am unable to meet you fully on this point but I do think that the text as it stands is a sufficient safeguard of the legislative position. There is of course no way that we can make the full administrative arrangements without the legislation to implement the changes.

I am copying this to Willie Whitelaw and to the recipients of my earlier letter to you.

Yours ever

Patrick

mc

✓c Press

CONFIDENTIAL

2.

Caxton House Tothill Street London SW1H 9NA
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GTN 213

Prime Minister
We go public on the UBS scrutiny on Friday: then 2 months ~~&~~ for consultation. If Ministers cannot agree the way ahead thereafter you may need to chair a meeting
MAP 18/3

Rt Hon William Whitelaw CH MC MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1 H9AT

18 March 1981

mb.

Dear Willie

DE/DHSS RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

Patrick Jenkin and I wrote to you on ~~18~~ February telling you of our intentio to publish this report and enclosing a draft of our proposed response. Subsequently a number of colleagues have commented and in some cases suggested amendments.

This letter is to let you know that the report and our response are now to be published this Friday (20 March). We have included in our response almos all the amendments suggested and we shall circulate copies of the published document when these are to hand.

On registration for employment, we shall be taking the Prime Minister's view on presentation very much into account in our Parliamentary and press briefing. Our response now brings out something more of the advantages of the proposal for unemployed people as Derek Rayner suggested and we have modified the reference to the legislative timetable in the light of Francis Pym's comment. We have also incorporated most of the Lord President's point although I thought it best not to lessen the chances of our obtaining MSC agreement to voluntary registration by suggesting in our response that our view on this subject was final. This, though, is only a matter of approach. I shall be taking a firm line in consulting the MSC.

Our further examination of the 'one office' proposal is now in train. Patrick Jenkin and I will have very much in mind in examining the recommendations that come forward to us the points made by Geoffrey Howe and Michael Heseltine about the need to keep additional expenditure to the minimum consistent with obtaining the longer-term efficiency and savings which the report suggests are to be had. Our approach to this examination is entirely in accord with Rayner principles on new investment to secure savings.

On fraud, we have indicated more clearly in our response the substantial scale of the redeployment of existing DHSS fraud staff on to the special fraud drives which the report recommends. The report, of course recommends a gradual build up of these special fraud teams. DHSS's very rough estimate is that their redeployment of fraud staff onto this work will bring in a

net annual return of around a quarter of the £24m figure estimated by the report. How much further we go down this road, in the light of both Geoffrey Howe and Derek Rayner's arguments, is best left for decision until we have a firmer idea of the actual return which will accrue from these initial extra steps in DE and DHSS.

On the other points, we shall look carefully, as Geoffrey Howe suggests, at the handling of the recommendation on claimants' 'availability' whilst on holiday in the light of a review of these availability rules generally; and Patrick Jenkin will be replying direct to Derek Rayner on his points about the payment period and management formula. On Michael Heseltine's comment on improvements to the public areas of local offices, Patrick Jenkin and I are firmly of the view that we do not regard this expenditure as competing with other demands on the PSA budget. Rather we think that we must accept this report and our response to it as a package and be prepared to use a small part of the very substantial savings which will accrue to fund this recommendation for modest, but much needed, premises improvements.

I shall be writing separately to the Lord President on his more detailed manpower questions. But on timing generally, we are continuing to allow two months for consultation - ie until 22 May - and Patrick Jenkin and I intend to return to colleagues within 4 to 6 weeks thereafter with firm proposals for action on outstanding recommendations. We hope that we will all be able to reach agreement then but, if not, we may wish to take up the Prime Minister's offer to hold at that stage a meeting to resolve any differences.

I am copying this to Patrick Jenkin and to the recipients of our earlier minute to you.

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8224

MS to see

M

17 March 1981

The Rt Hon Francis Pym MC MP

Dear Francis,

SCRUTINY OF THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

1. May I offer one thought in connection with getting appropriate legislative measures to secure the large savings of which Patrick Jenkin spoke in his letter to you of 6 March and on which you commented in your reply of 13 March?

2. It is just that in my view Ministers and officials who put a lot of effort into the analysis and consultation involved in getting such savings deserve very sympathetic support and consideration with regard to legislative machinery, should it be needed. If the idea gained currency that savings reliant on legislation were less graspable than others which were not, I suspect that some of the steam would go out of the Government's drive for administrative reform.

3. I am copying this to the Prime Minister, Home Secretary, Chancellor of the Exchequer, Lord President and Secretaries of State for Employment and Social Services.

Yours ever

Derek

Derek Rayner

Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL LONDON SW1A 2AT

13 March 1981

Dear Patrick,

Thank you for your letter of 6 March about the Rayner Scrutiny of benefits for the unemployed.

I accept that the likelihood is that the necessary legislation will be included in the Social Security Bill, and I do not want to seem too pedantic about the terms in which the reference to legislation is made in the report. There is, however, little doubt that the formula which you now propose would be widely taken as a commitment to bring forward legislation early next Session. I would much prefer to avoid this at a time when we are only just beginning to consider the legislative programme for 1981/82 as a whole. Could we settle on something to the effect that the administrative arrangements should be completed by early 1982, but that legislation will be required before any scheme can be implemented?

I am copying this letter to the recipients of our earlier exchanges.

Yours ever

Francis

FRANCIS PYM

The Rt Hon Patrick Jenkin MP
Secretary of State For Social Services
Alexander Fleming House
Elephant and Castle
LONDON SE1

File

VLB

10 DOWNING STREET

From the Private Secretary

11 March 1981

Dear Richard

The Prime Minister has seen a copy of the Chancellor's letter of 3 March to the Home Secretary, about the scrutiny of benefits to the unemployed. She has also seen Sir Derek Rayner's reply.

The Prime Minister is pleased to see that there has been agreement on the early publication of the report, with the Government response. As her colleagues know already, she hopes to see early action to implement the key recommendations in the report. There appears to be a continuing measure of disagreement on two of the main recommendations. If, therefore, it would be helpful, she would be ready to hold a meeting at some stage in an effort to speed the resolution of these differences. In view of the pressures on her own timetable prior to her visit to India and the Gulf over Easter, we might bear this in mind for the beginning of May. By that time, I assume that initial reactions will have been received following publication of the papers. If her colleagues are able to reach agreement before then, she would of course be entirely happy to stay out of the detailed discussion.

I am sending copies of this letter to Stephen Boys-Smith (Home Office), Richard Dykes (Department of Employment), David Edmonds (Department of the Environment), Don Brereton (Department of Health and Social Security), Godfrey Robson (Scottish Office), John Craig (Welsh Office), David Heyhoe (Chancellor of the Duchy of Lancaster's Office), David Wright (Cabinet Office), and Clive Priestley (Sir D. Rayner's Office).

Yours ever

Mike Pattison

R. I. Tolkien, Esq.,
H.M. Treasury.

CONFIDENTIAL

See Sennys

MRR

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

9 March 1981

The Rt Hon William Whitelaw CH MC MP

Dear Willie,

SCRUTINY OF THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

1. This offers comments on aspects of Geoffrey Howe's letter to you of 3 March.

2. First, I am of course very glad that Geoffrey is also content for the report to be published, with the response by the Government as already indicated.

3. Secondly, while public expenditure is indeed difficult, I hope that the principle that there should be new investment to secure savings can be put into practice in this case, once it has been clearly established what benefits can be had for what outlay. I am sure that there are substantial improvements here for the client, the staff and the taxpayer, something I have never doubted since I visited the Stepney UBO and the Hoxton ILO.

4. Thirdly, I can appreciate Geoffrey's point about the potential increases in revenue which might follow staff increases in the Inland Revenue and Customs and Excise.

5. But the fact of the matter is that we are dealing with the results of a scrutiny of DE, DHSS and MSC operations and procedures; we do not have the benefit of comparable scrutiny results in the Revenue or Customs. I would find it contrary to good practice in my own firm and to the spirit of the scrutiny programme to set aside advantages in one area, which are generally validated by evidence and argument and part of a total package of efficiency improvements, because changes in another, not so validated, might have greater potential.

6. Finally, I would imagine, this type of fraud is relatively susceptible to detection. But if it appeared that it was relatively easy to get away with, it would be likely to catch on alarmingly.

7. I am copying this to the earlier copy addressee.

Yours ever

Derek

Derek Rayner

AJ

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

The Rt Hon Francis Pym MC MP
Leader of the House
Privy Council Offices
LONDON SW1

6 March 1981

Dear Francis,

JOINT DHSS/DE SCRUTINY OF BENEFITS FOR PEOPLE WHO ARE UNEMPLOYED

Thank you for copying to me your minute of 25 February to Willie Whitelaw. I am content to preserve the proprieties by change on the lines you suggest in the published response.

You will be aware, however, that we shall need a Social Security Bill at the beginning of next Session to deal with Statutory Sick Pay, and there are other significant though lesser, matters to be dealt with on the same sort of timetable. I am sure colleagues will wish to secure the large savings envisaged by the registration change discussed in the Rayner study, and will therefore be sympathetic to the argument for including this item in the ESSP Bill; and it is with this in mind that I accept the gist of your amendment.

In view in particular of the comments from Christopher Soames, I propose to amend the text to say that we aim for early 1982 subject to availability of Parliamentary time. This makes our target clear, but acknowledges that this item has to be considered in the wider legislation context you mention.

Copies as for the earlier correspondence.

Yours ever

Patrick

E.R.

2

PRIME MINISTER

Unemployment Benefit Scrutiny

Here are the Chancellor's comments on the draft Government response to the scrutiny team's report. You will see that he is unhappy about the possible capital investment required to move to a one-office system; and that he is still arguing that Inland Revenue has a strong case for more investigative staff.

His comments cover two of the three key recommendations of the report. I sense that we are once again going to have considerable difficulty in achieving the possible savings indicated by the Rayner Study, because the collective interests of Ministers rapidly turn a small team's thoroughbred stallion into an extremely lumpy camel.

MT

Then I shall have to have a meeting. Let me make it quite clear at the outset that I do not share the Chancellor's views on this matter. Whatever has happened to the Treasury - they have become short-sighted. not

5 March 1981

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon James Prior, MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

3 March 1981

Dear Secretary of State,

DE/DHSS RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

I am grateful to you for sending me a copy of your note to the Home Secretary together with the draft of your proposed response to the recommendations of the Johnston report.

I have now seen the Prime Minister's comments. I agree with her that the response is shaping up well. I have one or two suggestions for strengthening it and a more general worry about the document's treatment of prospective manpower savings. Subject to these points, I would be content for the document to be published as you propose.

Registration

Paragraph 11 says "the government sees a very strong case for abolishing the statutory requirement ..... to register". It would be stronger to use the words, used in your note to the Home Secretary, "the Government believes it would be right to abolish the statutory requirement ....."

Statistics

As you say, something may be made of the effect of voluntary registration on the statistics of unemployment. It will be important to present this carefully to make sure that the savings from the introduction of JUVOS and the review of government statistical services are not prejudiced. Paragraph 17 in fact explains why voluntary registration will not have major implications for the statistics of total unemployment (i.e. because these changes would have occurred anyway). I suggest the first sentence be altered to make this clear. Paragraph 18 then explains why some of the detailed statistics will be affected however and the measures which will be taken to limit this.

Future Action

I think the words "noted as requiring more study" are unnecessary in the second sentence of the last paragraph (paragraph 34). Particularly in relation to the proposals on registration, we should

surely try to leave the impression that the Government is convinced by the report but is still prepared to hear the views of others. More generally, if the whole process of consultation is not to become bogged down, the Government does need to show that it will push ahead vigorously. I appreciate that there are constraints, but there are rather a lot of references in the document suggesting that changes will take a long time to make and to show results. I have some other suggestions bearing on this but one thing which would help would be to indicate a date, in paragraph 34 - I suggest shortly after April 1981 - when final decisions will be announced. This would help to keep up the momentum of consultations and further studies. I very much agree with the hope expressed by the Prime Minister for example that firm decisions will be taken on the one office question after the two month study referred to in paragraph 27.

Manpower Savings

I am very concerned at the prospective slowness of the build-up of the manpower savings. As it stands, the document is vague about when the Government will be able to realise the 5000 potential reductions identified in the report. On the other hand there are a number of reasons given why they will take time and the eventual outcome may be different.

I shall want to agree firmer figures and a timetable with you in the next two months. In particular I am still not clear why the savings from procedural changes to be made before April 1982 can only be 500. Other possibilities exist which are accepted in principle in the response and which if implemented in the next 13 months might raise this to over 1000.

I would also like my officials to be closely involved in, and to be consulted myself about, the question of staff savings in the MSC. I start from the presumption that savings should not be eroded in order to increase activities in the Jobcentres. I very much agree with the Prime Minister that it will be desirable to take a firm line; we should be clear ourselves about our requirements particularly with regard to meeting the Government's manpower target for 1984 before we open up these matters with the MSC.

In the meantime, it is essential that the published document should not say anything which might unnecessarily prejudge the scope or timing of savings. I attach a note of the detailed amendments I would wish to see made to ensure this. I do not think any of these will weaken the force of the document.

I am sending this letter also to Patrick Jenkin, with copies to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, other members of H Committee, Sir Derek Rayner and Sir Robert Armstrong.

Yours sincerely,

(Private Secretary)

(Approved by the Lord President and signed on his behalf).

SOAMES

NOTE OF DETAILED AMENDMENTS

Para 7 - The essential purpose of this paragraph could be served, without pre-empting a number of issues still to be discussed, if it read:

"The Government intends therefore to implement the agreed procedural changes in a phased programme as rapidly as possible. Priority will be given to those which will improve the service and ease the burden on staff at a time when they are having to cope with an exceptionally heavy claims load. There is also a need to contain additional expenditure within the totals of public expenditure already announced."

Para 15 - The last sentence should be deleted.

Para 19 - The second part of the second sentence after the semi-colon reads: "and the contribution that staff savings arising from voluntary registration can make to the reductions in staff already required of the MSC will need to be considered". We have still to discuss the contribution which these savings can make to meeting our manpower targets. I would like the word "already" to be deleted therefore.

Para 20 - It would be more positive to say "as soon as possible in 1982" in describing the Government's intention to legislate, rather than "during 1982".

- I do not understand why it will take "one or two years thereafter" for the effects of voluntary registration to show through. I hope we can look for a substantial proportion of the savings to be realised quickly, and set the MSC's staff ceiling accordingly. I would prefer therefore to see the last sentence of this paragraph deleted pending discussion of the staffing consequences of the change.

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

3 March 1981

The Rt. Hon. William Whitelaw, CH MC MP

Dear Willie

DE/DHSS RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

I have seen the minute to you of ~~18~~ February from the Secretaries of State for Social Services and Employment, and the comments from the Prime Minister of ~~23~~ February and the Lord Privy Seal of 25 February.

will request if required

I think the report is an important and radical one and I welcome the positive response that the joint minute proposes. I certainly agree that the report should be published and I am content with the draft report circulated as Annex B to the minute.

I remain concerned however about the heavy investment cost of the "one office" proposal. Like the Prime Minister I have no objection in principle to the proposition that there may need to be new investment to secure savings.

We do however have a very difficult public expenditure position and I should want to ensure that the implementation of the one office is contained within planned totals of public expenditure. Indeed, the need for savings in public expenditure is such that I should want to secure these with as little offsetting for additional accommodation and staff costs as possible.

The draft response rightly draws attention to the public expenditure constraint and indicates that other options for rearrangements will be explored. I welcome this. It is by no means clear that, in order to reduce the total accommodation occupied and reduce staff, we have to add to the existing civil estate or build more offices for a reduced number of civil servants.

I see that the draft response does not endorse fully the Rayner team's proposals for employing an extra 750 staff to

/combat

combat fraud. As I have made clear in earlier correspondence, I have reservations about these proposals. The fact is that it is at least two to three times more cost effective to increase staff to tackle fraud on the Inland Revenue and Customs front than to increase DHSS fraud staff. This point would be strongly made, as it was last year, by my Revenue staff unions. This would not, of course, in the final analysis be decisive, and if I felt their view was mistaken, I would not mind if these proposals went ahead. But they would have a real point; it is intrinsically absurd to be apparently more willing to increase staff costs in the least cost-effective area.

I have comments on two minor recommendations. There is a risk of an unfavourable reaction to Recommendation 20 that benefits payments should be allowed to recipients who go on holiday. The sponsors of the report will no doubt wish to consider how this might be handled.

Recommendation 65 was for a review of the management formula for staffing local offices. I was struck particularly by the comment in paragraph 7.114 that the present arrangements seem to be "over-egging the pudding". No doubt the CSD will be considering what lessons this may have for the management organisation in other Departments.

I am sending copies of this letter to the Prime Minister, the Lord President, Secretaries of State for Employment and Social Services, other members of H Committee, Sir Robert Armstrong and Sir Derek Rayner.

GEOFFREY HOWE

✓MAP

Social Services

2 MARSHAM STREET
LONDON SW1P 3EB

CONFIDENTIAL

My ref: H/PSO/11716/81
Your ref:
27 February 1981

Dear Home Secretary

REPORT OF THE DE/DHSS RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

Jim Prior and Patrick Jenkin asked in their note to you for comments on the proposed response to the above report.

I welcome the general trend of this report and response which emphasised the need for payment of benefits to the unemployed to be simplified. Most of the individual recommendations are, of course, in consequence very much for them, but recommendations 7 and 67-70 concern me as, under the present funding arrangements, the expenditure would fall on my Department's vote.

Recommendation 7 proposes that £2.4m per year be spent on minor improvements to the public waiting areas in D/E and DHSS offices. This will have to compete with the claims of other colleagues for very tight PSA funds and I cannot believe it will be accorded a very high priority. Indeed, Jim Prior has recently had to seek additional funds to relieve the acute overcrowding in UBOs resulting from unemployment increases. I appreciate that we should not reject the recommendation out of hand, but I would rather see the response accept it "in principle", avoiding commitment to any actual level of expenditure.

Recommendations 67-70 involve a large programme of works and may well take many years to implement; very large additional funds would certainly be required. Beofre committing ourselves to the sums quoted in the report, I would want to be assured that the implementation plan was based on a solution requiring the minimum of accommodation changes. I see that PSA is represented on the working party which is reviewing the options, and I am content with the wording on this in the draft response.

Copies go to Patrick Jenkin, James Prior and those who received copies of their minute.

Yours sincerely

D Jenkin

P-P MICHAEL HESELTINE

Approved by the Secretary of State and signed in his absence

Rt Hon William Whitelaw MP

CONFIDENTIAL

✓ MAP

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

27 February 1981

The Rt Hon James Prior MP
Secretary of State for Employment

Dear Jim,

SCRUTINY OF THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

1. Thank you, TPM and Patrick Jenkin, for copying to me your minute of 18 February to Willie Whitelaw. I have seen the Prime Minister's comments (in Mike Pattison's letter of 23 February to your private secretary) and have very little to add. The only other points which struck me were these.

with map?

2. I thought that paras. 9-20 of the draft response had a slightly metallic note. Would it help if the reference at the end of para. 6 to an improved service for the public was filled out by quoting an example or two (eg the extenstion of quarterly attendance under recommendation 23) and if paras. 9-20 were made to sound a bit more human?

3. I wondered too how quickly you hope to get ahead on correcting the over-spending attributable to the difference in payment periods (recommendation 38) and on adjusting management formulas (recommendation 62-66). Both these points struck me forcibly during the scrutiny. (I understand that changed circumstances may have altered the case on management formulas somewhat since last year, but there is now at least a good opportunity for adjusting them.)

4. I am copying this to the Prime Minister, Willie Whitelaw, Geoffrey Howe, Christopher Soames, Patrick Jenkin and Robert Armstrong.

Yours ever
Derek

Derek Rayner

Soc Services

NJS to see ✓ MAP
my

HOME SECRETARY

JOINT DHSS/DE SCRUTINY OF UNEMPLOYMENT BENEFIT

Jim Prior and Patrick Jenkin sent me a copy of their minute of 18th February about the Rayner scrutiny of benefits to unemployed people.

I have no comments on the substance of the report circulated with their minute, but I notice that paragraph 20 could be interpreted as a firm commitment to legislate on voluntary registration next Session if the Government, after consultation, find the principle acceptable. This is something which will have to be considered in the context of the legislative programme for 1981/1982 as a whole, and we must avoid entering into commitments, even of a contingent and implied sort, before QL and the Cabinet have had a chance to consider all the bids. I should be grateful, therefore, if the second sentence of paragraph 20 could be amended to read:

> "The necessary legislation to introduce voluntary registration, if the Government decides after consultation to proceed, would depend on the availability of Parliamentary time."

I am copying this minute to the recipients of the minute of 18th February.

F.P.

Privy Council Office
68 Whitehall
25th February 1981

BK

Manpower

10 DOWNING STREET

MR. PRIESTLEY

I attach a copy of my letter conveying the Prime Minister's response to the DE/DHSS submission to the Home Secretary on unemployment benefits. I had a word this morning with Mr. Allen about the distribution I am giving this letter.

You will see that I have not covered the points raised in paragraphs 8 and 9 of the draft you suggested. The Prime Minister does not wish to stretch the credulity of her colleagues about the extent of her detailed consideration of these papers, and would therefore prefer that these points should be taken up direct on Sir Derek's behalf rather than through her. She would prefer to confine her comments to the three major issues.

M. A. PATTISON

23 February 1981

CONFIDENTIAL

nè BK

10 DOWNING STREET

From the Private Secretary

23 February 1981

BF for progress on points raised below

Dear Richard

The Prime Minister has seen a copy of the minute on the Unemployment Benefit Scrutiny addressed to the Home Secretary by your Secretary of State and the Secretary of State for Social Services. She is grateful for the speed with which the Ministers concerned have come forward with proposals for action. She is generally well content with what is now proposed, but would be grateful if the following points could be considered.

Registration

It may be argued that voluntary registration will save claimants (and taxpayers) a needless and expensive activity; or that it will weaken benefit control, or weaken the employment service. The Prime Minister takes the first of these views, but believes that all three will need careful anticipation in parliamentary and press briefing, with a firm emphasis on

- ceasing to make everyone go to a Jobcentre
- the associated savings to public expenditure
- the existing scale of investment in the MSC's work.

The Prime Minister hopes that Ministers will take a firm line in consulting the MSC. Whilst it would indeed be better to take the Commission along with Ministers, the MSC should accept that they do not fund the services which they run on behalf of Ministers.

One office

The Prime Minister notes that the estimate of expenditure given in paragraph 22 of the draft response (£45-90m over 5-10 years) may be criticised as very wide, but she wishes me to say that she does not object in principle to new investment to achieve savings.

/ The Prime Minister

CONFIDENTIAL

VP

The Prime Minister hopes that a firm decision will be taken after the two month period of study referred to in paragraph 27 of the draft response. If experiments were then to be mounted, they should be undertaken and completed quickly.

Fraud

The Prime Minister recognises that the handling of fraud in paragraphs 28 - 30 of the draft response may attract criticism. The scrutiny team said in paragraph 7.50 of their report that the value of benefit fraudulently claimed would have been £108m two years ago if at the level of 8%. Despite the qualifications surrounding the 8% estimate, the Government may be accused of lack of determination if it restricts its counter-measures to the extent suggested in paragraph 30; the draft does not make it clear how far the proposed changes go towards preventing losses on the scale suggested by the report.

I am sending copies of this letter to Don Brereton (Department of Health and Social Security), Stephen Boys-Smith (Home Office), John Wiggins (HM Treasury), Jim Buckley (Civil Service Department), Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

Richard Dykes, Esq.,
Department of Employment

E.R.

PRIME MINISTER

RAYNER STUDY ON UNEMPLOYMENT BENEFIT

Flag A is a minute from Messrs. Prior and Jenkin, seeking approval through H Committee to publish the study group report, with one or two minor modifications, and to publish their response to the recommendations - draft at Flag B.

The minute considers with some care the issues surrounding the three major recommendations, on voluntary registration, a single office, and fraud.

You made it clear early on that you attached more importance to the conclusions of this study. The message seems to have got across, and the Ministers concerned do seem to have decided to go for the full package, subject only to a couple of minor points.

Derek Rayner's office are encouraged by the proposed response but feel that there is scope for some further stiffening of the Ministers' resolve. They have suggested that we might write on your behalf as in the draft at Flag C. The points made in paragraphs 2 - 7 of that draft letter are worth covering. Provided you are content with the statement in paragraph 5 about new investment to achieve savings, I suggest that I should write on these points. Agree? We should perhaps leave Derek Rayner's office to argue for themselves the lesser points in paragraphs 8 - 9. Agree?

Yes

Yes

20 February 1981

CONFIDENTIAL

Mr PATTISON

DE/DHSS JOINT SCRUTINY

1. We spoke this morning. I have now had a chance to read the minute to the Home Secretary and the draft response.

2. As you said, both are on the whole encouraging and right-minded. However there are some points on which the two Departments need gingering up. These are (I hope) captured in the attached draft letter which - if the Prime Minister is content - you might send on her behalf to the Home Secretary.

CP

C PRIESTLEY
20 February 1981

Enc: Draft letter to Mr Halliday

DRAFT OF 20 FEBRUARY 1981

CONFIDENTIAL

J F Halliday Esq
Private Secretary to the
Secretary of State for the Home Department

DE/DHSS SCRUTINY OF THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

1. The Prime Minister has seen the minute to the Home Secretary from the Secretaries of State for Employment and Social Services and is grateful for the despatch with which the report had been considered. She is generally well content with what is now proposed. She would however be grateful if the following points could be considered.

Registration

2. Voluntary registration may be said to save claimants (and taxpayers) a needless and expensive activity; or to weaken benefit control; or to weaken the Employment Service.

3. The Prime Minister believes that the first assessment is the most correct, but that all three will need careful anticipation in Parliamentary and press briefing, with a firm emphasis on

- ceasing to make everyone go to a Jobcentre

- the associated savings to public expenditure
- the existing scale of investment in the MSC's work.

4. The Prime Minister hopes that a firm line will be taken in consulting the MSC. While it would indeed be better to take the Commissioners along with Ministers, the MSC ~~must~~ should accept that they ~~neither~~ do not fund ~~nor own~~ the services which they run on behalf of Ministers.

One office

5. The Prime Minister notes that the estimate of expenditure given in paragraph 22 of the draft response (£45-90 million over 5-10 years) may be criticised as very wide, but she wishes me to say that she does not object in principle to new investment to achieve savings.

6. The Prime Minister hopes that a firm decision will be taken after the two-month period of study referred to in paragraph 27 of the draft response. [If experiments were then to be mounted, they should be undertaken and completed quickly.]

Fraud

7. The handling of fraud in paragraphs 28-30 of the draft response may be adversely criticised. The scrutiny team said in paragraph 7.50 of their report that the value

of benefit fraudulently claimed would have been £108m two years ago if at the level of 8%. Despite the qualifications surrounding the 8% estimate, the Government may be accused of want of determination if it restricts its counter-measures to the degree suggested in paragraph 30; it is unclear from the draft how far the changes proposed go towards preventing losses on the scale suggested by the report.

Other points

8. The tone of paragraphs 9 - 20 of the draft response is slightly metallic. It would help if the reference at the end of paragraph 6 to an improved service for the public was filled out by quoting an example or two, eg the extension of quarterly attendance (recommendation 23).

9. The Prime Minister was struck by the apparent inefficiency caused by the difference in payment periods (recommendation 38) and would like to see early progress made to correct this. Similarly, on management formulas (recommendations 62 - 66), while she understands that changing circumstances may somewhat alter the case as seen by the team last year, the Prime Minister looks forward to early corrections being made in this matter as in others.

10. I am copying this to John Wiggins (Treasury)

Jim Buckley (CSD), Richard Dykes (DE), Don Brereton (DHSS), the Private Secretaries to the other members of H Committee, Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M A PATTISON

HOME SECRETARY

DE/DHSS RAYNER SCRUTINY OF BENEFITS TO UNEMPLOYED PEOPLE

1 Last February we set up jointly a small team of officials from our Departments, under Sir Derek Rayner's guidance, to examine the existing systems for paying benefits to unemployed people. The team reported to us last November and attached at Annex A for you, as Chairman of H Committee, and colleagues is a copy of the summary and main volume of the team's report. We have already given the Prime Minister an early indication of our response and she also wishes to see implementation pursued urgently.

2 We have now completed our initial consideration of the report's recommendations and we propose, jointly, to publish the team's main report (but not the summary) and our response at the end of February. Attached at Annex B is our proposed version of that response which lists the 81 recommendations and says what we propose to do about them. As far as the report itself is concerned the version which we publish will be edited only to the extent of one or two passages which, unamended, would point to current loopholes in the benefit control system.

3 Most of the report's 81 recommendations are procedural and we plan to implement the bulk of them during this year and next. The exact timing will have to take account of the strains at present imposed on our offices by the exceptionally high claims load and the absolute priority that must be given to ensuring that benefits, to which claimants are legally entitled, are paid.

4 There are, however, three major areas in the report which raise wider issues and it is on these that our proposed response concentrates. These issues are registration for employment, dealing with unemployed people in just one set of offices, and fraud.

Registration

5 The report recommends that registration for employment at Jobcentres should henceforth be voluntary. Our proposed response sets out why we believe that the recommendation is right and, subject to consultation with the MSC whose employment service is involved, should be implemented. However, this has some very important implications of which colleagues need to be aware.

6 First this could be highly sensitive politically. Having to register for work is seen by many as a major check on unemployed people abusing the system. In our view the report shows clearly why registration is not in fact an effective control and how the necessary control can be better achieved. But an effort of persuasion may well be needed - not least with some of our backbenchers.

7 The second point is related. The report suggests that one of the most effective controls in the current systems is the network of DHSS Unemployment Review Officers and recommends that, under voluntary registration, their strength should be increased by 300 so that most claimants to benefit can be reviewed about 16 weeks after claiming. Unfortunately, as our response makes clear, the recent sharp rise in unemployment - and the consequent lengthening in unemployment durations - means that the report's calculations on this point are now very wide of the mark. To review most claimants at 16 weeks in 1981 would require around 2,000 more UROs not 300 more. That said, the report itself recognisesthat review should be deferred where unemployment is very high and we do not ourselves believe that,even if the necessary staff were available, a universal 16 week review in present circumstances would be cost effective. Our proposed response therefore sets out an alternative review system targetted specifically on those who may be abusing the system and on those in need of special help to get employment. As part of this alternative we still plan to increase the URO complement

by 300. The result, together with tougher tests on availability on the lines recommended in the report, will in our view undoubtedly be a better system of control than currently exists, but there will be no universality of registration or review.

8 Thirdly, our response highlights the effect of a move to voluntary registration on the unemployment figures - namely a once and for all drop of about 1 to 2% or 50,000 in the total averaged over a year. An effect of this scale would have happened anyway because of existing plans in the Department of Employment for computerising collection of these figures. However, since computerisation and voluntary registration need to be brought in together, the latter may be seen as the cause of the effect and we shall have to be prepared to face and rebut charges that we are fixing the figures. Voluntary registration will also affect the coverage of statistics of the disabled unemployed which will be limited to those who register voluntarily - though occasional sample surveys can fill in the picture.

9 Turning to the staff savings from voluntary registration, the crucial determinant is the level of registration assumed under a voluntary system. The report estimated staff savings in Jobcentres and UBOs of around 2,000 at 50% registration and 1,250 at 75% registration but less 125 staff in either case to test availability. Closer examination since by officials suggests a saving of around 1,750 at 50% and 1,000 at 75% with similar offsets in either case: namely 125 staff for the availability test in UBOs and 300 more UROs but with a saving of 200 from reducing certain UBO checks now undertaken. Partly of course the actual level of registration depends on how claimants react but the level can also be influenced to some extend by what claimants are told and in other ways. Our intention is to open consultations with the MSC on the basis that we should aim for a level of registration of 50% and give them a corresponding staff ceiling. But we must recognise that this

registration assumption may prove lower than can be justified and we may end with a higher figure. We must also recognise, for reasons set out below, that these savings will not be available to us until after April 1982.

10 Also crucial, particularly to the MSC's reaction, is how we treat these staff savings. We must make clear that the staff savings will not necessarily be additional to those to which the MSC are already committed in their general placing work in Jobcentres in order to meet our 630,000 target; we cannot ask them to cut the same staff twice. We must also be prepared to examine with the MSC the case for deploying some of the additional savings from voluntary registration to improve the service offered to the unemployed, particularly those referred to them by UROs. Their co-operation in this respect will be highly important. Finally this package can operate only if the 300 extra UROs needed in DHSS and the 125 staff needed in UBOs to test availability can be set off, in this instance, against the savings arising in Jobcentres.

11 The proposed response indicates that implementation of voluntary registration cannot be before 1982 because primary legislation is needed. However, immediately that the report and our response is published we shall begin consultations with the MSC. We need to be clear that, even if we can reach a satisfactory understanding with the MSC on staffing, we shall not automatically secure their agreement. Voluntary registration will mean a major change for their Employment Service and they have already made plain in their published draft Corporate Plan for 1981/85 their belief that the Employment Service is already being reduced to a level which is inadequate to deal with the demands on it and which is not in the interests of the efficient working of the labour market. But whilst we may in the end decide to implement the changes despite MSC opposition, we want to take them along with us on this if at all possible.

One Office

12 The second major area dealt with in our response concerns the report's recommendation that both unemployment benefit and supplementary allowance for unemployed people should be administered from Unemployment Benefit Offices (UBOs) rather than in both UBOs and DHSS social security offices as now. The report recommends that the expanded UBOs should continue to be the responsibility of the Department of Employment. The report estimates ongoing savings of £7-£11m from the change but with a once and for all capital cost of £45-£90m.

13 In the proposed response we accept that unemployed people should have to deal only with one office. This is in line with the long term aims in the DHSS's operational strategy document on the future of social security administration. However, it is not clear that the report's method of achieving this is necessarily the right one and we are investigating this further together with the alternative possibility, which may be quicker and cheaper to implement, of leaving much of the back-up work for supplementary allowance in the social security office.

14 Our officials will now be examining these options urgently, together with officials from the Treasury, CSD and PSA, and we have asked for a report back within 2 months. This will indicate whether a firm decision can then be taken or whether experiments to test out possible options in local offices will be necessary before such a decision can be reached.

Fraud

15 The third major area dealt with in our response concerns fraud. The report estimates that a minimum of 8% of unemployed claimants are fraudulently receiving benefit whilst working. It recommends that an exercise to measure the actual incidence of fraudulent claims be conducted as a matter of urgency in 1981. This is bound to be politically sensitive.

16 As our response indicates there is room for doubt as to how soundly based the 8% figure is. Nevertheless we cannot disprove it and that being so we propose accepting the team's recommendation that steps should be taken to obtain better estimates. This is being set in hand.

17 As far as extra fraud staff for special fraud drives is concerned, the response sets out our position. Given our commitment to reduce the Civil Service it is difficult to go as far as the report suggests. Nevertheless there are substantial net expenditure savings at stake and we consider it right to move in the direction recommended.

Savings

18 Turning to the total staff savings in the report it is too early to predict the eventual outturn. The major staff savings come from voluntary registration and 'one office' and there are uncertainties in relation to both. Clearly relatively few of the staff savings will flow before April 1982 - the only major possibilities being from extending quarterly signing arrangements (400 savings) and substituting cash for the milk tokens issued to some unemployed people (100 savings). We hope to reach decisions shortly on both these issues in consultation with colleagues but we note that the Secretary of State for Employment has already assumed that these savings will be made by April 1982.

19 In terms of expenditure, it is also not possible to forecast at this stage the eventual likely outturn. The report itself makes clear that some of its analysis is, due to insufficient data, subject to large margins of error. In some cases further work is recommended so that firmer estimates can be made. A few of the report's recommendations - for example improving local offices and moving to one office - would require additional expenditure; in most cases in order to attain a long term saving. Others will result in benefit savings. We intend for the most part to phase these together so that where costs arise they are met by savings already accrued from implementing others of the report's recommendations.

Clearly this will not be the case over the expenditure on 'one office' and officials will cover this aspect in their study of the best approach to the 'one office' solution.

Next steps

20 The next step is to publish the report and our response and to seek views on the latter. We propose to allow a consultation period of two months. We will be consulting our Staff Sides, the MSC on the registration proposals and the Social Security Advisory Committee on many of the recommendations. We plan to return to colleagues with firm recommendations on the major issues when the consultation period is over.

21 Meanwhile we should be grateful to receive any comments which you or other colleagues may have on our proposed response within the next 10 days, following which it will be published together with the report slightly edited as we have indicated.

22 We are copying this minute to the Prime Minister, the Chancellor of the Exchequer, the Lord President of the Council, other members of H Committee, Sir Derek Rayner and Sir Robert Armstrong.

JP
PJ
18 February 1981

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ANNEX B

DRAFT DOCUMENT FOR PUBLICATION

THE PAYMENT OF BENEFITS TO UNEMPLOYED PEOPLE

1 The Secretaries of State for Employment and Social Services announced jointly in March 1980 that they had asked a small team of officials, under the guidance of Ministers in their Departments and in consultation with Sir Derek Rayner, to examine the arrangements for delivering unemployment benefit and supplementary allowance to unemployed people. The team submitted its report to Ministers at the end of November 1980 and this is attached at Annex 1.

2 In deciding that such an examination was called for the two Secretaries of State were influenced in particular by the following considerations:

the size of the current operation

there are now 2.4 million people in Great Britain registered as unemployed. Each week at present about 100,000 people make new claims to benefit whilst around 75,000 cease to claim;

the complexities of the sytem

the existing system involves three different sets of offices - Unemployment Benefit Offices (UBOs), Social Security Offices and Jobcentres - and two benefits - unemployment benefit and supplementary allowance;

the administrative costs

altogether the equivalent of about 35,000 people are engaged full time in DE and DHSS in administering unemployment and supplementary benefits for unemployed people. An element in the work of the 10,000 people employed in Jobcentres is also related directly to the benefit system. The total cost of the DE and DHSS staff involved in 1979/80 was about £135 million and the amount paid out in benefits for unemployed people in that year was about £1,400 million;

the changing structure of benefits

at present about 45% of unemployed people receiving benefit are receiving supplementary allowance either in addition to or without unemployment benefit. The number of unemployed people reliant in whole or in part of supplementary allowance has grown over recent years and the trend towards reliance on supplementary allowance will be accentuated by the phasing out of earnings-related supplement

3 With these considerations in mind the team was asked to examine thoroughly the present administrative arrangements so as to identify any changes in procedure which would increase efficiency and improve the service to unemployed people. In particular the team was asked to apply itself to such basic questions as:

- why is it necessary for many unemployed people to have to deal with three Government offices?
- is the flow of paperwork and information between these offices all essential?
- are current methods of determining whether claimants are available for work and of combatting fraud and abuse working satisfactorily?

The team has addressed these questions and others of a similar nature in its report. Altogether the report makes 81 recommendations for change. The report estimates that full implementation of these recommendations would eventually save about 5,000 staff and yield financial savings of £75-80 m annually although it notes that these figures are inevitably subject to quite large margins of error due in some cases to inadequate data.

4 The team was concerned primarily with questions of administrative efficiency and therefore examined the current structure of benefits for unemployed people only briefly and only from the point of view of easing administration. The report concludes that moving to one benefit for unemployed people is not feasible at present and its recommendations accordingly assume the continuance of both unemployment benefit and supplementary allowance.

THE GOVERNMENT'S RESPONSE

5 Annex 2 to this document lists all the recommendations made in the report and gives the Government's initial reactions to each one. As will be seen 55 of the recommendations have been accepted, at least in principle; 24 are being considered further and 2 have been rejected. The Government's aim throughout is to provide a better, a more economic and a more efficient service to unemployed people who are claiming benefit.

6 The majority of the recommendations relate to the procedures for paying benefits to unemployed people. Most of these have been accepted, although further consideration will have to be given to the technical details and the timing of implementation, and some modifications may be necessary. A few of the procedural recommendations need to be examined further before it can be decided whether they,

or some modification of them, can be accepted. However the Government is satisfied that most of the procedural changes recommended are feasible and that their overall effect will be to improve the service to the public at the same time as achieving useful economies.

7 The Government intends therefore to implement the agreed procedural changes in a phased programme as rapidly as possible. Priority will be given to those which will improve the service and ease the burden on staff and it is planned to implement about 15 recommendations this year. It may not prove practicable to introduce the other changes until some time in 1982 or 1983 because of the need to avoid too many changes at a time when the services are having to cope with an exceptionally heavy claims load and because of the need to contain additional expenditure within the totals of public expenditure already announced.

8 In addition to procedural changes, however, there are three important areas covered by the report on which the recommendations of the team raise fundamental issues. These are referred to below, together with the Government's initial reactions.

Registration, Availability for Employment and Review

9 One of the present conditions for receiving unemployment benefit and supplementary allowance is that unemployed people must register for employment at a Jobcentre (or alternatively, in the case of young people, at a Careers Office) and be available for work. The report concludes that, in practice, registration of adults at the Jobcentre neither establishes that they are available for work nor proves their willingness to work. It also takes the view that compulsory registration is not essential to Jobcentres in their main tasks of filling employers' vacancies and helping job seekers to find work. The report accordingly recommends that registration for employment should be voluntary, except for young people aged under 18, but that:

(i) the arrangements for ascertaining whether unemployed people are genuinely available for work should be strengthened by introducing an initial test of availability when a claim is first made at a UBO;

(ii) the rules relating to availability for those unemployed over 3 months should be tightened; and

(iii) a system of review by DHSS's specialist Unemployment Review Officers (UROs) should operate with interviews of most claimants about 16 weeks after first claiming to assist and encourage them to find work and seek to ensure that they are indeed making every effort to find a job.

It should be noted that the report does not recommend any change in the requirement on unemployed people to sign on at the Unemployment Benefit Office as a condition of receiving benefit.

10 The report estimated, on the basis that 50% of claimants would continue to register, that these new arrangements would save 2,000 staff on registration and related work, offset by an additional 125 staff needed for an availability test and a further 300 UROs needed on review work. However these savings, as the report notes, depend crucially on the percentage of claimants continuing to register; and they have also been affected by rising unemployment.

11 The report's recommendations in this area represent a substantial change from the present system. Registration for employment at a Jobcentre has hitherto been seen by many people as an integral part of the benefit control system. However the Government considers that the report sets out clearly and persuasively the reasons why universal and compulsory registration at a Jobcentre is not in fact an effective means of control as well as pointing to more cost-effective means. Furthermore the Government considers that there may well be advantages for the employment service in dealing only with those who have come to it voluntarily to seek jobs and in avoiding commitment of staff and other resources to those who do not wish or need to be helped by the public employment service, providing that the attention of claimants, at benefit offices and elsewhere, is drawn to the services available to help them in Jobcentres. Consequently the Government sees a very strong case for abolishing the statutory requirements on unemployed adults to register for employment.

12 If registration for employment is made voluntary the Government would accept the further recommendation that there should be a test of availability in the UBO, on the lines suggested in the report, when a claim is first made. This would be designed to throw up cases where it was doubtful whether the claimant was genuinely available for work and in these cases could lead either to disqualification from benefit or referral to a URO where a claimant was placing unnecessary or unrealistic restrictions on the work he was prepared to undertake. The Government also accepts that revision of the rules on restricted availability is desirable and is giving this further consideration with a view to implementing changes in 1982.

13 The Government agrees with the report that responsibility for the review of unemployed people for purposes of benefit control should lie with the URO; and that the point during a claim when review commences should be adjusted to suit local employment conditions. Indeed, this latter conclusion has been given added weight by the recent rise in unemployment which has led to people remaining unemployed on average for substantially longer periods. In these circumstances the staff cost of reviewing all claimants at around 16 weeks would be very much greater than the report estimates and it is highly doubtful whether such a review programme would be cost-effective.

14 The Government therefore intends to adjust the timing of review so that UROs see early in their claim those unemployed people whose circumstances indicate that review is likely to be desirable and defer until later reviewing other people where the need for review is less. In particular the Government considers that UROs should see early on in their claim people whose attitude to work is suspect and those who need help for personal or family reasons going beyond the simple need to find work. As far as the first group is concerned the Government envisages that UROs should interview soon after they claim, and as often thereafter as necessary, people such as those with a background of leaving jobs frequently for no very good reason; people whose particular skills or experience mean that in the locality where they live work for them should be readily available; and people identified at the initial test of availability as unnecessarily restricting the work they will accept. The second group will include some of the first group and also other people who, although well motivated, are identified by other staff as needing the help or advice of the URO. To enable this to be done, the Government would, under a system of voluntary registration, strengthen the URO service by the 300 additional posts recommended by the report.

15 These arrangements would make even more important effective co-operation between UROs and the Employment Service. Rather than introducing a new system for informing UROs of specific vacancies, the Government considers that the existing system should be made to work more effectively. In particular UROs should be advised about the general availability of vacancies and should be able to refer claimants to Jobcentres for consideration for submission to suitable vacancies, normally through self-service. Both UROs and Employment Advisers in Jobcentres must be prepared to assist that minority of claimants who have special difficulties. These arrangements would have implications for the staffing of the Employment Service.

16 The Government believes that the procedures outlined in the preceding paragraphs will give an improved measure of benefit control over that operating at present.

17 Introduction of voluntary registration would, however, have implications for the collection of statistics of unemployment. Existing plans in the Department of Employment Group for computerising the collection of unemployment and vacancies statistics - under a system known as JUVOS - already envisaged substantial reliance on the benefit office computer system. It would, for various technical reasons, have led to a discontinuity in the unemployment total of up to some 50,000 at current levels of unemployment (or about 1 to 2% of the unemployed). The introduction of voluntary registration would necessitate some modifications to JUVOS but the net effect on the total would again come out as a reduction of around 1-2%, averaged over a year. A fuller description of the changes in the unemployment statistics is being issued by the Department of Employment.

18 Voluntary registration would affect particularly the current statistics on the occupation and disablement status of unemployed people. Occupational statistics would continue to be compiled, at least initially, by Jobcentres and would relate only to the smaller numbers registering for work voluntarily. Routine information on the numbers of unemployed people who are disabled would in future also relate only to those registering voluntarily. Sample surveys to measure the extent of disablement amongst all unemployed people would also be undertaken from time to time.

19 A move to voluntary registration would clearly affect not only the operation of the Unemployment Benefit and Social Security offices, but also the operation of the MSC's Employment Service Division in relation to its potential clients. The MSC have already stated in their proposed Corporate Plan for 1981/85 that they will be examining a change to deferred or voluntary registration as a means of maintaining an effective employment service in the face of cutbacks in staff; and the contribution that staff savings arising from voluntary registration can make to the reductions in staff already required of the MSC will need to be considered. Because of the evident implications of the above proposals for the operation of the Employment Service and the importance of its contribution to the new system, the Government is consulting the MSC before taking a firm decision on voluntary registration.

20 Implementation of a move to voluntary registration would require changes in the law and could present administrative problems if it took place before the new computerised statistical system - JUVOS - (see paragraph 17), was in operation. The necessary legislation to introduce voluntary registration, if the Government

decides after consultation to proceed, would be introduced in the next session of Parliament with the intention of making the change during 1982. However, the full effects of the change, (for example in staffing terms) would not be evident for one or two years thereafter.

One Office for Payment of Unemployment Benefit and Supplementary Allowance to People who are Unemployed

21 If voluntary registration were introduced, unemployed people, except when referred by a URO, would no longer have to visit the Jobcentre as part of the process of claiming unemployment benefit and supplementary allowance. But as things stand, if they were eligible for supplementary allowance there would still be two offices to visit for benefit purposes - the UBO and the local DHSS office. The report accordingly recommends that unemployed people should have to attend at only one office to claim unemployment and supplementary benefits. It recommends that this office should be the UBO and that UBOs should continue to be run by the Department of Employment (DE). The report assumes that this would of necessity entail moving all work on supplementary allowance for unemployed people from DHSS local offices to UBOs. The report further suggests a review by Ministers of whether policy on unemployment benefit and control of the computer system related to it should pass to the Department administering the system.

22 Chapter 8 of the report sets out the facts and arguments adduced by the team in support of its recommendations and the judgements and impressions that it formed on these matters. The team considers that combining the work in the UBO in the way it suggests would give a better service to people who are unemployed, and it estimates that this could lead to ultimate savings in manpower of over 2,500 and of savings in annual expenditure of £7-11million. These savings would follow a once-for-all investment of £45-90 million in premises costs spread over the 5 to 10 years that in the team's view the programme of transferring the work would take.

23 The Government accepts the report's recommendation that unemployed people claiming unemployment benefit and supplementary allowance should have to deal with only one office on these benefits instead of 2 or 3 as at present. This will be a significant step in line with one of the aims of the Government's social security operational strategy that claimants should so far as possible be dealt with from a single point of contact on their social security benefits - the 'whole person' concept - rather than, as now, separately on each aspect of their benefits. It is planned that the social security system in the future should

provide the public with ready access to the whole system through each point of contact, which should be able to initiate action on claims and to give accurate and up-to-date advice and information on all social security benefits and contributions.

24 The Government also accepts that the point of contact for unemployed people for their benefits should be the network of UBOs, run by the Department of Employment, because the unemployed already attend there and it would be a severe diminution in the service to limit their points of contact in future to the much smaller number of DHSS local offices. The way in which the work of the two Departments concerned can best be organised to this end requires further examination, which has already been put in hand. It is not clear, for example, that in order to achieve the "one-person one-office" concept it is necessary to transfer all the supplementary allowance work for unemployed people from the ILOs to the UBOs, as the team recommends, or that this would be the best way of proceeding. As the report recognises, there would be disadvantages and costs in splitting off one part of the supplementary benefits scheme, providing new premises and redeploying the staff, and the changes would take some years to complete. The problems that might arise in running the supplementary benefit scheme from two sets of offices are also relevant and the report does not discuss some of the other services currently run by DHSS for unemployed people.

25 The further examination will therefore consider whether there are other options which would minimise the need for major accommodation changes, and hence costs, whilst embodying the 'whole person' concept. One possibility which is being looked into, as part of the Government's further examination, would involve reinforcing the UBOs to enable them to be the contact point for supplementary allowance as well as unemployment benefit, but would maintain the present arrangements for processing unemployment benefit claims in UBOs, assessing supplementary allowance entitlement in DHSS offices and payment of both by computer as now.

26 The Government must also bear in mind the constraints that exist on public expenditure. The potential savings offered by the one office concept are substantial but so is the initial investment, principally for accommodation, is itself potentially very large. In the assessment of the proposals and alternatives therefore the Government will bear in mind the need, so far as possible, to keep the cost within the scope of the programmes for public expenditure that have already been set.

27 The Government's examination of both the report's proposal and the alternative mentioned above will take place within the next two months.

Fraud

28 The report suggests that 8% or more of unemployed claimants are unlawfully working and claiming benefits. It recommends that attempts should be made to measure the level and nature of such fraud; and makes a number of recommendations intended to increase both the amount of effort put into fraud work and the efficacy of that effort. It points to monetary savings of £24 million after allowing for the cost of the additional 750 staff it recommends to undertake special fraud drives in DE and DHSS offices.

29 The Government notes the team's views on the level of fraud among unemployed claimants. As the team itself recognises in its report, however, its main evidence comes from the results of special fraud drives carried out in only two of DHSS's twelve regions and relates only to claimants receiving supplementary allowance. There must therefore be considerable doubt about the statistical accuracy of the team's estimate. But the importance of obtaining more soundly based estimates of the level of fraud is self-evident. The Government therefore accepts the recommendation that urgent steps should be taken to that end. Consideration is now being given to how this should be done with a view to research later this year.

30 As far as the commitment of extra staff to special fraud drives is concerned, the Government accepts that this is desirable in principle although not necessarily to the extent recommended in the report. In the DHSS plans are in hand for the redeployment of some fraud specialists during 1981/82 in order to establish in each of the 12 DHSS regions the capacity to undertake special reviews in areas of high fraud risk along the lines recommended in the report. In the DE there is less scope for redeploying existing fraud specialists on to the special reviews and the Government therefore intends to allocate additional staff to DE as the report suggests. As a first step DE plan to use 30 staff on this work enabling special fraud drives to be undertaken in a number of regions. The results of this will be carefully monitored over the next year and, assuming that the benefits are of the order indicated by the team, further additional staff will then be introduced.

CONCLUSIONS

31 The Government welcomes the report in which the scrutiny team has lucidly explained how the present arrangements work and how they can be improved. Much further work now needs to be done to take forward the recommendations and inevitably there can be no certainty that the report will prove on further examination to be accurate in every detail. As the report makes clear, some estimates of the staffing consequences of particular recommendations have necessarily been based on incomplete data and further work may well indicate that revision is necessary. The increase in the level of unemployment since the report was written will also have affected a number of the estimates. Nevertheless the report appears to the Government to provide a sound basis for making changes in the payment of benefits to unemployed people which will lead to a service which is better for the claimant, the staff and the public as a whole.

32 The Government intends to press ahead urgently with implementing the many acceptable recommendations in the report in accordance with the timescales set out in this document and in Annex 2. There are, however, considerable pressures currently on the benefit system and some modification of these timings may prove to be necessary in order to avoid over-burdening the existing services. Priority will be given to implementing those procedural changes which will ease the pressures now on the system.

33 The report has recommended many changes in procedures, but the Government wishes to emphasise that this is in no way a reflection on the service at present provided by the staff, often in difficult circumstances. The Government recognises and appreciates the high quality of work being done, and the dedicated way in which the staff operating the benefit services for unemployed people are coping with the current pressures.

34 The Government will now be initiating detailed discussions on the relevent recommendations with the representatives of the staff concerned and will be consulting the MSC about the recommendations on voluntary registration and the Social Security Advisory Committee as appropriate. The Government will be considering further the recommendations noted as requiring more study, notably those on registration, one office and fraud, and any organisation or individual who wishes to comment on what is initially proposed is invited to send such comments either to Miss C Buttar, Department of Employment, 12 St James's Square, London SW1Y 4LL or to Miss V Burden, Department of Health and Social Security, Friars House, 157-168 Blackfriars Road, London SE1 8EU before the end of April 1984.

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ANNEX 2 TO DRAFT DOCUMENT FOR PUBLICATION
PAYMENT OF BENEFIT TO PEOPLE WHO ARE UNEMPLOYED
SUMMARY OF SCRUTINY TEAM RECOMMENDATIONS AND INITIAL GOVERNMENT RESPONSE

Recommendation numbers and paragraph numbers relate to the Team's Report.

RECOMMENDATIONS 1-5: Paragraphs 4 01 to 4 76: REGISTRATION FOR EMPLOYMENT AT A JOBCENTRE SHOULD NO LONGER BE A CONDITION OF ENTITLEMENT TO BENEFIT. RESPONSIBILITY FOR QUESTIONING WHETHER A CLAIMANT IS AVAILABLE FOR WORK SHOULD BE TRANSFERRED TO UNEMPLOYMENT BENEFIT OFFICES AND UNEMPLOYMENT REVIEW OFFICERS, WITH AN INITIAL TEST WHEN A CLAIM IS FIRST MADE AND STRICTER AVAILABILITY CRITERIA. THE NUMBER OF UNEMPLOYMENT REVIEW OFFICERS SHOULD BE INCREASED BY 300, AND THEY SHOULD ADAPT THEIR WORK TO LOCAL CONDITIONS AND HAVE CLOSE LINKS WITH JOBCENTRES.

See paragraphs 9 to 20 of this statement of the Government's response.

RECOMMENDATION 6: Paragraphs 4 77 to 4 80: JOBCENTRES SHOULD DO MORE TO DELAY TRYING TO MATCH PEOPLE REGISTERED FOR WORK WITH NOTIFIED VACANCIES WHEN THE VACANCIES CAN BE FILLED QUICKLY AND CHEAPLY THROUGH THE SELF-SERVICE SECTION OF THE CENTRE.

This will be discussed with the Manpower Services Commission with a view to reaching an early decision.

RECOMMENDATION 7: Paragraphs 5 02 to 5 07: SIMPLE IMPROVEMENTS, ESTIMATED TO COST ABOUT £2.4 MILLION ANNUALLY SHOULD BE MADE TO THE PUBLIC SECTIONS OF UNEMPLOYMENT BENEFIT OFFICES AND DHSS LOCAL OFFICES.

Accepted. PSA will assess what improvements can be carried forward within agreed public expenditure programmes.

RECOMMENDATION 8: Paragraphs 5 08 to 5 09: LEAFLETS AND FORMS SHOULD BE DESIGNED TO INCREASE UNDERSTANDING OF THE BENEFIT RULES.

The need for improved communications is accepted, and work on this - including consideration of the range and style of leaflets and forms is already in hand. Special attention

will be given to the needs of unemployed claimants including the possible need for a new leaflet, and it is intended to make improvements during the next twelve months.

RECOMMENDATION 9: Paragraphs 5 10 to 5 11: UNEMPLOYMENT BENEFIT OFFICES SHOULD BE ABLE TO MAKE APPOINTMENTS FOR CLAIMANTS AT THE DHSS LOCAL OFFICES TO WHICH THEY ARE LINKED.

It is accepted that there is a need to improve the appointments system. Ways of achieving this, including allocating blocks of appointments to unemployment benefit offices, and tied telephone lines, are being examined. The studies should be completed by the early Summer, and changes will be implemented as soon as possible thereafter.

RECOMMENDATION 10: Paragraph 5 12: SUPPLEMENTARY BENEFIT CLAIM FORMS FOR SINGLE NON-HOUSEHOLDERS WITHOUT DEPENDANTS SHOULD BE SIMPLIFIED AND COMBINED.

There will be experiments with a combined claim form completed by the claimant, with a view to national implementation in the Spring of 1982

RECOMMENDATION 11: Paragraphs 5 13 to 5 14: A MULTI-PURPOSE EMPLOYMENT REGISTRATION, UNEMPLOYMENT BENEFIT AND SUPPLEMENTARY BENEFIT CLAIM FORM SHOULD BE DEVISED AND TESTED.

Introduction of voluntary registration would reduce the advantages of such a form. Having a single point at which to claim both Unemployment Benefit and Supplementary Allowance would naturally lead to a single form; but trials of a prototype must await decisions on this issue.

RECOMMENDATION 12: Paragraph 5 15: ASSETS STATED BY SUPPLEMENTARY BENEFIT CLAIMANTS SHOULD BE VERIFIED ONLY WHERE THEY EXCEED A PRESCRIBED LEVEL.

It is accepted that unnecessary checking should be avoided. A modest change in procedures has already been introduced and further changes will be considered for implementation later this year.

RECOMMENDATION 13: Paragraphs 5 16 and 5 17: SUPPLEMENTARY BENEFIT CLAIMANTS WHOSE CLAIMS LAPSE BECAUSE THEY FAIL TO KEEP AN APPOINTMENT OR RETURN A FORM SHOULD NOT BE SENT A REMINDER.

Accepted, and implementation underway. The requirement to notify the claimant that benefit will not be paid is being studied.

RECOMMENDATION 14: Paragraph 5 18: THE SUPPLEMENTARY BENEFIT ASSESSMENT FORM SHOULD BE REDESIGNED TO CATER FOR PERIODIC CHANGES OF CIRCUMSTANCES.

Rejected. The form has recently been redesigned, but it is not feasible to adapt it for a minority of claimants in the way suggested.

RECOMMENDATION 15: Paragraph 5 19: DHSS SHOULD SEEK TO AGREE WITH THE UNIONS THAT CLERICAL OFFICERS CAN AUTHORISE REVIEW ASSESSMENTS, SUBJECT TO A 10% CHECK BY THE SUPERVISOR.

Accepted in principle.

RECOMMENDATIONS 16-17: Paragraphs 5 20 to 5 21: THE UNEMPLOYMENT BENEFIT OFFICE PROCEDURES FOR GIROCHEQUES AND THE DHSS LOCAL OFFICE PROCEDURES FOR ISSUE OF FORMS NOTIFYING THE AMOUNT OF SUPPLEMENTARY BENEFIT PAYABLE SHOULD BE SIMPLIFIED.

General idea accepted. Aim to implement during 1981.

RECOMMENDATION 18: Paragraphs 5 22 to 5 28: UNEMPLOYMENT BENEFIT SHOULD BE WITHHELD AT THE BEGINNING OF A CLAIM, WHEN SUPPLEMENTARY BENEFIT IS KNOWN TO BE PAYABLE, UNTIL THE APPROPRIATE OFFSETS CAN BE MADE.

A pilot scheme to reduce duplicate payments is planned to commence in May. The results should be available in the autumn of this year following which recommendation 18 will be re-examined.

RECOMMENDATION 19: Paragraphs 5 30 to 5 34: MILK TOKENS FOR UNEMPLOYED SUPPLEMENTARY BENEFIT CLAIMANTS SHOULD BE REPLACED BY AN ADDITION TO SUPPLEMENTARY BENEFIT OF EQUIVALENT VALUE.

[To be drafted in the light of Ministerial decisions on submission on this specific issue.]

RECOMMENDATION 20: Paragraphs 5 35 to 5 41: CLAIMANTS SHOULD BE ALLOWED BENEFIT FOR TWO WEEKS EACH YEAR DESPITE NOT BEING AVAILABLE FOR WORK BECAUSE THEY ARE ON HOLIDAY.

Accepted for implementation when availability provisions are being amended in connection with Recommendations 1 to 5.

RECOMMENDATION 21: Paragraphs 5 42 to 5 51: THE OPTION OF MONTHLY PAYMENT OF UNEMPLOYMENT BENEFIT AND SUPPLEMENTARY BENEFIT SHOULD BE OFFERED TO BENEFICIARIES WHO WERE MONTHLY PAID WHEN EMPLOYED.

Accepted. Implementation is intended for 1983, to allow time for the considerable computer programming and other work necessary.

RECOMMENDATION 22: Paragraphs 5 52 to 5 55: THERE SHOULD BE AN OPTION FOR PAYMENT OF BENEFITS DIRECT TO BANK AND GIRO ACCOUNTS.

Accepted. Implementation to be co-ordinated with general extension of credit transfer arrangements for social security beneficiaries, 1982 or 1983.

RECOMMENDATION 23: Paragraphs 5 56 to 5 60: THE CURRENT RELAXATION WHEREBY CLAIMANTS OVER 50 AND UNEMPLOYED FOR MORE THAN 2 YEARS NEED ATTEND AT THE UNEMPLOYMENT BENEFIT OFFICE ONLY ONCE A QUARTER SHOULD BE EXTENDED TO THOSE OVER 50 AND UNEMPLOYED FOR MORE THAN A YEAR.

Accepted that extension of scope for quarterly signing is desirable. Detailed arrangements will be settled for introduction during 1981.

RECOMMENDATION 24: Paragraph 5 61: COMPUTER IDENTIFICATION OF POTENTIAL QUARTERLY ATTENDERS SHOULD BE INTRODUCED WHEN RESOURCES ALLOW.

Accepted. Aim to implement during 1982.

RECOMMENDATION 25: Paragraph 5 62: THE POSSIBILITY OF FORTNIGHTLY ORDER BOOKS FOR QUARTERLY ATTENDERS CONTAINING 13 FORTNIGHTLY PAYMENTS SHOULD BE EXAMINED.

Accepted.

RECOMMENDATION 26: Paragraphs 5 63 to 5 68: UNEMPLOYMENT BENEFIT OFFICE MANAGERS SHOULD HAVE DISCRETION TO WAVE REGULAR SIGNING BY CLAIMANTS WHO ARE STILL EMPLOYED, BUT ARE TEMPORARILY LAID OFF OR ON SHORT TIME.

Accepted, for introduction during 1981 if possible.

RECOMMENDATION 27: Paragraphs 5 69 to 5 85: UNEMPLOYED PEOPLE FALLING SICK SHOULD CONTINUE TO BE TREATED AS UNEMPLOYED FOR THE FIRST 8 WEEKS OF SICKNESS.

The advantages and disadvantages of this change - which would require legislation - are being considered in the context of preparatory work for the taxation of short-term benefits.

RECOMMENDATION 28: Paragraphs 5 86 to 5 90: FINAL PAYMENT PROCEDURES, WHEN A CLAIMANT GIVES NOTICE THAT HE WILL BE RETURNING TO WORK SHOULD BE SPEEDED UP.

Accepted. Implementation during 1981.

RECOMMENDATIONS 29 TO 34: Paragraphs 5 91 to 5 98: A NUMBER OF CHANGES SHOULD BE MADE TO THE BENEFITS PROCEDURES CONCERNED WITH FAILURE BY A BENEFICIARY TO "SIGN ON" AT THE APPROPRIATE TIME.

The need for change is accepted; and further study is in progress in the context of a wider study of "social" security overpayments. The major recommendations require legislation. It is intended to implement agreed changes as far as possible by 1982.

RECOMMENDATIONS 35 TO 37: Paragraph 5 99: THE STANDARD OVERPAYMENTS LETTER SHOULD BE REDRAFTED. OVERPAID SUPPLEMENTARY ALLOWANCE SHOULD BE RECOVERED FROM ANY SUBSEQUENT SUPPLEMENTARY ALLOWANCE, AT A FIXED WEEKLY RATE. SUPPLEMENTARY BENEFIT OVERPAID DUE TO DEPARTMENTAL ERROR SHOULD BE RECOVERABLE WHERE THE CLAIMANT COULD BE EXPECTED TO HAVE NOTICED THE ERROR.

Recommendations 35 and 37 are being pursued as part of the wider study of social security overpayment arrangements.

Recommendation 36 has already been implemented.

RECOMMENDATION 38:

Paragraphs 6 01 to 6 23: EXERCISES SHOULD BE MOUNTED URGENTLY TO ENABLE THE IMPLICATIONS OF EXISTING DIFFERENCES IN SUPPLEMENTARY BENEFIT AND UNEMPLOYMENT BENEFIT PAY PERIODS TO BE EVALUATED, WITH A VIEW TO ALIGNING THEM.

Exercises, which will take some months to complete, will be mounted this year. Changes may require legislation.

RECOMMENDATION 39:

Paragraphs 7 01 to 7 06: NEW CLAIMANTS TO UNEMPLOYMENT BENEFIT SHOULD BE ASKED AT THEIR INITIAL INTERVIEW WHY THEY LEFT THEIR LAST JOB, AND BENEFIT SHOULD BE SUSPENDED IF THE CLAIMANT LEFT IN CIRCUMSTANCES WHICH COULD DISQUALIFY HIM FOR BENEFIT.

If appropriate procedures can be devised in time, this will be implemented in part this year, and fully within the next two years.

RECOMMENDATION 40:

Paragraphs 7 17 to 7 20: CLAIMANTS WHO STATE AT THEIR INITIAL INTERVIEW THAT THEY LEFT THEIR LAST JOB VOLUNTARILY OR WERE DISMISSED FOR MISCONDUCT SHOULD BE DISQUALIFIED FOR UNEMPLOYMENT BENEFIT FOR 6 WEEKS, SUBJECT TO SAFE-GUARDS.

Accepted subject to further clarification of the legal position and development of suitable procedures. Action in respect of voluntary leavers may be possible in early 1982.

RECOMMENDATION 41:

Paragraph 7 21: ENQUIRIES SHOULD BE MADE WHERE A NEW CLAIMANT SAYS HE HAS HAD NO EMPLOYER FOR THE PREVIOUS SEVEN WEEKS.

Objective accepted, but alternative methods of achieving it will be considered on the basis of cost effectiveness. Agreed changes will be implemented this year.

RECOMMENDATION 42: Paragraphs 7 22 to 7 25: THE SUPPLEMENTARY ALLOWANCE CLAIM FORM SHOULD INCLUDE ADDITIONAL QUESTIONS TO ENABLE REDUCTION ON ACCOUNT OF VOLUNTARY UNEMPLOYMENT TO BE CONSIDERED.

Rejected. This would require more of the form than it is capable of providing.

RECOMMENDATIONS: 43 & 44 Paragraph 7 26 to 7 38: ALL EXECUTIVE OFFICERS IN UNEMPLOYMENT BENEFIT OFFICES SHOULD HAVE FULL INSURANCE OFFICER POWERS; AND ONLY SPECIALIST ADVICE SHOULD BE CONCENTRATED IN REGIONAL OFFICES. APPEALS AGAINST AN INSURANCE OFFICER'S DECISION SHOULD BE SENT TO THE REGIONAL OFFICE FOR REVIEW.

There are reservations about these Recommendations and they are being studied further - including the legal position. Changes that are agreed would be implemented during 1982.

RECOMMENDATIONS: 45; 46 Paragraphs 7 39 to 7 55: THE INCIDENCE OF FRAUDULENT CLAIMS TO BENEFIT SHOULD BE MEASURED AS A MATTER OF URGENCY IN 1981; BOTH DEPARTMENTS SHOULD INCREASE SUBSTANTIALLY THEIR SPECIAL INVESTIGATION AND FRAUD STAFFS.

See paragraphs 28 to 30 of this statement of the Government's response.

RECOMMENDATIONS: 47 to 50 Paragraph 7 56 to 7 65: STUDIES SHOULD BE UNDERTAKEN TO ASSESS THE EFFECTIVENESS OF CERTAIN EXISTING CHECKS ON FRAUD AND OF POSSIBLE CHANGES IN THEM.

Further consideration is being given to this area in DHSS, making use of recently completed studies. In the Department of Employment recommendations 49 and 50 will be implemented by 1982 and further study given to 47 and 48.

RECOMMENDATION 51: Paragraphs 7 66 to 7 68: THERE SHOULD BE AN URGENT REVIEW OF COMPLEMENTING FOR SPECIAL INVESTIGATION AND FRAUD OFFICERS, TO ENSURE THAT NUMBERS ARE ADEQUATE.

The DHSS complementing system has been reviewed and improved. The Department of Employment propose to mount a complementing review in 1981.

RECOMMENDATION 52: Paragraph 7 69: SPECIAL INVESTIGATORS SHOULD ADJUST THEIR WORKLOADS TO ENABLE THEM TO START WORK ON CASES WITHIN 10 WORKING DAYS OF THE CASE COMING TO THEIR NOTICE.

Already accepted as good practice.

RECOMMENDATION 53: Paragraph 7 70: REGIONAL OFFICE AUTHORISATION OF SPECIAL INVESTIGATION CASES SHOULD BE ENDED.

This will have to be considered in the light of a wider and more detailed study from which the results will be received this Spring.

RECOMMENDATION 54: Paragraphs 7 71 to 7 75: THE FIRST LETTER TO A CLAIMANT FROM THE UNEMPLOYMENT REVIEW OFFICER SHOULD BE DELIVERED MORE SPEEDILY AND SHOULD WARN OF THE RESULTS OF FAILURE TO ATTEND THE INTERVIEW. IF THERE IS NO PROMPT EXPLANATION OF FAILURE TO ATTEND, BENEFIT SHOULD BE SUSPENDED.

There will be some tightening up of procedures in the Autumn.

RECOMMENDATION 55: Paragraphs 7 75 to 7 76: THE COMPLEMENTING SYSTEM FOR UNEMPLOYMENT REVIEW OFFICERS SHOULD BE REVIEWED IN THE LIGHT OF EVIDENCE AS TO THEIR EFFECTIVENESS.

This is being considered in the context of the Government's response to Recommendations 1-5.

RECOMMENDATION 56: Paragraph 7 77: EMPLOYERS' STATEMENTS IN CONNECTION WITH FRAUD CASES SHOULD AS FAR AS POSSIBLE BE TAKEN AT THE OUTSET AS FORMAL WITNESS STATEMENTS.

Accepted, for implementation during 1981.

RECOMMENDATIONS 57-58: Paragraphs 7 78 to 7 82: MORE RESPONSIBILITY IN THE PREPARATION AND PRESENTATION OF PROSECUTIONS SHOULD BE DELEGATED FROM HQ; LOCAL AND REGIONAL OFFICE FRAUD STAFF SHOULD REPRESENT THE DEPARTMENTS IN COURT IN FRAUD PROSECUTION. GREATER USE SHOULD BE MADE OF DEPARTMENTAL SOLICITORS IN OTHER CASES.

This will be considered in the light of a wider study from which a report will be received in the Spring, and of the recommendations of the Royal Commission on Criminal Procedures. Pilot Study may be necessary before any changes are introduced.

RECOMMENDATION 59: Paragraphs 7 83 to 7 89: EMPLOYERS SHOULD BE PROSECUTED IN ALL CASES WHERE THERE IS SOME EVIDENCE OF COLLUSION.

The employer will be prosecuted where the evidence is strong enough.

RECOMMENDATIONS 60-61: Paragraphs 7 90 to 7 97: THE EFFECTIVENESS OF VISITS TO UNEMPLOYED CLAIMANTS DURING THE FIRST 6 MONTHS OF THEIR CLAIMS SHOULD BE REVIEWED; AND RURAL AREA VISITS WHEN A FRESH CLAIM IS MADE SHOULD BE REVIEWED AGAINST THE COSTS OF REQUIRING THESE CLAIMANTS TO COME TO THE OFFICE.

Visiting arrangements are being reviewed, and any agreed changes will be implemented as soon as possible.

RECOMMENDATIONS 62-66: Paragraphs 7 98 to 7 123: VARIOUS CHANGES IN DHSS AND DEPARTMENT OF EMPLOYMENT MANAGEMENT ARRANGEMENTS SHOULD BE CONSIDERED.

There is a need for some changes. The Departments are considering what the most appropriate arrangements would be, bearing in mind the current rapid rise in the number of people who are unemployed. Changes will be implemented as circumstances allow: no timetable can be given.

RECOMMENDATIONS 67-70: Paragraphs 8 01 to 8 76: WORK ON SUPPLEMENTARY ALLOWANCES FOR PEOPLE WHO ARE UNEMPLOYED AND THE ASSOCIATED STAFF SHOULD BE MOVED TO UNEMPLOYMENT BENEFIT OFFICES: AND EACH CLERK SHOULD DEAL WITH BOTH BENEFITS. THE NETWORK OF UNEMPLOYMENT BENEFIT OFFICES SHOULD BE RUN BY THE DEPARTMENT OF EMPLOYMENT. RESPONSIBILITY FOR UNEMPLOYMENT BENEFIT POLICY AND FOR THE UNEMPLOYMENT BENEFIT COMPUTER CENTRES SHOULD BE REVIEWED IN THE LIGHT OF DECISIONS ON OTHER RECOMMENDATIONS IN THE REPORT.

See paragraphs 21 to 27 of this statement of the Government's response. The question of who should run the computer centres which handle unemployment benefits, and the allocation of responsibility for unemployment benefit social security policy, will be considered once the procedural issues have been settled, and in the light of wider considerations.

RECOMMENDATIONS 71-77: Paragraphs 9 01 to 9 32: VARIOUS DEVELOPMENTS OF THE WORK CARRIED OUT BY COMPUTERS SHOULD BE STUDIED, TESTED, AND WHERE APPROPRIATE IMPLEMENTED.

All these recommendations except no 76 are broadly acceptable. Number 72, which concerns ceasing to issue unnecessary notifications to local offices, is being implemented this year. Recommendations 71 (leaving the computer to trace the national insurance number), 73 (sending certain notifications to local offices by computer rather than post), 74 (extending use of the 'datalink' communication between Newcastle DHSS Central Office and DHSS local offices), and 75 (connecting Newcastle to unemployment benefit computer subcentres by datalink), are recognised as requiring a longer timetable. In general, implementation will not be possible until after

April 1982 - in the case of Recommendation 73 not before April 1984. Recommendation 76 (a link between the unemployment benefit computers and DHSS local offices) requires reconsideration in the light of other decisions. Recommendation 77 (testing a system under which computer payments would continue until the unemployment benefit office asked for them to be stopped) will be implemented after taxation of unemployment benefits has been introduced in April 1982.

RECOMMENDATIONS 78-80: Paragraphs 9 33 to 9 46: COMPUTER UPRATING OF SUPPLEMENTARY ALLOWANCE FOR UNEMPLOYED PEOPLE; REPLACEMENT OF LOCAL CLERICAL RECORDS BY COMPUTER RECORDS; CONSIDERATION OF THE POSSIBILITY OF MAINTAINING AN UP-TO-DATE EMPLOYMENT AND BENEFIT STATUS RECORD.

The first of these will be examined further in 1981. It is technically feasible but could not be implemented for some time. It will be examined further in the meantime. The other two Recommendations are already covered in the long-term operational study of the application of new technology to the payment of DHSS benefits generally.

RECOMMENDATION 81: Paragraphs 10 1 to 10 4: CURRENT CONSIDERATION OF A POSSIBLE SHORT-TERM SUPPLEMENTARY BENEFIT SCHEME SHOULD COVER THE POSSIBILITY OF THIS BEING RUN FROM UNEMPLOYMENT BENEFIT OFFICES FOR UNEMPLOYED BENEFICIARIES.

Accepted.

CONFIDENTIAL file

Marjorie MFJ

cc DHSS
LPO
Emp.
PMG
Sir D. Rayner
RO

10 DOWNING STREET

From the Private Secretary

2 February 1981

Dear John

Joint DHSS/DE Scrutiny of Unemployment Benefit

The Prime Minister has seen the Chancellor's minute of 23 January.

She understands that the official Implementation Group will be consulting Treasury officials on the drafting of the Government response and that the Chancellor will be consulted, along with other Ministers, by the Secretaries of State for Employment and Social Services when a draft is ready for Ministers.

In considering the expenditure implications in the short term, the Prime Minister hopes that full weight will be given to the value of the recurring savings and to the opportunity provided to reform the administration of the delivery of services to the unemployed, to the advantage of both the taxpayer and the beneficiary.

In respect of the proposal for an extra 750 fraud investigators the Prime Minister recognises that this may make the manpower target that much more difficult to achieve. But she believes that the taxpayer would find it difficult to understand why, for that reason, the Government passed up the opportunity of an estimated net saving in benefit payments of at least £24m. a year. She considers that that would sit uncomfortably with the Government's objectives of bringing down public expenditure and improving the effectiveness with which the functions of Government are discharged.

The Prime Minister is also concerned that fraud might well increase if it got about that the chance of being caught was small.

The Prime Minister takes the Chancellor's point that any extra staff might earn a better return in the Inland Revenue and Customs and Excise. At the same time, she believes that similar arguments could be advanced about the deployment of staff across his three Departments. She feels she would not wish

/arguments

CONFIDENTIAL

BK.

arguments about the best use of staff across Departments to override the achievement of maximum efficiency in the use of staff within Departments. She regards the DHSS/DE scrutiny as an excellent example of this from which others could learn.

The Prime Minister agrees with the Chancellor that the Government needs all the savings it can get from any sources. This scrutiny offers opportunities for substantial net savings of posts, which she hopes to see achieved as quickly as possible.

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

Yours ever

Mike Pattison

A.J. Wiggins, Esq.,
HM Treasury.

E R

PRIME MINISTER

You asked for Derek Rayner's advice on the Chancellor's scepticism about the unemployment benefit scrutiny recommendations.

Derek's minute below suggests that you should firmly override the Chancellor's objections.

The strongest of the Chancellor's arguments is that additional staff might save or collect greater amounts if used for VAT. Derek argues that the Chancellor should first look within his own Departments to use additional staff resources for this, and should not use this argument to undermine proposals which offer very significant net saving. The argument is neatly set out in paragraph 15 of his minute.

If you are happy with this advice, may I write to the Treasury as in the draft letter at Flag A? (The Chancellor's comments are at Flag B.)

Excellent Speech.

MT

30 January 1981

MT

PRIME MINISTER

JOINT DHSS/DE SCRUTINY OF UNEMPLOYMENT BENEFIT

1. You asked for advice on the Chancellor of the Exchequer's minute of 23 January.

Public expenditure implications

2. It is of course right that the Treasury should be associated with the drafting of the Government response. Indeed, I am surprised that Treasury officials have not been in touch direct before now with the implementation committee, set up following your Private Secretary's letter of 31 December. I understand that the committee will be consulting Treasury officials on the draft response.

3. The Chancellor himself will be consulted by the Secretaries of State for Employment and Social Services on the draft when it goes to their colleagues.

4. I trust however that Treasury officials will not be short-sighted in the view they take of the issues, not least of the fact that the proposals involve an initial expenditure to achieve recurring savings.

5. Reform of the kind and as big as that put forward in this scrutiny may often require some investment. It certainly would in business. The important thing is to make sure that the necessary investment in money or men yields a reasonable return.

750 extra special investigators to counter unemployment benefit fraud

6. One should not allow the figure of 750 extra investigators to be treated as a tablet of stone. I understand that DE could not produce so many trained staff over-night nor indeed for some time.

7. The Chancellor says that the proposal sits oddly with the objective of making substantial further reductions in the size of the Civil Service.

8. It will of course make the manpower target that much more difficult to achieve.

9. But I believe the taxpayer would find it incredible if, for that reason, the Government passed up the opportunity of a net saving of at least £24m a year. That would sit oddly with the Government's objective to get public expenditure under control and to improve the efficiency and effectiveness with which its functions and its services are managed.

10. I believe also that if the proportion of fraudulent claims is in the region of 8% (and the scrutiny team thought this a minimum figure) there is a palpable risk of it increasing as the message gets round that the chance of being caught is small. This could have serious long-term public expenditure implications which, for want of a little repair work today, could prove very expensive eventually to put right.

11. I can understand the Chancellor's point about the extra 750 staff perhaps being better employed, earning a greater return, in the Inland Revenue and Customs and Excise.

12. But the same might just as easily be said about diverting for this purpose staff employed in other parts of the Chancellor's departments or in other parts of Whitehall.

13. It is by no means clear that the allocation of staff within departments is at the moment the best possible. I think that avenue should be explored thoroughly before trying to achieve the theoretic ideal of an optimal allocation between departments. A "within department" examination of effectiveness in the use of staff was one of the objectives of the DE/DHSS scrutiny, as result of which Ministers are now able to consider a coherent plan for the use of their staff. The Chancellor's counter proposition does not adduce evidence about whether his staff are already deployed in the most effective way.

14. It is important also not to lose sight of the whole through focusing too closely on the proposed extra staff:

a. There is the political decision on whether an 8% (or higher) rate of fraud is acceptable to the Government.

b. The scrutiny proposed a package of measures to improve the effectiveness of the anti-fraud procedures, of which the increase in special investigators was but a part.

c. The scrutiny was directed at creating a system of delivering benefits to the unemployed which is effective in its use of money and men, the two of which cannot be separated.

d. The extra staff on fraud are better regarded as a redeployment of resources with more than off-setting savings having been found elsewhere.

15. It may be difficult as the Chancellor suggests to explain to Revenue and Customs staff why DHSS and DE have managed to obtain more fraud investigators. I believe inaction would be even more difficult to explain to the taxpayer.

16. I attach a draft of a reply that your Private Secretary might send to the Chancellor.

DEREK RAYNER

30th January 1981

Enc: Draft letter

DRAFT OF 30 JANUARY 1981

J A WIGGINS ESQ

Joint DHSS/DE Scrutiny of Unemployment Benefit

1. The Prime Minister has seen the Chancellor's minute of 23 January.

2. She understands that the official Implementation Group will be consulting Treasury officials on the drafting of the Government response and that the Chancellor will be consulted, along with other Ministers, by the Secretaries of State for Employment and Social Services when a draft is ready for Ministers.

3. In considering the expenditure implications in the short term, the Prime Minister hopes that full weight will be given to the value of the recurring savings and to the opportunity provided to reform the administration of the delivery of services to the unemployed, to the advantage of both the taxpayer and the beneficiary.

4. With regard to an extra 750 fraud investigators the Prime Minister has said that whilst she understands that it may make the manpower target that much more difficult to achieve she believes the taxpayer would find it difficult to understand why, for that reason, the Government passed up the opportunity of an estimated net saving in benefit payments of at least £24m a year. That would sit uncomfortably with the Government's objectives to bring down public expenditure and to improve the effectiveness with which the functions of government are discharged.

5. The Prime Minister is also concerned lest fraud increased if it got about that the chance of being caught was small.

6. The Prime Minister takes the Chancellor's point that the extra staff might earn a better return in the Inland Revenue and Customs and Excise. She believes however that the same could be argued for the deployment of staff across his three departments. She feels that before trying to ensure the best use of staff across departments energies should be focussed on getting efficiency in the use of staff within departments. The DHSS/DE scrutiny is an excellent example of this from which others could learn.

7. As the Chancellor says the Government needs all the savings it can get from any sources. The scrutiny has provided an opportunity for substantial net savings of posts.

8. Copies go to the earlier copy addressees.

PRIVATE SECRETARY

FILE

VLB

Manpower

MR. PRIESTLEY

The Prime Minister has seen the Chancellor of the Exchequer's minute of 23 January, about the DHSS/DE scrutiny of unemployment benefit. She would be grateful for Sir Derek Rayner's advice on the Chancellor's comments, and in particular on the argument in paragraph 6 about priorities for additional staff. Her own initial reaction is that the unemployment fraud issue is a grater problem than the parallel case cited in respect of income tax and Value Added Tax, given that fraudulent claims for unemployment benefit actually withdraw money from the system, and failure to detect this encourages others to do likewise.

M A PATTISON

26 January 1981

KRB

Would you ask Derek Rayner to advise on this.

I am very sceptical of the arguments. Times are far too. To claim unemployed benefit fundamentally wrong in principle. Nothing to do with Treasury to determine how it is encouraged. It cannot be the same as the rule under the I.T.

Prime Minister

The Chancellor is joining the "go-slow" brigade on the unemployment benefit scrutiny.

He obviously needs to be involved in the discussions. He may be right in his para. 7, but we need to agree a line quickly.

MAP 23/1

PRIME MINISTER

JOINT DHSS/DE SCRUTINY OF UNEMPLOYMENT BENEFIT

I have seen the joint minute of 17 December from the Secretaries of State for Employment and Social Services about this scrutiny, and also your Private Secretary's letter of 31 December.

2. I agree with you that, given the size of the potential savings from the recommendations, we should make a positive response to it. I have however two reservations which I think we should bear in mind in the consideration of the recommendations and the publication of any Government response.

3. The first is that the recommendations clearly have implications for public expenditure. The proposals on pay periods appear to offer savings (the size of which would depend on the method of payment adopted). The "one office" proposals would involve substantial initial investment before they could be implemented. And the voluntary registration proposals might, depending on the way they were implemented, have implications for the total expenditure on benefit.

4. In view of these implications I should like my officials to be involved in the discussion of the report's implementation and the drafting of the Government response. I should not want us to make too positive a commitment to the one office proposal until we have a clearer idea of the timescale and background against which the additional expenditure would be required.

5. Second I note the reservations Patrick Jenkin and Jim Prior make in paragraph 7(iii) of their minute about the

proposed addition of 750 special investigators to counter unemployment benefit fraud. I echo these reservations but for rather different reasons. The proposal sits oddly with our objective of making substantial further reductions in the size of the Civil Service.

6. Certainly if, as seems to be the intention, the 750 extra staff were to come out of the total potential saving, it must be less difficult to defend. But this would not only reduce the potential saving, as the minute recognises. The rate of return would be well below what could be obtained from such additional staff resources if used elsewhere. For example, the Inland Revenue get a rate of return of about 8 to 1 from investigation work in tax offices, so 750 additional staff there would yield more than double, and it is estimated that the same number of additional staff in Customs and Excise would produce over £40 million per annum additional VAT. In addition, the staff would see the extra 750 investigators against the background of the substantially greater staff reductions already made in my departments compared with for example DHSS and the further cuts being required. Revenue and Customs staff would not understand the decision, and the unions would not be slow to make capital, as they did last year, out of the apparent inconsistency.

7. Given the difficulty of reaching our collective target of Civil Service manpower reductions by 1984 we need, as things stand, all the savings we can get from any source. Should there not be a settled line on this aspect at least of the team's recommendations before they get publicised?

8. I am copying to those who received copies of your Private Secretary's letter of 31 December.

(G.H.)

23 January 1981

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File & Co

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).

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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- 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

G.R

Type flag B for me, please

MT

RPO 31/12

1.

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. I agree!

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?

MT

Well done! - Yes

MT

23 December 1980

file with MAP

COVERING CONFIDENTIAL

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

CONFIDENTIAL

R T B Dykes Esq
Department of Employment

JOINT DE/DHSS SCRUTINY OF UNEMPLOYMENT BENEFIT

1 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.

2 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).

3 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 implemtnation of agreed recommendations should begin early and proceeed 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.

4 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 bythe beginning of Spring.

5. The Prime Minister confirms her agreementwith 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 conskltation 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

vk

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cc Clive Priestley

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.

(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

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.

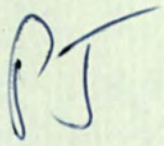
Next steps

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.

17th December 1980



JP
PJ

CONFIDENTIAL

cc Mr Pattison

NAP

NOTE FOR THE FILE: DE/DHSS SCRUTINY

1. Mr Lewis consulted me at the end of last week on a draft minute from the SSs/Employment and Social Services to the PM indicating what they proposed to do on the Johnston Report on Services for the Unemployed. My main point to Mr Lewis was that the draft was vague about the pace at which consideration of the proposals made would be conducted and recommendations converted into action. He explained on the phone that this reflected a strong feeling among DHSS officials that a "go slow" was the right approach.

2. I said that he could expect us to exert as much pressure as we could to accelerate the pace of consideration, decision and implementation.

3. I was rung on Monday evening, 15 December, by Mr Derx, the Deputy Secretary from DE who is chairing the joint DE/DHSS Steering Committee on the Report. Its first task will be to produce the draft minute to the Prime Minister and then the draft decision document for Ministers early next year. He works with a DHSS opposite number, in the shape of Mr Oglesby, the Deputy Secretary in charge of the Social Security Policy Group.

4. He said that DE and DHSS interests were at variance, especially over the proposal that there should be "one office" dealing with the unemployed and located in DE. There was a considerable rear guard action on this in DHSS, on the not entirely unreasonable grounds that so much else was going on. He thought that DHSS would advise their Minister to seek to avoid a decision in principle on this and other of the "major" recommendations made by the team. He himself was therefore glad to hear that we should be willing to put on such pressure as we could.

5. I said that we would look carefully at the interim minute from the SSs when it came in; if it was still vague about timing and intention I would bring it to notice.

CP

C PRIESTLEY
16 December 1980

CS

CONFIDENTIAL

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

GTN 213

Rt Hon Patrick Jenkin MP
Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
London SE1

10 November 1980

Dear Patrick

DE/DHSS JOINT RAYNER SCRUTINY

Thank you for your letter of 29 October. I do not object to the modifications you propose to what we should say in the event of premature publicity.

While the scrutiny was primarily directed at the effectiveness with which benefits for the unemployed are delivered, the team were asked to consider whether administrative constraints were imposed by policies, and in this context to examine various points relating to the distinction between, and inter-action of, contributory and means tested benefits. I should not therefore wish to feel that in placing emphasis on the simplification of administration we were precluding consideration by Ministers of questions of policy which arise from the team's scrutiny.

I am sending copies of this letter to the recipients of yours.

Yours

Tom

FILE

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

4 November 1980

BF 10.12.80

As you know, the Prime Minister last night met the team who are scrutinizing the system of payment of unemployment benefit. Your Secretary of State and Mrs. Chalker, the Secretary of State for Employment, and Sir Derek Rayner were also present.

The Prime Minister was much impressed by the provisional conclusions presented by the scrutiny team, and she was also impressed by the quality of their presentation of their exercise.

After the presentation, there was a brief discussion about the next steps. The Prime Minister was informed that the scrutiny team's report should reach the two Secretaries of State at the end of this month. Your Secretary of State and Mr. Prior agreed that they should have the final report examined quickly at senior level jointly between the two departments, and that they should then submit to the Prime Minister a general report on how they would take forward work to implement the recommendations as far as is practicable. They emphasised the sensitivity of some of the recommendations, and the need to handle presentation with great care.

I am sending copies of this letter to Richard Dykes (Department of Employment), Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

Don Brereton, Esq.,
Department of Health and Social Security.

CONFIDENTIAL

Soc Services

PRIME MINISTER

I have not given you any advance papers on the Rayner unemployment benefit scrutiny. The important points should be brought out in an interesting way in the presentation. It would be a pity to take the edge off this. But you might like to be aware of the names of the scrutiny team, and of their agenda for the presentation.

The team is headed by Mr Ian Johnston, an Assistant Secretary from Employment. He is supported by Mr Gerald Johnson, a DHSS Principal, and Mr Lee Lewis, an Employment Principal. The presentation will follow this format:-

i) brief description of present system of delivering benefits and application of Rayner technique

ii) examples of waste eg milk tokens, recovery of overpayments.

iii) voluntary registration, review, and new availability test.

iv) summary of main findings and estimates of public expenditure and staff savings for

a) procedural changes
b) registration, review and availability testing
c) common pay periods
d) control of fraud and abuse
e) one benefit office

If time permits, you may like to have a separate word with Derek Rayner after the meeting. He had asked for a session with you to discuss his future role, although you answered the major points last weekend, when you saw the submission below.

There is one important point outstanding. Derek would like to put in hand a White Paper on progress in the efficiency campaign, for publication early next year. He may ask whether you are content for this to be done.

MAP

31 October 1980

✓ MAP 2 pps
Manpower

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NA

29 October 1980

Dear Jim,

DE/DHSS JOINT RAYNER SCRUTINY

Many thanks for your helpful letter of 20 October. I am sure that you are right that we should be prepared against the possibility of premature publicity, while doing the best we can to avoid it.

I would only suggest two minor modifications to the approach that you suggest. The first relates to simplification. There were rumours when this study was launched that the plot was to abolish unemployment benefit, and so simplify the system by having a means-tested provision only. Any reply which referred to the hope of simplifying the system might, despite the reference to the interests of claimants, be related back to these earlier rumours. I think we should say we hope the outcome will be to simplify administration in the interests of both claimants and staff. Second, I am not sure that the complexity of the scrutiny is in itself a very telling argument against publication of the report. I suggest that we say instead that the scrutiny involves looking in very considerable detail at the administrative arrangements for handling claims and paying benefits, and that it might not be appropriate to publish the report itself, but that we should certainly expect to publish a document based on the report.

If you are content with these slight changes of emphasis, our Officials can be instructed accordingly.

Copies of this letter go to the recipients of yours.

Yours

Patrick

CONFIDENTIAL

BF 31/X MAP

Department of Employment
12 St. James's Square London SW1Y 4LL
Telephone Direct Line 01-214 6256
Switchboard 01-214 6000

Mr M Pattison
10 Downing Street
LONDON SW1

28 October 1980

Dear Mr Pattison

JOINT DE/DHSS RAYNER SCRUTINY OF DELIVERY OF BENEFITS TO THE UNEMPLOYED

You might like to have the following suggested agenda for the Rayner team's presentation of their main findings on 3 November:-

i) brief description of present system of delivering benefits and application of Rayner technique.

ii) examples of waste eg milk tokens, recovery of overpayments.

iii) voluntary registration, review, and new availability test.

iv) summary of main findings and estimates of public expenditure and staff savings for

a) procedural changes
b) registration, review and availability testing
c) common pay periods
d) control of fraud and abuse
e) one benefit office

I am copying this to Don Brereton, Richard Dykes and Clive Priestley.

Yours sincerely

Ian Johnston

IAN JOHNSTON
Rayner Scrutiny Team

cc Mr Pattison

Mr SANDERSON

PRESENTATION TO PRIME MINISTER, 3 NOVEMBER

1. The team responsible for the joint DE/DHSS scrutiny of the delivery of unemployment and supplementary benefit to the unemployed will be making a presentation to the PM, the Employment and Social Service Secretaries and others at 5 30 pm on Monday 3 November in 10 Downing Street.

2. They will need an overhead projector and screen, both for the presentation and for a rehearsal. The latter will be at 4 00 pm on Friday 31 October, but I am as yet unsure whether it will be here in the Cabinet Office (Sir Derek Rayner's room) or in the room at 10 DS where the presentation will be made.

3. I should be grateful if you would kindly arrange for a projector and screen to be made available to me on the dates indicated.

C PRIESTLEY
27 October 1980

CONFIDENTIAL

RCB

BF 31.10.80

10 DOWNING STREET

From the Private Secretary

20 October 1980

The Prime Minister has heard something of the Rayner scrutiny on delivery of benefits to the unemployed, about which your Secretary of State wrote to the Secretary of State for Social Services today.

As your Secretary of State notes in his letter, it seems likely that the subject matter of this study will be sensitive. In view of the presentational problems which arose in the case of the earlier Rayner project on social security benefits, the Prime Minister would like an early opportunity to see what may be involved in this particular project. She has therefore asked if the review team could come to No. 10 to describe what they have been doing, accompanied by a Minister from the two departments involved. She hopes that it will be convenient for this presentation to take place at 1730 on Monday 3 November.

I am sending copies of this letter to Don Brereton (Department of Health and Social Security), David Wright (Cabinet Office) and Clive Priestley in Sir Derek Rayner's office.

M. A. PATTISON

CS

Richard Dykes, Esq.,
Department of Employment.

CONFIDENTIAL

vk

CONFIDENTIAL

Social Services

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Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Patrick Jenkin MP
Secretary of State
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1

GTN Code 213

20 October 1980

Dear Patrick

DE/DHSS JOINT RAYNER SCRUTINY ON DELIVERY OF BENEFITS TO THE UNEMPLOYED

As you know, we expect final copies of the somewhat sensitive Rayner Report on delivery of benefits to the unemployed towards the end of November. The report is already in draft and just in case something leaks, despite the precautions being taken, I think it would be useful for us to agree a common line that we might take if challenged to comment on some alleged recommendations.

In such an event I suggest we say that the report is not due to be presented to Ministers until the end of November. Ministers will then require time in which to consider the recommendations and arrange for appropriate consultation on them with those concerned. We do not therefore intend to comment on the report or any of its recommendations before that stage of formal consultation is reached, except to express the hope that the outcome will be to simplify the sytem for the benefit of both claimants and staff.

If asked whether the report itself will be published, we should say that this is a complex scrutiny which means there are likely to be difficulties about publishing the report itself, but we can expect a document based on the report - possibly an action plan - to be publicly available.

I am sending copies of this letter for information to the Prime Minister, other members of the Cabinet, Sir Robert Armstrong and Sir Derek Rayner.

Yours

Tom

Now fixed for Nov 3.

MAP

PRIME MINISTER

I had a further word with Derek Rayner about the study of the unemployment benefits system now in hand in the DHSS and the Department of Employment.

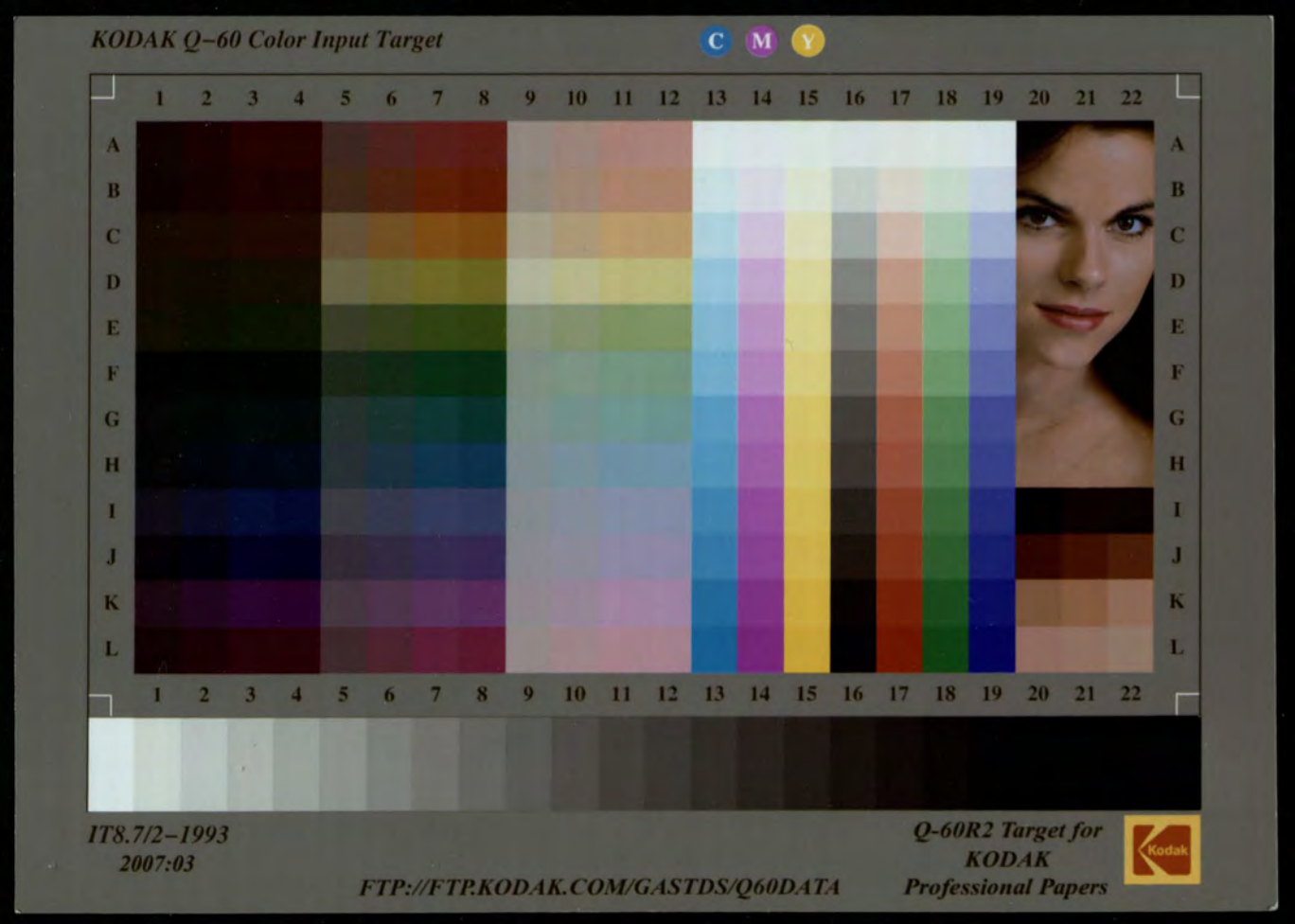
He believes that the team engaged on it are doing first class work. As you know, he is most concerned that they may not get sufficient political backing to push through recommendations which could offer substantive savings and improvements. Many of the recommendations may well serve to confirm the public's view of the problems of the system, and this is naturally very sensitive in the DHSS. Sir Derek has commented that Mr. Prior and Sir Kenneth Barnes have been particularly helpful, and he does not expect any lack of support in that quarter.

Sir Derek would very much like you to see a presentation of the work in hand. This would need up to an hour, probably some time next month. I think it would be well worth doing this, and inviting Mr. Jenkin and Mr. Prior or a Ministerial representative to be present. Provided the team really are impressive, this would enable you to demonstrate your strong support for their work to the Ministers concerned and would also enable you to make it clear to Mr. Jenkin and Mr. Prior that you want the presentation handled more sensitively than with the social security study. You will remember that William Barlow was able to run a scurrilous campaign within the Post Office which undermined much of that study.

May we go ahead to set up a presentation? Yes - soon MT

MAP

16 October 1980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