

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 date quickly.



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

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

Would you ask
Mark Payne to
advise on this.

I am very sceptical of
the arguments of those who
To claim unemployment benefit
fraudulently - do not
mark out of the system
You are to do this
do the same
14 comments
23/1/80
must work
with the
1.1.80

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MAJ
23/1/80
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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.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

(G.H.)

23 January 1981

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23 JAN 1981

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Maynard MFT



cc DHSS
LPO
Emp.
AMG
Sir D. Rayner
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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

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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.

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