

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) 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

CWJ

ms

21 July, 1981.



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17 July 1981

*Whitelaw*

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 occurring 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.

by  
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117 JUL 1981

