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23 July 1981

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

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

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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

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