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.

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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

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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.