

Master

File

cc: Sir R. Armstrong
Sir R. Ibb

10 DOWNING STREET

From the Principal Private Secretary

6 June 1985

Dear David,

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT GROUP

The Prime Minister held a meeting with your Secretary of State, your Minister of State and Sir Michael Quinlan at 1615 on Wednesday 5 June about efforts to improve value for money in the Department of Employment group. Sir Robert Armstrong, Sir Robin Ibb and I were present.

Your Secretary of State gave a presentation about the group's expenditure. A copy of the slides which he used is attached.

As regards administrative expenditure, your Secretary of State said that the group was well advanced on the applying of the financial management initiative and had published a developed set of plans, which would come into full operation this year. The focus of responsibility was at Assistant Secretary level. Reports were made through Sir Michael Quinlan and the senior management group to the Minister of State. Central decisions about the allocation of resources were referred to the Secretary of State. The machinery would be supported by a resource information system which would display the resources account-holders had available to fulfil their tasks. The adoption of these principles had already led to some spectacular examples of local cost-saving. On programme expenditure, the group already had in place a well developed system of annual reviews of the effectiveness of expenditures through the manpower group in which the Treasury, the Department and the MSC took part. In promoting the effectiveness of the MSC programmes, the relationship between the Minister of State and the Chairman of the MSC, with oversight of MSC activities throughout the United Kingdom, was crucial.

Discussion of the Secretary of State's presentation started on the cost of delivering unemployment benefit. The average of £3.20 per fortnightly payments was relatively high because claimants were required to present themselves to unemployment benefit offices and demonstrate that they were available for work, and because safeguards had to be taken against fraud. On the other hand, there was

088

reason to believe that even these measures were not sufficient to ensure that those obtaining unemployment benefit were genuinely seeking work. Your Secretary of State said that he was undertaking a detailed examination of all those on the unemployment register in the Crawley area and that a campaign against fraud was in progress in the Thames Valley area. He believed that these initiatives would help to identify measures to limit the extent to which claimants could obtain unemployment benefit without genuinely seeking work. He would be reporting to the Prime Minister on this aspect shortly. The availability of benefits to students was being examined separately under the leadership of the DHSS.

Sir Robin Ibbs said that he would like to work with the Department in establishing clear targets to be achieved in obtaining better value for money in the group's programmes over the next three years. A meeting had been arranged to carry this work forward later this month.

Summing up the discussion, the Prime Minister said that effective measures needed to be taken to ensure that those drawing unemployment benefit were genuinely seeking work. The aim should be to ensure that claimants could not avoid work on the grounds that nothing was available to fit their requirements: in the last resort there should always be some work available of the sort provided under the Community Programme, or under 'Workfare' in the United States, which any claimants could be required to undertake, whatever their skills. If your Secretary of State would provide examples to her of people exploiting the system by drawing benefit when they were not genuinely seeking work she would give publicity to them in forthcoming interviews. Attention should also be given to the work permits issued to foreigners to ensure that they did not take jobs which residents were capable of undertaking. On training programmes, it was important to ensure that these were closely directed towards the obtaining of employment and could not be undertaken simply as a form of recreational activity at the taxpayer's expense. On other areas of expenditure, the Department should work with Sir Robin Ibbs on formulating targets for further improvements in efficiency.

I am copying this letter to Sir Robert Armstrong and Sir Robin Ibbs.

Yours sincerely,

Robin Butler

David Normington, Esq.,
Department of Employment



10 DOWNING STREET

~~Duty Clerk~~ ~~Al's,~~
charts now attached
SUE

These are some charts
to be distributed with His
letter which are coming

from Dept. of Employment.
They were expected today
(Mr. Normington). When

They arrive, pl. attach
a copy of His set for
all recipients of His letter
& His file, & dispatch.

PERB

DEPARTMENT OF EMPLOYMENT



Caxton House
Tothill Street
London SW1H 9NF
Telephone 01-213 - 6460
GTN Code 213

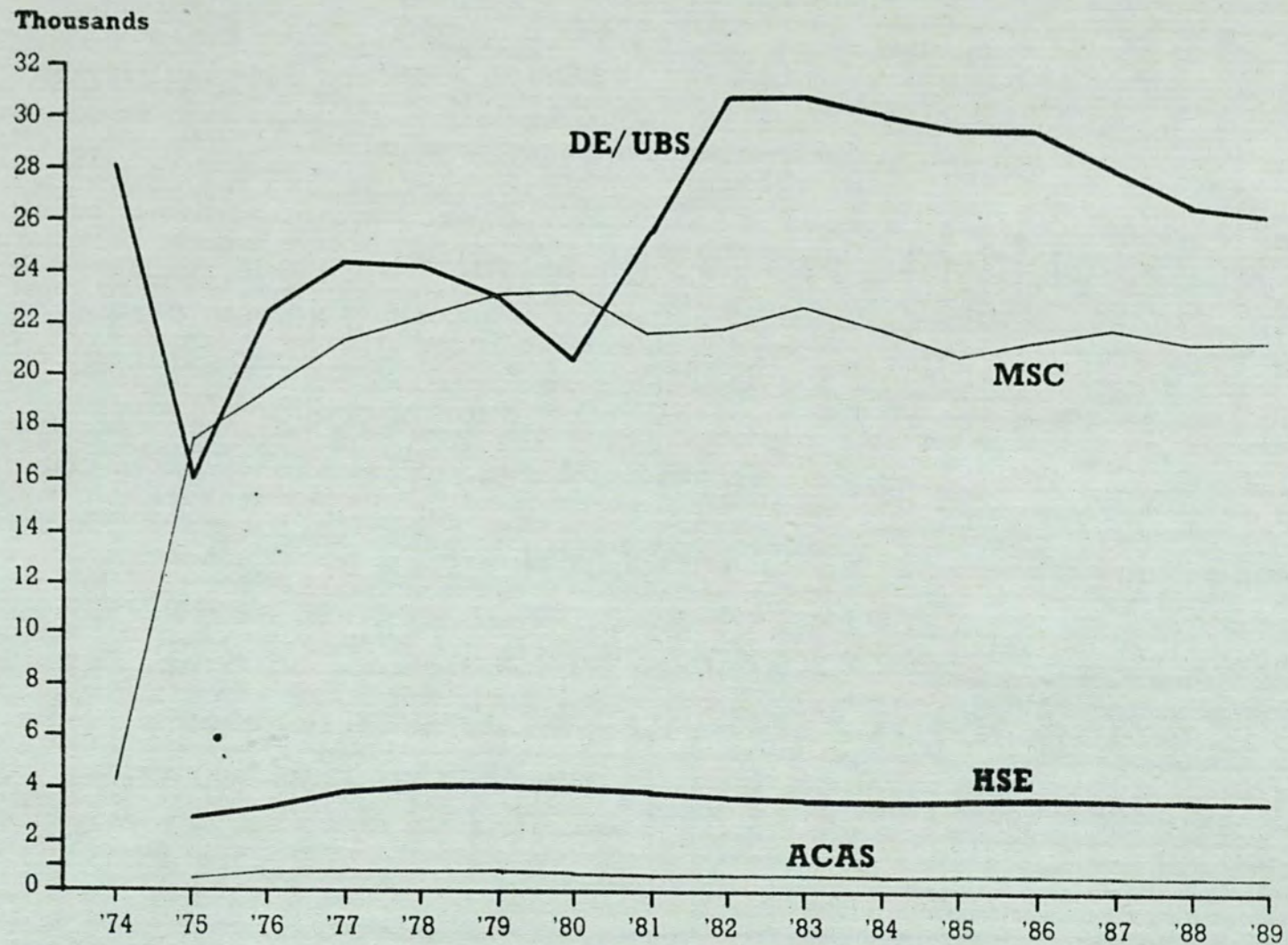
WITH THE COMPLIMENTS OF
THE PRIVATE SECRETARY

David Norman

DE Group expenditure 1985/86

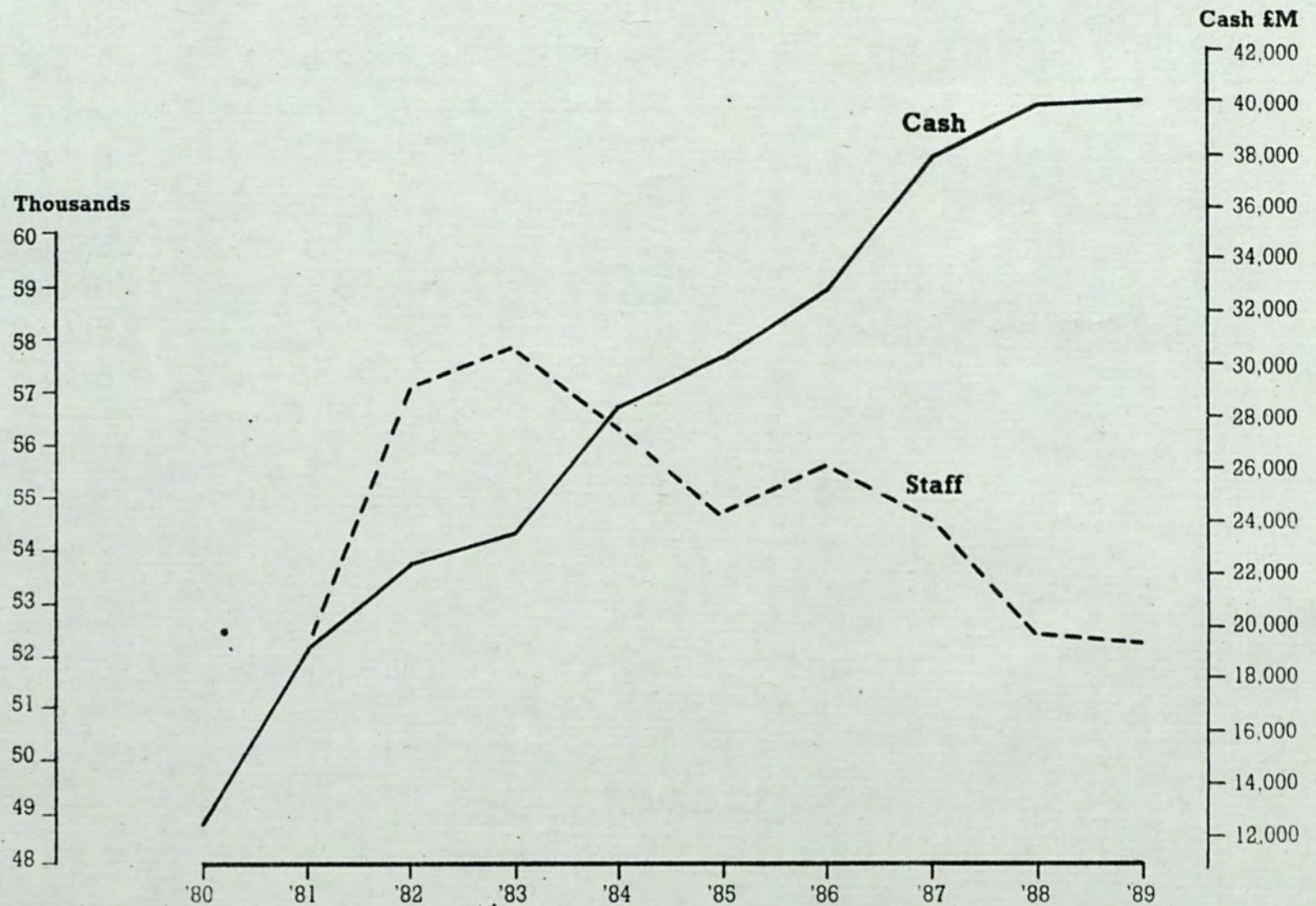
	£M
DE	
Unemployment Benefit Service	250
Employment Measures (JRS, YWS, JSS)	235
Redundancy, Insolvency, Maternity payments	380
Other	70
TOTAL —	£935m
MSC	
Youth Training Scheme	835
Adult Training	280
Employment Division	290
Employment Measures (CP, CI, Sheltered Employment)	840
Other	150
TOTAL —	£2,395m
HSC/E	TOTAL— £90m
ACAS	TOTAL — £15m
GRAND TOTAL £3,435m	

Permanent staff in the DE Group — 1.4.1974 to 1.4.1989



This table shows trends in staffing of the DE Group and projected staff requirements over the period 1 April 1974 to 1 April 1989. Projections are based on the 1985 PES submission.

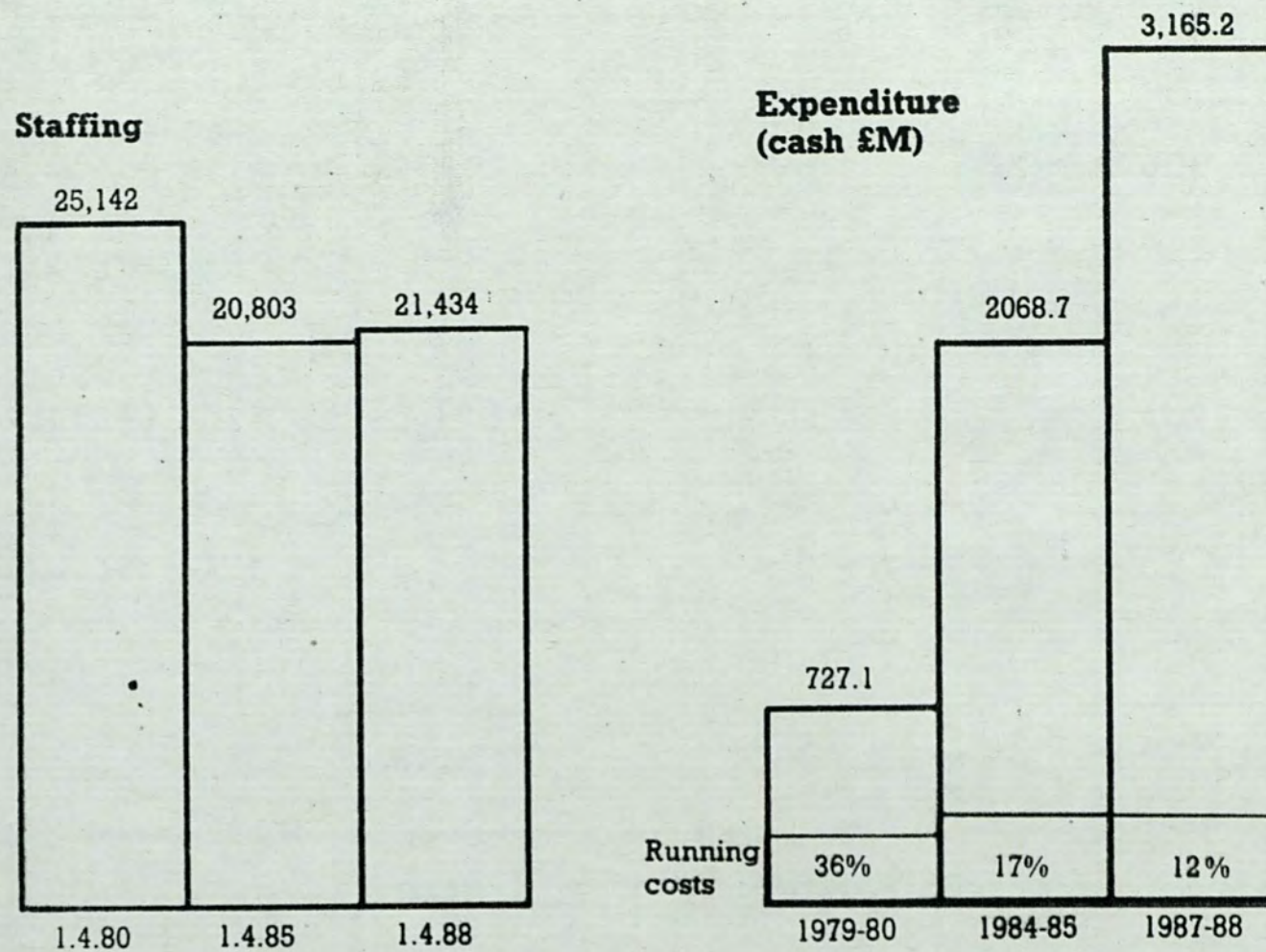
DE Group expenditure and staffing — 1980 to 1989



UBS Productivity

Year	Unemployment (Millions)	UBS staff	Claimants/per member of staff	Cash cost per payment (where applicable)
1975/76	1.31	16326	69:1	n/a
1979/80	1.40	16456	85:1	n/a
1980/81	2.01	18640	108:1	n/a
1981/82	2.83	25012	118:1	n/a
1982/83	2.94	26464	111:1	n/a
1983/84	3.04	26859	114:1	n/a
1984/85	3.20	25827	122:1	£3.20
1985/86	3.20	26099	119:1	£3.32
1986/87	3.06	25819	121:1	£3.43
1987/88	2.99	24439	126:1	£3.39
1988/89	2.90	23602	130:1	£3.38

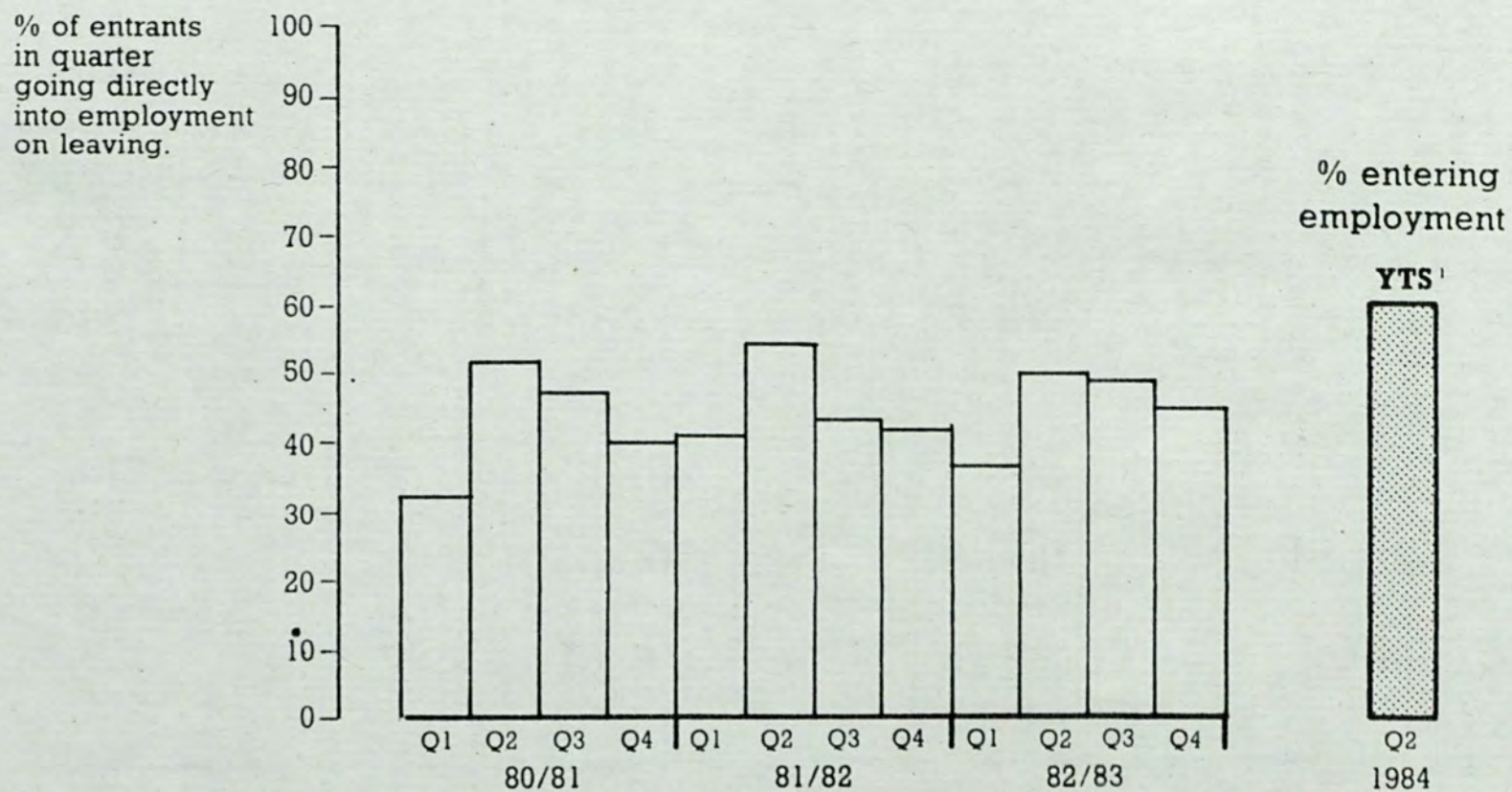
MSC — Staffing, expenditure and running costs



Youth Training Scheme

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
Entrants	370,000	390,500	384,500
Total cost (£m)	783.0	838.0	833.1
Cost per entrant (£)	2,116	2,152	2,164
Net Exchequer cost per entrant	1,270	1,291	1,298
Entrants per member of staff	99.4	108.4	110.6
Admin cost per entrant (£)	150	136	135

Youth Opportunity Programme/Youth Training Scheme



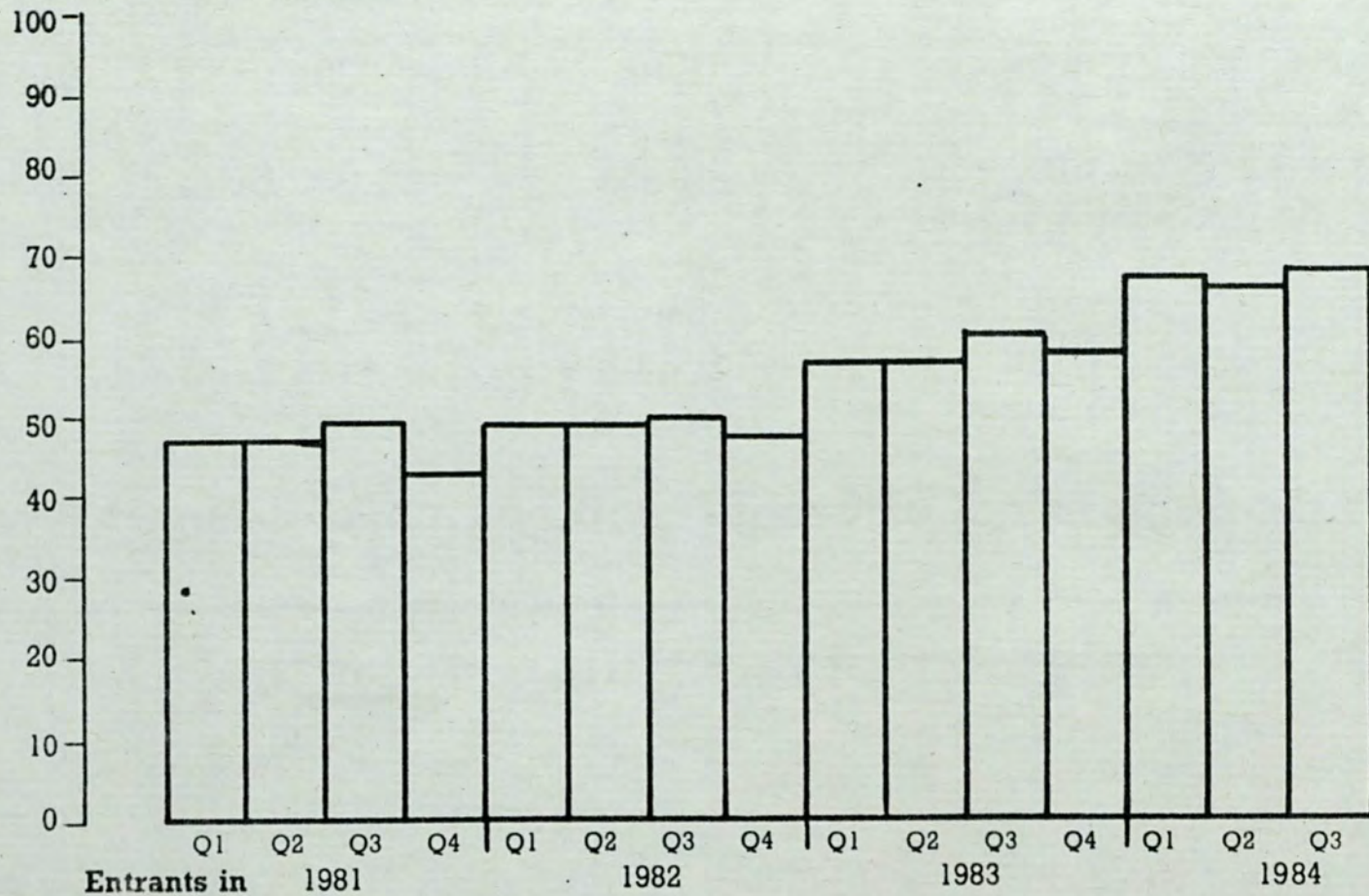
Young people who left the YTS between July-September 1984 in employment February/March 1985

Adult Training Schemes

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
Starts	109,850	119,800	195,000
Total cost (£m)	276.2	262.7	269.9
Cost per entrant (£)	2,432	2,193	1,388
Net exchequer cost per entrant (£)	1,355	1,206	763
Entrants per member of staff	68.8	77.8	130.2
Admin cost per entrant (£)	216	189	115

Training Opportunities Programme 3 month follow-up results

Percentage in employment



MSC — Employment Division

General Employment Service (Jobcentre job broking services)

Year	Total staff	Staff and admin. cost (cash)	Placings achieved	Cost per placing (cash)
1979/90	9,000	£80m	1.9m	£42
1984/85	6,500	£84m	1.8m	£46
1988/89	5,600	£81m	1.8m	£45

NOTE: Figures do not include staff engaged on services like handling training applications and CP recruitment.

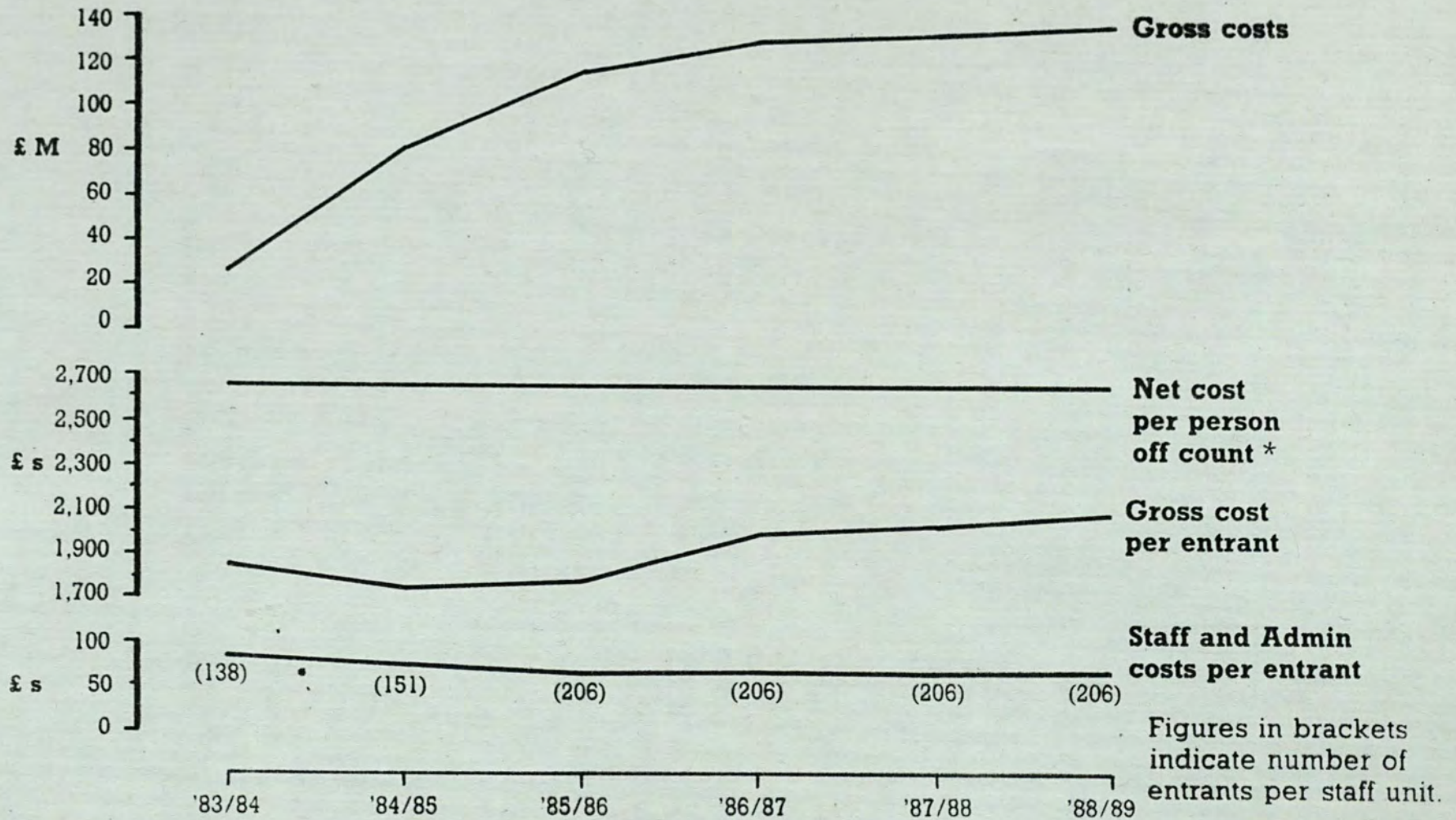
MSC — Employment Division

Key efficiency savings	Period savings	Staff savings	Annual savings*
1 Abolishing Occupational Guidance Service	1980/81	405	£ 3.8m
2 Introducing Voluntary Registration	1982/83-1983/84	1,250	£11.7m
3 Implementing ED Rayner recommendations	1982/83-1983/84	601	£ 9.4m
4 Development of the Employment Service plans	1984/85-1986/87	500	£ 4.7m
5 Introduction of the 'SUPERVACS' computer system	1985/86-1988/89	452	£ 4.5m ⁺
		Total	
		3,208	£34.1m
NOTE: Balance of savings achieved in the General Employment Service through other staff and GAE reductions		892	£12m

* Annual savings shown all at 1984/85 prices.

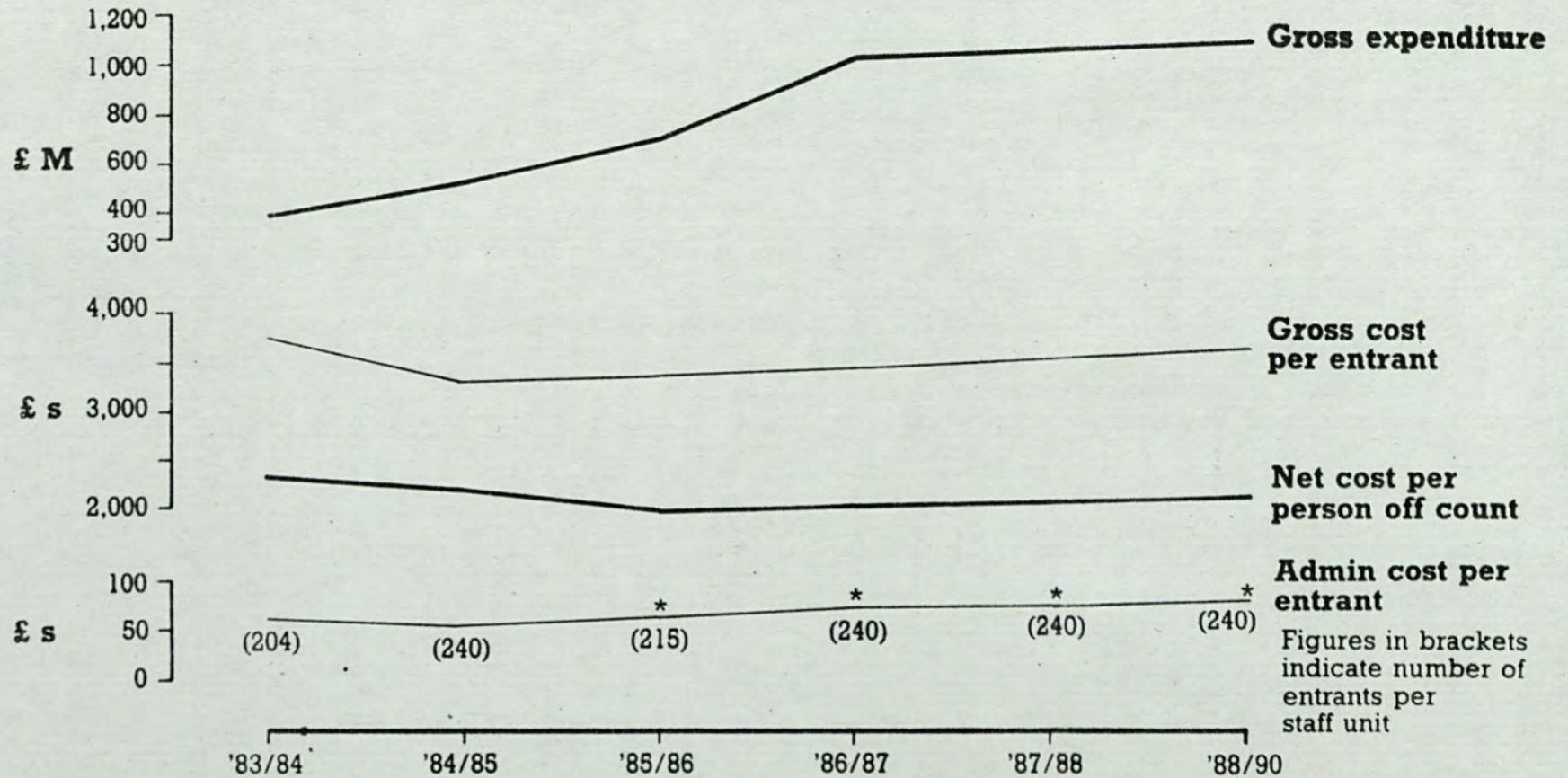
+ Net savings discounted over 10 year period.

Enterprise Allowance Scheme



* Accounts only for savings which occur during year the allowance is in payment. In the case of the Enterprise Allowance Scheme there will be a continuing gain to the Exchequer for many years after.

Community Programme



* Figures for administration costs are provisional; for 1985/86 and 1986/87 they include elements for other costs such as the experiments, and from 1986/87 they include work arising from changes in the eligibility rules for participants.