

Ref. A086/2379

MR NORGROVE

Prime Minister
To note only at
this stage

18/8

Payments to the Unemployed: Departmental Responsibility

I have seen a copy of Mr Unwin's minute to you of 22 July. The Prime Minister will wish to give the two Secretaries of State an opportunity to advance their arguments in full, but on the evidence to date I am inclined to agree with Mr Unwin that the balance of administrative advantage and efficiency appears to point to a transfer to the Department of Health and Social Security. I agree also, however, that there are a number of other considerations the Prime Minister will wish to weigh.

2. In addition to those mentioned by Mr Unwin, there is one further consideration which the Prime Minister may wish to have in mind in approaching this issue. The Department of Health and Social Security is already a large and busy Department, dealing with two politically sensitive areas of policy and administration - the National Health Service and Social Security - and it places a heavy workload on its Ministers (and its senior officials). It would add both to the size of the Department and to the workload of its Ministers, if it were required to absorb some 22,000 additional staff dealing with unemployment benefit (in addition to the 92,700 already in the Department) and to develop the improved links with job placement and related services which Mr Unwin recommends to ensure more effective use of measures to get people back to work. Perhaps this would not be the straw which broke the camel's back; but it would add to the question marks over the Department as it is, and perhaps intensify pressures for separating Health and Social Services into two Departments.

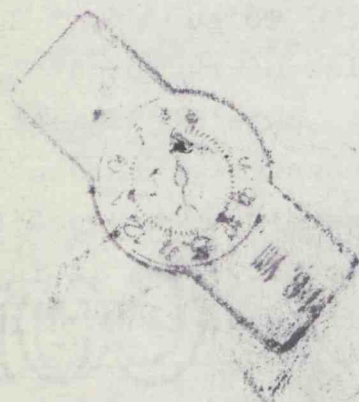


✓ will want to have in her mind. ✓ *mt*

Christopher Cloke

P. P. ROBERT ARMSTRONG

18 August 1986





10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

MR. CLOKE

CABINET OFFICE

The Prime Minister has seen Sir Robert Armstrong's minute of 18 August about departmental responsibility for payments to the unemployed.

You should be aware that the Prime Minister has commented that she agrees very much that the consideration set out in paragraph two of Sir Robert's minute about the workload of the DHSS is one which she will very much wish to have in her mind in reviewing the question of responsibility of administration of unemployment benefit.

Timothy Flesher

20 August 1986

h.

SRL3:DHSS/DE

MR NORGROVE

PAYMENTS TO THE UNEMPLOYED: DHSS/DE LOCAL OFFICES

I have seen Brian Unwin's minute of 22 July.

2. The present situation with two networks of offices involved in paying benefits to the unemployed is unsatisfactory. There is a strong case for deciding how this problem will be resolved. Merely leaving things as they are would mean continuing to incur unnecessary expenditure. Although any change involves a degree of temporary dislocation, uncertainty about the future also has a price.

3. I agree with Brian Unwin that improvements in the job placement system need to be looked at alongside the system for paying benefits. The absence of this dimension has been a weakness of the analysis undertaken so far. A further look at the problem which also included looking at Job Centres might show the way to satisfying the objectives of both David Young and Norman Fowler.

4. All the evidence I have seen so far suggests that the DHSS solution to the payments issue is the best one. At present this appears to be unacceptable to David Young. I suggest that further work should be done to consider whether explicit changes to the role of Job Centres would help achieve his objectives. A solution may be to streamline the payment of benefit by concentrating this on DHSS, and simultaneously to strengthen DE's position on the employment side by enhancing the role of Job Centres and giving DE direct control of them.

5. The experience of the DHSS/DE review suggests that a strong independent element would be needed in any further search for a solution. The Efficiency Unit would, of course, be able to offer assistance if it was thought this would be helpful.

I am copying this to Robert Armstrong.

ROBIN IBBS
31 July 1986

CCB

allan

WILL REQUEST IF REQUIRED - COPY REQUESTED FROM S. R. IBBS OFFICE





TO THE HONORABLE MEMBERS OF THE HOUSE OF REPRESENTATIVES
OF THE STATE OF NEW YORK
IN SENATE
JANUARY 10, 1906
REPORT
OF THE
COMMISSIONER OF THE LAND OFFICE
IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE
JANUARY 10, 1905
ALBANY: J. B. LIPPINCOTT & CO. PRINTERS
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PERSONAL & CONFIDENTIAL

Prime Minister 4

P 02191

MR NORGROVE

From: J B UNWIN
22 July 1986

This gives warning of a problem which will come forward in September. The effects of the options on ability to test availability to work need to be given greater weight than this report does.

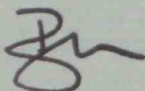
PAYMENTS TO THE UNEMPLOYED: DEPARTMENTAL RESPONSIBILITY

DKW
31/7

I attach a minute to you on this subject which you asked me to look into.

2. It draws on discussion with the main Departments concerned and with the Efficiency Unit, and also on my own experience nearly 10 years ago in the Treasury when I tried then (unsuccessfully!) to promote the merger of the separate DHSS and Department of Employment Offices dealing with the unemployed.
3. On sheer efficiency grounds a change is long over due and the sooner it takes place, the better. In my view, the right solution would be to unify the services in DHSS (Option 2 in the paper), provided they improved their links with the job placement service.
4. However, for the kind of reasons alluded to in paragraph 12 of my minute, I think it could well be politic to pause before taking any decision on a change. A great deal of hassle and upheaval would be involved, particularly if Option 1 (transfer to DE) were chosen, and I wonder whether it would be worth inviting this over the coming months. The Prime Minister will also, of course, want to consider the Ministerial personalities involved.
5. No decision is required at the moment. On present form, the two Secretaries of State will bring papers forward in September. The Prime Minister can then decide - perhaps with the aid of a very small informal meeting - whether to take a decision or to postpone it a little longer. If the latter, it would not be difficult to identify some further useful work to be done (eg on the management consequences of a change).

Cabinet Office



J B UNWIN

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P 02190

From: J B UNWIN
22 July 1986

MR NORGROVE

PAYMENTS TO THE UNEMPLOYED: DEPARTMENTAL RESPONSIBILITY

Your minute of 8 July recorded that the Prime Minister had agreed that this problem should be held over until September; and asked me to consider the papers prepared by the two Departments with a view to the possibility of resolving some of the issues before they come to the Prime Minister.

2. I have discussed the issues with senior officials of DHSS, the Department of Employment (DE) and the Treasury, and this minute summarises my conclusions.

BACKGROUND AND PROBLEM

3. The problem in essence is as follows. DHSS are responsible for policy on all benefits. But DE, acting as DHSS's agent, administer unemployment benefit (UB) in their Unemployment Benefit Offices (UBOs). This means that they process claims and make assessments in addition to paying out the cash. They also pay supplementary benefit (SB) to the unemployed on behalf of DHSS; but DHSS remain responsible for the assessment and administration of SB, and also, of course, administer SB for other claimants. Under the social security review DHSS will retain responsibility for the Income Support Scheme, which will replace SB.

4. These arrangements are unsatisfactory. They give many clients a poor service - claimants often have to switch between offices some distance apart - and involve much bureaucratic duplication. High unemployment has exacerbated the problems; as UB entitlement is exhausted or never accrues many more of the unemployed are now entitled to SB. There is no doubt, therefore, that on grounds of efficiency, good administration and service to claimants rationalisation is needed. The Social Security Green Paper promised that a joint study would be undertaken.

5. But there is as yet no agreement on what changes should be made. The joint DHSS/DE study identified two main options:-

Option 1: transfer all SB work (income support from April 1988) for un employed people to DE;

Option 2: transfer UB work to DHSS.

A summary note comparing these options (culled from the joint study) is attached below.

6. The Employment Secretary favours Option 1, and the initiative for change has largely come from him. The Social Services Secretary favours Option 2. No compromise is in sight; the positions are strongly held. On present plans, therefore, the Prime Minister will be confronted by two papers in September advocating opposite courses.

COMMENT ON THE OPTIONS

7. Transfer to DE could be presented as a positive and constructive initiative to tackle the problem of the unemployed. They would be handled within a single regime which would not only be concerned to pay out benefits but would also relate more directly to getting people back to work. As against this, a major aim of the social security review and the new social security computerisation strategy is to enable one office to deal with all benefits for any individual through access to central computer records (the "whole person" approach). It would not be consistent with this to split off responsibility for one category - the unemployed - which in any case is a variable one (many claimants would continue to move backwards and forwards between the two Departments depending upon, for example, whether they were unemployed or sick).

8. | There is nothing between the two options on costs and neither the Treasury nor the two Departments wish to rest any case on this. Under each option the joint study estimates that there would be a transition cost of between £50 and £80 million, followed by recurrent savings of £30 and £40 million.

9. It seems clear, however, that Option 1 would cause greater administrative dislocation. In addition to a large staff transfer from DHSS to DE (some 13,500) there would be a range of awkward consequences such as:-

- split responsibility for the Income Support Scheme;
- DHSS would be responsible for the new Social Fund, so that DE would still have to refer clients to them;
- DE would have to establish contact with local authorities on housing benefit (HB). So in addition to the administrative problems local authorities will already face over the HB and rates reforms, they would have to establish new links with about 1,000 UBOs in addition to the 500 DHSS local offices with whom they already have contact.

10. My conclusion, therefore, which most officials in the Departments seem to share, is that on grounds of efficiency and good administration the weight of argument favours Option 2 (transfer to DHSS) provided DHSS can improve their links with the job placement and training service so as to ensure more effective use of the range of measures to get people back to work. This is also, I believe, the view of the Efficiency Unit.

11. It is also relevant that, if no decisions were taken now, the effect of the DHSS computerisation strategy, with its centralised data bank, would in practice put DHSS in a position in the early 1990s to deal with any individual on all benefits at any enquiry point. This would in effect bring about a merger of the present system and it would be possible to link the Job Centre network (whether it remains part of the MSC or reverted to DE) on line to the DHSS computer system.

OTHER CONSIDERATIONS

12. However, before reaching any final decision, I think the Prime Minister, in addition to broader machinery of government considerations, would also wish to weigh the following:-

- (i) choice of either option would undoubtedly cause considerable frictional and dislocation problems, which experience suggests are generally greater than expected. Although no major operational changes on the ground are feasible until 1989 at the earliest, followed by a 3 to 5 year implementation

period, they would affect local authorities at the same time as they are having to cope with the consequences of the social security and rates reforms. As indicated in paragraph 9 above, there could be particular problems over HB if Option 1 were adopted;

(ii) choice of either option would almost certainly be opposed by the Civil Service unions who would see it as a threat to career prospects and jobs (staff savings of between 1500 and 2000 from the options have been identified);

(iii) Option 1 might also be opposed by the Opposition parties and the various lobbies as an attack on the unemployed rather than the reverse.

13. None of these considerations invalidates the arguments for changing the present unsatisfactory arrangements as soon as practicable, but they are relevant to a decision on the timing.

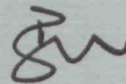
CONCLUSION

14. My conclusions are:-

(i) On the basis of the analysis done so far, Option 2 (transfer to DHSS) is the better course in terms of efficiency and good administration. It would fit naturally into the thrust of the new social security review and computerisation strategy;

(ii) adoption of Option 2 should, however, be accompanied by consideration of how links between DHSS and the job placement and related services could be improved, both in the longer term (when the computerisation strategy is operational) and in the meantime. This might involve reconsideration of the division of responsibilities between DE and the MSC;

(iii) Given, however, the dislocation involved and the other considerations referred to in paragraph 12, the Prime Minister will want to consider carefully how prudent it would be to initiate such a change at this stage in the present Parliament.


J B UNWIN

THE MAIN OPTIONS - A COMPARISON

The two main options compared below are:

- OPTION B - the transfer to DE of supplementary benefits for unemployed people, thereby serving the unemployed as a single client group.
- OPTION C - the transfer to DHSS of Unemployment Benefit to create a single network of offices to handle all Social Security Benefits.

There are two variants of this option:

- C1 - Fully Integrated Benefit Offices, handling all aspects of benefit work; and
- C2 - District Offices, processing claims, with Local Enquiry Offices as public contact points

DE/DHSS LOCAL OFFICE NETWORK REVIEW: COMPARISON OF THE OPTIONS

Agreed Quantitative Features

Option B		Option C	
		C1	C2
Number of offices			
DHSS	415	590 (fully integrated benefit offices)	430 (district offices) 760 (local enquiry offices)
DE	1000	0	0
Average number of staff per office			
DHSS	90	125	140 (DO) 20 (LEO)
DE	37	0	0
Size of networks			
DHSS	37,500	Range 75,100 - 75,600	
DE	37,500		
Staff to be transferred			
DHSS to DE	13,500	0 Range 22,100 - 22,600	
DE to DHSS	0		
Transition Costs			
£65m		£50 - £80m	
Recurrent savings			
£41m		£34m - £40m	
Net present value (savings)			
£165m		£140 - £155m	

The difference in savings between the two options lies within the margin of error.

Further work, involving detailed and lengthy studies of a number of issues (such as property, personnel and operational matters) would be needed to firm up transition costs and savings.

AGREED QUALITATIVE FEATURES OF OPTIONS B AND C

OPTION B

OPTION C

<u>Underlying concept</u> Treats the unemployed as a specific client group. Puts payment of benefits (through UBOs) and placement work (MSC) under operational responsibility of one department, with the aim of strengthening controls through links between benefit payment and work placement.	Creates single network of offices managed by one dept. (DHSS) to cover <u>all</u> claims and enquiries on <u>all</u> social security benefits. This accords with "whole person" concept and with the reforms agreed in the Government's review of social security and with its computer strategy.
<u>Departmental responsibilities</u> DE would have responsibility for administering income support, but not Social Fund, for the unemployed. DHSS remains responsible for policy.	One set of Ministers and one dept. responsible for policy and administration of all social security benefits.
<u>Impact on Operational (computer) Strategy</u> Minimal	Minimal.
<u>Timing</u> No major change possible at local office level for either option before 1989 when the social security reforms are fully operational. But strategic decision needed by September 1986 for computer planning purposes.	
<u>Service to the public</u> Unemployed deal with one office (UBO) generally; but will have to go to DHSS local office in cases of special need (Social Fund). More dispersed and accessible network of offices for unemployed, with readier access to Job Centres (certainly better than Option C1, and possibly C2, though marginally) Fewer outlets for other claimants. Speed and accuracy of payments improved.	Both unemployed and all other claimants would deal with only one office for all benefits. Equal number of outlets for <u>all</u> claimants and more for the majority. But fewer for the unemployed. Speed and accuracy of payments improved.
<u>Links with outside organisations</u> Employers would have to deal with only one network for unemployed. Other bodies eg housing authorities, social services, fuel boards, have to make new links with DE, and keep existing links with DHSS.	Employers would deal with only one network for <u>all</u> social security benefits <u>and</u> for contributions collection. This overall reduction in links would also apply to other organisations, such as Inland Revenue.
<u>Control</u> Specialist fraud force dealing exclusively with all types of fraud amongst the unemployed would be developed. Reduced DHSS force would remain. Greatly reduced need for communication between DE and DHSS.	Single, unified fraud force would handle all social security fraud, virtually eliminating duplication and communication between the departments. No risk of inconsistency between departments, eg in prosecution policy.

UNSUPPORTED QUALITATIVE FEATURES

OPTION B

OPTION C

Manageability

Creates an organisation of manageable size (37,000 staff in 1,000 offices - ie average office has 37 staff). Retains existing short lines of communication in UBOs and management chain. DE has fewer major changes in proposed transition period. :

DHSS find that offices with less than 100 staff inhibit flexibility to deploy staff effectively. Option C gives average office size of 125/140, so maintains flexibility. In past this flexibility has enabled DHSS to keep down numbers of staff despite rising workload.

Efficiency

DE has coped effectively with change in past; eg has installed major computer system. In last 6 years, whilst workload has increased by 151%, productivity rose by 30% and errors fell by 48%.

DHSS administers 28 different benefits; the most staff intensive is Supp. Ben. (SB). Over the past 6 years, the overall SB load has increased by 70% (the unemployed part by 230%); SB staff rose by only 22%. Over the same period DHSS has introduced major new benefits and put microcomputers for SB into 90% of offices.

Industrial Relations

DE loses 0.05% man days per year; DHSS loses 0.17% (ie DE record is three times better than DHSS, but both figures are very small in relation to total available man days).

DE takes on further responsibilities and staff from DHSS. However, short lines of command will ensure that industrial relations are more effectively managed.

Most disputes in DHSS occur with staff working on means-tested benefits rather than contributory benefits. Option C would import a contributory benefit.

Customer Satisfaction

Survey shows that claimants think the standard of service in UBOs is better than DHSS offices. DE believe that continuing this service in small offices would reduce problem of difficult claimants currently found in DHSS offices.

No argument that unemployed are less satisfied with DHSS. But this is inevitable given that DHSS administers only the benefit of last resort. DHSS believes that putting responsibility for all benefits for the unemployed in one office would increase customer satisfaction.

Impact on the Unemployment Register

Payment of benefits and placement/training measures for unemployed put under control of one Minister. This gives:

- (i) more opportunity to develop links between UBS and MSC (eg through interchange of staff)
- (ii) more impetus for joint UBS/ MSC measures to help unemployed back to work, check abuse etc.

DHSS would have to strengthen links with the MSC. No reason why the links should not be effective, given that MSC network of local offices (Job Centres) is already separate from UBOs.

SUMMARY OF MAIN AREAS OF AGREEMENT AND DISAGREEMENT

Objectives

Both Departments agree that the major objective of the new network(s) is the efficient and correct payment of benefits to those who are entitled to them; and the promotion of opportunities for job placement or training for unemployed people.

Meeting the objectives

Both departments agree that a radical change is needed to the networks to achieve the objectives and agree that the costs for achieving this under the two options are so close as not to be a deciding factor.

The departments disagree, however, on how best to meet the two elements of the agreed objectives. On the payment of benefits:

Option B proposes a 'client group' approach. DE believes that this will give a better service to unemployed people, with greater opportunities for control.

Option C proposes one network for all benefits; this accords with the 'whole person' concept. This gives equal treatment to all claimants, and avoids people having to go to different offices for different benefits when unemployed.

On the promotion of opportunities for placement:

Option B DE believes that putting the responsibility for administering benefits and placement under one department will get more people into work or training. Having one Minister responsible creates the scope for more effective links between UBOs and the MSC.

Option C DHSS believe that separation of 'benefit' and 'placement' functions will not interfere with the ability to place unemployed people in work or training. The task of building up links between its local offices and Job Centres will be no greater than building up links between UBOs and Job Centres.

SOCIAL SERVICES: Review Pt. 4.