PREM 19/1161

Part 9

SECRET

Confidential Filing

Special Employment Measures.
Employment and Training Bill
Youth Services Review
Industrial Training.

MANPOWER

Part 1: January 19

Part 9: February 19

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~10.2.83~~							
~~15.2.83~~							
~~3.3.83~~							
~~7.3.83~~							
~~17.3.83~~							
~~25 3 83~~							
~~28 3 83~~							
~~30 3 83~~							
~~5.4.83~~							
7.4.83							
~~13.4.83~~							
~~14 4 83~~							
~~15.4.83~~							
~~28.4.83~~							
~~16 5 83~~							
~~28.6.83~~							
29.6.83							
– Pt Ends –							

PREM 19/~~1088~~ ~~1158~~ 1161

PART 9 ends:-

Mtg of Ministers - Mtg Record.
29/6

PART 10 begins:-

COL to PM
1/7/83

cc MASTER

SECRET

Not to be circulated outside No. 10

MCS 30/6

NOTE OF A MEETING HELD AT 10 DOWNING STREET AT 1015 ON WEDNESDAY 29 JUNE

6

Present: Prime Minister
Secretary of State for Education and Science
Secretary of State for Employment
Secretary of State for Trade and Industry
Chancellor of the Duchy of Lancaster
Secretary of State for Energy
Sir Alan Walters
Mr. Ferdinand Mount
Mr. Michael Scholar

* * * * *

The Prime Minister said that she had called the meeting because she felt that the Government must re-double its efforts to create a more enterprising British economy; that, although we were at the beginning of a new Parliament, there was not much time in which to take the necessary - and many of them difficult - decisions; and that she suspected that there might be a tendency in some Departments to relax now that the Government had been returned to office.

The Prime Minister said that she would be calling a meeting of the present group of Ministers at Chequers on Tuesday 6 September, with a possible spill-over to Wednesday 7 September. She hoped that they would come to that meeting with fresh ideas, so that the Government could make further progress in creating the conditions for a more prosperous Britain, and so the reversal of the growth in unemployment in recent years. The Prime Minister said that she would be looking for proposals under a number of headings. On taxation more should be done to stimulate the creation and expansion of new enterprises, to reduce taxes on labour, and at the same time reduce subsidies on investment. This would require strict control of public expenditure. What more could be done to reduce the burdens on industry and commerce, both in terms of costs, and of environmental regulations and planning controls? Should we not be taking further action to reduce the barriers to employment, for example the Wages Council and some of the requirements of the Employment Protection Act? The Prime Minister further mentioned labour mobility, trade union reform, training, new technology,

SECRET

/ regional

regional policy, de-nationalisation, and the possible re-definition of the working population.

The Secretary of State for Employment said that work on many of these fronts was currently going on in his Department. They were preparing the possible White Paper on employment, and it might be that that White Paper would differ from its present form once the discussions the Prime Minister was initiating were completed. He favoured action on many of the fronts she had enumerated, and was planning to consider further the "work fare" concept. He had his doubts about the validity of this programme, but a first-hand investigation of the American scheme was necessary so that it could be either adapted here or dropped for once and for all. The Prime Minister did not dissent, but said that she thought there should be no postponement of her meeting in September to allow completion of this investigation.

The Secretary of State for Education and Science said that papers should be prepared for the meeting in September. What was needed were proposals about how to unlock the entrepreneurial flair of the British people. It was noteworthy that IBM reported far more of their employees in the United States leaving the company to set up their own companies than was true in this country. A study was necessary to discover why this was so. He had names of a number of people outside the Government who could undertake this work.

The Secretary of State for Energy said that the Government should decide which industries it wished to see expand. A large publicity effort should then be mounted, on a town-by-town basis, with Government spokesmen explaining what help was on offer and what the possibilities were. This was already being done in certain towns, for example Worcester, with public meetings to which sixth formers, local businessmen, bank managers, accountants etc. were being invited. The Prime Minister said it might be worth considering an "enterprise bus", and the use of television in such a publicity effort.

/ The Chancellor

The Chancellor of the Duchy of Lancaster said that there could be no doubt that there was much work to be done in Britain, and that there were many in the workforce without work to do. It was necessary to bring these two together. Many of the new jobs would be bound to be low paid jobs, involving a minimum of skill. It was necessary to remember this when speeches were given about the growth of high technology, and the new jobs which would come from this source. To create new low paid jobs it would be necessary to reduce the burden of taxation on the low paid, including National Insurance contributions, and thus to control Government spending. He did not himself think that more needed to be done to widen the gap between the standard of living of the employed and of the unemployed.

The Chancellor of the Exchequer said that he agreed with much of the Chancellor of the Duchy of Lancaster's analysis; and also that much needed to be done on the topics outlined by the Prime Minister and the Secretary of State for Employment. But his own view was that there was still too small a gap between the standard of living of the employed and of the unemployed. He agreed, too, that there was little mileage in schemes to reduce the size of the working population: these schemes were very expensive, and militated against a number of the other objectives of the Government.

Sir Alan Walters said that recent academic work had been done on the price elasticity of the supply of labour, especially amongst the young. This showed that a reduction in pay brought about a surprisingly large increase in employment. It was agreed that a note of this work should be circulated to the Group.

The Prime Minister said that she would write to members of the Group, requesting work from them to be produced before the Chequers meeting. She urged members of the Group to maintain strict confidentiality about the existence of the Group, which she wished to become generally known neither inside nor outside the Government.

CONFIDENTIAL

AQJ

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(A)(83) 1st Meeting COPY NO 4

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON ECONOMIC AFFAIRS

MINUTES of a Meeting held at
10 Downing Street on
WEDNESDAY 29 JUNE 1983 at 11.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon James Prior MP
Secretary of State for
Northern Ireland

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP
Secretary of State for Trade and
Industry

The Rt Hon Lord Cockfield
Chancellor of the Duchy
of Lancaster

The Rt Hon Tom King MP
Secretary of State for Transport

The Rt Hon Michael Jopling MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education
and Science

Mr Allan Stewart MP
Parliamentary Under-Secretary
of State, Scottish Office

Mr J Sparrow
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson
Mr M S Buckley

SUBJECT

ANNUAL REVIEW OF SPECIAL EMPLOYMENT MEASURES 1984-85

CONFIDENTIAL

CONFIDENTIAL

ANNUAL REVIEW OF SPECIAL EMPLOYMENT MEASURES 1984-85

The Sub-Committee considered a memorandum by the Secretary of State for Employment (E(A)(83) 2) on the special employment measures (SEMs) in 1984-85. They also had before then a minute of 27 June from the Chief Secretary, Treasury to the Prime Minister on the same subject.

THE SECRETARY OF STATE FOR EMPLOYMENT said that on present plans some £2.2 billion would be spent on the SEMs in 1984-85. About one half of this would be spent on the Youth Training Scheme (YTS) and about £0.6 billion on the Community Programme (CP). It was estimated that the SEMs were currently keeping about 350,000 people off the unemployment register. This figure would rise to about 600,000 in the spring of 1984. Even so, unemployment might still rise at about 5 to 10,000 a month. It would be possible to reduce this figure, and perhaps even to bring about a reduction in the level of unemployment, by a major expansion of the CP and other SEMs. But this would be very expensive; and he could not recommend it to his colleagues. Instead, he intended to set in hand a review of the YTS and the CP and to consult his colleagues further about those schemes in the autumn. He proposed to raise the average wage limit under the CP from £60 to £62 a week with effect from October 1983: this was necessary in order to maintain the attractiveness of the CP to sponsors. He also proposed to remove immediately the limit on the maximum individual wage which could be paid under the CP: this was a bureaucratic restriction which served no purpose.

He had decided not to raise the allowance under the YTS of £25 a week; this decision had already been announced. The Enterprise Allowance Scheme (EAS) was currently operating on an experimental basis in five pilot areas. It had been announced in the Budget that the Scheme would be extended nationwide from 1 August 1983 to 31 March 1984. He proposed that the EAS, which had been explicitly mentioned in the Government's Election Manifesto, should be made available nationwide, on a cash-limited basis, in 1984-85. This would require an additional £46 million public expenditure provision in 1984-85 (£31 million net, after taking account of savings on social security benefits). He also proposed to make additional provision for labour mobility schemes; to extend the Job

Splitting Scheme to 31 March 1985; and to continue the existing level of public expenditure provision for the Voluntary Projects Programme into 1984-85. These proposals would cost a further £8 million gross. Against the total gross cost of £54 million should be set reduced requirements of £33 million. The total net additional staff requirement of his proposals would be of the order of 100. He proposed no change in the Young Workers' Scheme (YWS) or Community Industry; and the Government's previous decision to close the Temporary Short-Time Working Compensation Scheme in March, 1984 should be maintained.

The development of the Technical and Vocational Education Initiative (TVEI), which had been announced by the Prime Minister in November 1982, was important to the Government's training and education strategy. The Chairman of the Manpower Services Commission (MSC) had identified savings of £14 million in 1984-85 and £20 million a year thereafter from changes in the Employment Service and adult training. He proposed that these savings should be applied to an extension of the TVEI. The precise form of the expansion would be a matter for consultation with the MSC and the local authority associations. The extension should apply to Scotland. If his colleagues agreed, he proposed to write immediately to the Chairman of the MSC to indicate that the Government would be happy to see the extension launched on the understanding that the MSC was able to find the resources.

THE CHIEF SECRETARY, TREASURY said that the proposals in E(A)(83) 2 should be discussed, at least in the first instance, between the Secretary of State for Employment and himself, and in the context of the current Public Expenditure Survey. It was unnecessary to take decisions yet on most of the proposals; in particular, it would be premature to take a decisions on the proposed extension of the EAS after March, 1984 until a fuller assessment of the Scheme's cost-effectiveness was available. Nor was he convinced that the average wage limit under the CP should be increased. Finally, he could not accept that reduced requirements for demand-determined services were available to increase expenditure elsewhere. Bids for new expenditure must be offset by policy savings on cash-limited spending.

In discussion, there was general support for the proposed expansion of the TVEI. The proposed basis of 14 pilot projects was manifestly inadequate. The following main points were also made.

a. It was arguable that there were too many SEMs. It would be better to concentrate resources on a smaller number of measures - in particular, those which were especially cost-effective in reducing the numbers registered as unemployed, or which had longer-term benefits.

b. In this context, it was suggested that the cost-effectiveness of the YWS was open to question: the first-year net cost per person off the unemplyment register was markedly higher than that of other SEMs. On the other hand, it was argued that this criterion could be misleading; and that the aim of the YWS was not only to reduce registered unemployment but also to reduce the level of wages paid to young people and so improve their prospects of genuine employment. It was unfortunate that the operation of certain Wages Councils and the Agricultural Wages Boards tended in a different direction. Other countries appeared to be able to pay their young people more realistic wages without breaching their international obligations.

c. The Government should take more credit for measures promoting early retirement, such as the Job Release Scheme and the provision whereby the unemployed over 60 were entitled immediately to the long-term rate of supplementary benefit. There was much popular support for early retirement as a means of dealing with high unemployment. On the other hand, there were dangers in going too far in this direction. Current demographic trends meant that in the later years of this century a smaller population of working age would have to bear the burden of an increasing number of pensioners. Ministers should draw attention to the implications of this fact in public speeches.

d. It was not clear that it would be desirable to increase the average wage limit under the CP as proposed in E(A)(83) 2. On the one hand, it was argued that it was difficult for sponsors to work within the existing limit; and that many of them therefore had to look for additional or alternative sources of funds, such as the Urban Programme. On the other hand, it was argued that there was no apparent lack of projects with the existing limit; and that the effect of raising it would be to reduce the number of places that could be provided within agreed expenditure provision. The problem was aggrevated by the reluctance of trade unions to agree that places on the CP should be part-time in order to keep down unit costs. Moreover, the trade unions sometimes insisted that those offered places on the CP should become trade union members, whether they wished to or not; it was alleged that for this reason the MSC refused to approve projects which did not make trade union membership a condition.

THE PRIME MINISTER, summing up the discussion, said that the Sub-Committee approved the proposals in E(A)(83) 2 relating to the Technical and Vocational Education Initiative. They also welcomed the intention of the Secretary of State for Employment to put in hand reviews of the Youth Training Scheme and the Community Programme. He should discuss the remaining proposals with the Chief Secretary, Treasury, consulting other Ministers as necessary, in the context of the 1983 Public Expenditure Survey. He should consider whether it would be possible, by attaching conditions to our adherence to the relevant conventions of the International Labour Organisation, to make it easier to reduce the relative level of wages paid to young people and so improve their prospects of employment. He should also investigate the practice of the Manpower Services Commission regarding the imposition of trade union membership as a condition of approval for projects under the Community Programme, and whether anything could be done to reduce trade union opposition to the provision of part-time employment under the Programme.

The Sub-Committee -

1. Approved the proposals in E(A)(83) 2 relating to the Technical and Vocational Education Initiative.

2. Invited the Secretary of State for Employment:

(i) to bring forward proposals in due course on the future development of the Youth Training Scheme and the Community Programme;

(ii) to discuss with the Chief Secretary, Treasury, and other Ministers as necessary, the remaining proposals in E(A)(83) 2 in the context of the 1983 Public Expenditure Survey;

(iii) to consider the other matters mentioned by the Prime Minister in her summing up; and to report.

Cabinet Office

29 June 1983

10 DOWNING STREET

Meeting on employment strategy: 1015 am.

Participants:

Sir K Joseph

Mr Lawson

Mr Tebbit

Mr Parkinson

Lord Cockfield

Mr Walker

and also Alan Walters

Ferdie Mount

Prime Minister

SECRET

5

cc Mr. Mount

MR. SCHOLAR

PETER GREGSON'S MEMORANDUM ON UNEMPLOYMENT STRATEGY

Tax relief

The main omission is that he discusses taxation only in so far as it can "stimulate the creation and expansion of new enterprises". But our main purpose must surely be to reduce taxes on labour and at the same time to reduce the subsidies on investment. At present investment in fixed assets in the regions is virtually free. The tax remissions cover the cost. Whereas with one or two exceptions, labour is not subsidised at all. On the contrary, it is quite heavily taxed. Consequently we have at present an enormous investment in labour-saving capital.

The current fashionable view that investment is necessary for more jobs to be created is at least questionable, if not quite nonsensical. A large amount of investment, I suspect, is of the labour-saving variety. For example, we know there is substantial investment going on in the service industries which are going into self-service stores. At the same time we operate Wages Councils to keep retail wages high and we ensure that the marginal tax rate on employment, as well as the other obligations through the Employment Protection Legislation, is indeed quite high. This makes a nonsense. I think it should have a central place in the discussion. (It is interesting that Japan, which has virtually no unemployment problem, does not subsidise capital investment as we do.)

Public expenditure

The other point that is missing is public expenditure. I have long argued that much public expenditure involves more than 100% crowding out. The most recent example I can recall is, of course, the gas gathering pipeline. But there are many others. Probably the most obvious example is in urban buses. Our subsidies to urban bus systems, combined with the various great regulatory hurdles, prevents the development of labour-intensive minibus services. Again, that is yet another aspect of subsidies to capital intensive technologies and indeed combined with the regulatory discouragement of labour intensive technologies.

ALAN WALTERS (Dictated but not seen by AAW)
28 June 1983

SECRET

Manpower

4 file

10 DOWNING STREET

From the Private Secretary

28 June 1983

Dear John,

I attach a copy of a paper recently put to the Prime Minister by Ferdinand Mount, on dealing with unemployment.

The Prime Minister has asked me to send copies of this paper, on a strictly personal basis, to those who will be attending her meeting at 1015 tomorrow morning.

I would be grateful if you could ensure that the paper is neither photocopied nor seen by anyone apart from yourself and the Chancellor. I make a similar request to the other Private Secretaries to whom I am copying this letter - Imogen Wilde (Department of Education and Science), Barnaby Shaw (Department of Employment), Alex Galloway (Chancellor of the Duchy of Lancaster's office), Jonathan Spencer (Department of Trade and Industry) and Julian West (Department of Energy).

Yours sincerely,

Michael Scholar

John Kerr Esq
HM Treasury

CONFIDENTIAL

24 June 1983

PRIME MINISTER

UNEMPLOYMENT

I. POLITICAL BACKGROUND

Many people were surprised that the sharply rising level of unemployment never came to be an "Election issue" in the way that was expected. Clearly, the Government did to some extent manage to convince people that it was taking the only realistic means available to deal with what was overwhelmingly a world problem. Historically, there was in fact little reason to expect a Government to be thrown out in such a situation. In fact, it was pointed out a couple of years ago (in the Spectator!) that the most likely parallel would be 1935 and not 1945.

But I doubt very much whether the same benefit of the doubt will be given to the Government at the end of this Parliament. Indeed, the 1935 landslide for the National Government had turned into a bare majority in the opinion polls at the outset of World War Two, and by the middle years of the War, the Conservatives were lagging far behind the Labour Party. I do not believe that the War was the only factor in this.

Unless we are seen to be making progress in reducing unemployment by the second and third years of this Parliament, a feeling of impatience and frustration may build up very quickly. The comfortable refuge is to imagine that the Opposition will still be hopelessly split by that stage and that, in the ensuing General Election, the Conservatives could still hope to survive, even on a reduced percentage share of the poll. But there are other possibilities:

(a) the Alliance makes further progress at by-elections and in the opinion polls, and becomes regarded as the settled major opposition party, and is thus well able to take votes from the Conservatives and looks like a viable alternative Government: and

(b) (much less likely) the Labour Party pulls itself together, pays attention to what the electorate wants, and reasserts itself as a natural responsible opposition.

The point is that, regardless of whether (a) or (b) turns out to be the case, the voters are capable very quickly of fixing on the most likely alternative as soon as they weary of the status quo.

II. REDUCING UNEMPLOYMENT

At present, our efforts to reduce unemployment can be divided into four parts:

(a) Improvement of the economy generally. We believe that our measures are designed to create a low-inflation, low-interest rate, high-investment, high-technology economy, and that this will bring new jobs with it, although we are well aware that it will destroy old jobs as well. What nobody knows is the exact differential between the rate of creation and the rate of destruction. How soon will Hector Laing's new catering businesses replace the jobs lost, in the factories he has had to close? I attach Blake Baker's article on Corby which shows the potential time-lag. Corby has had dazzling success in attracting new industry, but male unemployment is still 22.5 per cent there.

Recent forecasts for the economy produce closely comparable forecasts for the rate of inflation and for economic growth, but with wildly differing estimates for unemployment, ranging from 1.8 million to over 4 million and higher still. In the state of our ignorance, we cannot therefore rely on a healthy economy alone to reduce unemployment to tolerable levels.

(b) We also intend to reduce barriers to employment such as Wages Councils, Employment Protection legislation and all the myriad obstacles posed by trade unions. We are convinced that the removal of these obstacles will reduce unemployment, but again we cannot be certain about the time-lag or the size of the reduction.

(c) Some of us believe that the gap between family income in work and family income out of work makes work unattractive for many thousands of people, and so adds to unemployment.

Various measures to remedy the "why work" syndrome have been proposed. After carefully studying most of them, I must confess that, in the short to medium term, the more ambitious claims made for these remedies seem unconvincing:

(i) Those workers with the highest "replacement ratio" (where dole income is near to work income or actually exceeds it), are mostly family men who, all studies agree, are the most determined work-seekers: and, in any case, form only a small minority (around 20 per cent) of the unemployed. The idlers, or those who make the rational calculation that work is economically futile, are mostly young single people for whom the gap between the dole (about £20 a week) and even a manual wage (£70-£90 a week) is quite considerable. The natural conclusion is that where these people really do not try to seek work, it is not because of the tax-benefit linkage.

We are well aware of jobs which remain unfilled because they are menial or tedious, eg in catering and cleaning. But simply to deplore the "workshy generation" is not a solution. I doubt whether it would be politically possible, even if it were desirable, to abolish social security for the under-21s, as some have suggested. Nor would it be possible without a similar outcry to reduce drastically family income where the husband is out of work. At the same time, nobody has yet produced realistic means of inducing people to take jobs they do not wish to take. Yet if people do not "choose" to work, at least it ought to be possible to see to it that as few of them as possible are classified alongside those who genuinely cannot find jobs.

(ii) Some people have argued strongly for the introduction of a "cap" on benefits so that an unemployed man should not be able to receive more than, say, 70 per cent of his in-work family income. It was alleged that this cap system kept unemployment

much lower on the Continent, but that argument became much less convincing as soon as unemployment in France and West Germany started rising so rapidly. The truth is that if you allow for compulsory military service, earlier retirement ages and the sending home of gastarbeiter, there is not much to choose between unemployment rates in most Western countries, even in those like the United States which are much less generous to their unemployed people than is the British welfare state.

(d) Our final method of reducing unemployment has been to reduce the size of the working population. This has been happening, intentionally and unintentionally, throughout this century. If the school-leaving age were still 14 today, and if statutory retiring ages had not been introduced in the state insurance schemes, no doubt the registered rate of unemployment would be, not 3 million, but 5 or 6 million. The "working population" is an arbitrary definition. And so is a "working life". Indeed, the latter varies between different social classes in this country. Until recently, it was traditional in the manual working classes to expect work to start at 16, whereas in the professional classes, who expected their sons at any rate to attend university or go into the services, the possibility of becoming unemployed might not arise until the age of 21 or so. It is worth noting that our special employment measures have so far kept unemployment from rising much above 3 million, and the efforts of the TUC to talk about "4 million jobless" have not caught on.

It's the headline total which counts. There is no doubt that the reduction of the working population is the most immediately effective means of reducing the rate of registered unemployment. It is therefore an essential form of "insurance" to be considered against the possibility that, while our economic policies may succeed in creating much greater prosperity all round, they might well fail to dent the unemployment statistics sufficiently quickly.

What we are looking for are methods of "reversible reductions": methods which reduce the numbers on the register without adding permanently to commitments which the economy cannot sustain. Three possibilities suggest themselves:

(i) Extending the YTS to the age of 18 so that unemployment would not be an option until that age. It would take time to organise further training, but given the speed with which David Young found the 460,000 places already required for the first year, I do not see it as insuperable. In the second year, we would expect more and more young people to find jobs (so long as wages remain considerably higher than the training allowance). And the cost to the Exchequer would diminish sharply as and when more jobs became available.

(ii) The over-60s. Early retirement is already a highly popular cause and likely to become more so if unemployment persists. Yet the burden of lowering the pension age to 60 for men is not affordable. I think we should re-examine the idea of "interim retirement benefit" which would enable all men over 60 to be paid social security automatically under a special scheme after they had been unemployed for more than 6 months. Naturally, we would have to broaden or abolish the disregards and make the payment as automatic as that of the pension in all respects, except that it would cease to be payable so soon as a man found a job. This scheme might seem a little untidy in its relationship with social security for the under-60s, but I believe it would be widely regarded as adding to personal dignity.

(iii) The long-term unemployed. Again, it would be the mark of a successful society if we managed to remove unemployment as a long-term option, as Sweden almost managed. The Community Programme is clearly a start and needs to prove itself before we could see whether

it would form a basis for a scheme which offered permanent community work to anyone who had been on the unemployment register formore than 2 years.

If these three measures were prepared together over the next couple of years, I believe that we would be felt to have responded to unemployment in a way which so far we are not regarded as having responded. We would have removed from the register the under-18s who had not properly entered the labour market and the over-60s who had, in all but name, left it; and we would have offered some prospect of occupation to the long-term unemployed.

At present, we are "forgiven" because the problem has hit the Western world hard and we are taking hard and determined measures to reverse it. But as and when other countries return to fuller employment, the danger is that we shall be forgiven no longer, unless we too have begun to reduce the numbers on the register from 3 million to nearer 2 million. I am convinced that unemployment will eventually come to arouse stronger political emotions in this Parliament than it did in the last.

And the only reliably effective insurance against it is to reduce the size of the working population. No doubt this would be one of the subjects you will want to discuss at your September meeting. But it is obviously also relevant to the earlier discussion of Special Employment and Training Measures.

FERDINAND MOUNT

Daily Telegraph
Friday, 24 June
1983

PERSONAL VIEW

Corby on the Right path

BLAKE BAKER on the town Labour lost despite its long dole queues

LAST time I was in Corby three years ago, it was a disaster area: 6,000 steel redundancies in a one-industry town.

It was also a surprise to go back. Sited in the middle of Northamptonshire it is a new town, with piazzas and tree-lined avenues. It is not a steel town like Sheffield or Duisburg. It is hardly a steel town any more.

The people — Glaswegian accents on the streets — are friendly and helpful. The only hotel is no longer called the Strathclyde, but the Grosvenor House, although everyone still refers to it as the Strathclyde.

It was two days before polling day. The local working men's club, when I visited it, was full of young Jobs Marchers. I was told aggro was planned when Norman Tebbit came to speak at Corby the next evening.

So it proved. The front rows were occupied by pretty tame Tory supporters. The rear was full of raving, chanting Far Lefties, determined not to give Mr Tebbit a hearing. It was an enjoyable shindig if you like a barney. Mr Tebbit gave better than he got.

Back at the hotel, the porter said: "Don't think, Sir, that that is typical of Corby." One day later, Corby (with a Labour council) voted Conservative.

I do not think the explanation lies wholly in the middle-class villages that surround the town of Corby. I suspect it was a vote for enterprise, not just "private enterprise," but also self-enterprise, publicly assisted enterprise, self-help—the philosophy that you get up off the floor of the ring if you have been knocked down, and fight back.

For Corby is one of the success stories of this country in recovering from adversity. It has learned how to promote itself. When down and out, it went looking for jobs.

It got much help. It won more than £200 million in private investment, backed by £50 million in Government aid, as well as £70 million from the European Commission after an enterprising trip to Brussels.

More than 200 new firms have come. To go round the enterprise zone is an eye-opener after three years. Everywhere, there are spanking new factories, large and small: Avon Cosmetics, with Euro trucks lined up outside, BMCL Plastics, a giant flour mill like a power station, small firms, cabinet makers, reproduction furniture, alloys, plastic cutlery, Commodore computers, British American Tobacco, its largest plant in Europe, food firms.

Also the British Institute of Management and, surprise, the Oxford University Press with a distribution centre for 12 million books are there. More firms are coming, such as RS Computers, expected to employ 1,000 people.

Much of the credit for this is due to the redoubtable Fred McClenaghan, director of industry, employed jointly by Corby district council and the Commission for New Towns.

Recently, Corby had a large advertisement in this newspaper, headed "Corby Works Better." Corby, it pointed out, has a market of 30 million people within 100 miles, and is "slap-bang in the middle of the most buoyant, profitable market in the U.K."

It listed a dozen financial incentives for firms moving to Corby. Nor is that all. Corby has produced ECORAVIST, comprising a series of articles by distinguished writers published in the ECONOMIST.

There are brochures on the beautiful countryside, with stone-built villages, surrounding Corby. Another on wildlife and walking. Yet another on sport facilities: also, "Corby Works."

The newest project is Wonderworld, a Disneyland-type leisure and education complex costing about £200 million, which could create 3,000 new jobs. A million trees and shrubs are to be planted in Corby.

The old steelworks, which dominated the town like a row of black teeth, has been demolished at a cost of £16 million, freeing another 250 acres for redevelopment.

All is not yet well in Corby. Male unemployment is still at 22·5 per cent., female at 14 per cent.; 19·5 per cent. overall. Unfilled vacancies are a mere 268, against almost 6,000 jobless. Since 6,500 were made redundant in the steelworks closure, leaving 2,700 still employed at the tube plant, Corby, as elsewhere, has been otherwise affected by the recession.

Nevertheless, 3,000 new jobs have been filled. Women have been going back to work! There is a demand for bookkeepers with computer skills, and other white-collar workers. Fitters, welders and similar skilled workers have been placed in work.

Government re-training goes ahead. Although it has a Labour council and now a Tory MP, running of municipal affairs is rather non-partisan. Three years ago, Corby had a large estate of unoccupied council houses, being vandalised. So, with many redundant steelworkers having thousands of pounds in pay-offs, the council has been selling 1,000 a year, many of them derelict, at knock-down prices, £2,000 or less. Council staff were reduced by more than 20 per cent. This year, Corby cut the rates by 25 per cent.

Corby is a remarkable example of how a one-industry town, but with an industrious population, can, after a disaster, pull itself up by its bootstraps. Instead of steel, there are now electronics and a host of modern industries, new skills.

It has been achieved by a combination of government and public aid, private enterprise and self-enterprise. In its small way, Corby is an example of the transformation which is taking place in Britain.

SW

RESTRICTED

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Prime Minister

MCS 28/6

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Great George Street
LONDON SW1

28 June 1983

Dear Peter.

YOUTH TRAINING SCHEME

The paper on special employment measures for 1984/85 which E(A) will be discussing on 29 June (E(A)83/2) refers (paragraph 9) to the trainee allowance under the Youth Training Scheme. Other members of the Committee should be aware of developments since the paper was circulated.

At its meeting last Thursday, the Manpower Services Commission agreed by a majority to recommend that the allowance should be increased, with the costs found from within existing provision. The Commission was unable to agree on the amount of any such increase which they might recommend. It was clear however that such an increase could be achieved only by excluding some youngsters from the Scheme, cutting the quality of training or asking employers and other sponsors to put in more money. I considered these options were equally unacceptable.

I was moreover concerned that in these circumstances any period of uncertainty about the Government's intentions could do serious damage to the Scheme. I therefore asked Peter Morrison to consult you by telephone and subsequently informed the Commission that I had decided that the allowance should remain at £25. I indicated at the same time that I accepted the Commission's unanimous recommendation that the arrangements on travel and lodging expenses should continue as at present. These decisions are of course in line with the PES figures in E(A)83/2.

I am copying this letter to other members of E(A).

Yours

RESTRICTED

Manpower
Emp Measures
pt 9

P.01053

PRIME MINISTER

Annual Review of Special Employment Measures for 1984-85:

E(A)(83)2

BACKGROUND

The special employment measures (SEMs) are programmes run by the Department of Employment and the Manpower Services Commission (MSC) to provide work or training for the unemployed; to support part-time and short-time working in certain circumstances; and to encourage older workers to retire so as to make way for younger people from the unemployment register. Their total cost in 1984-85 is expected to be some £2.2 billion, of which £1.1 billion is for the Youth Training Scheme (YTS) and £0.6 billion for the Community Programme (CP).

2. It has become the practice to review the SEMs each summer. (This is partly because many training measures, such as the YTS, have to be geared to the academic year beginning in September). The memorandum by the Secretary of State for Employment (E(A)(83)2) continues that practice. It does not, however, put forward any fundamental proposals concerning the two main SEMs, the YTS and the CP: The Secretary of State proposes to review those schemes and to consult his colleagues again in the autumn.

3. The specific proposals in E(A)(83)2 are in fact confined to relatively minor changes: the only one involving significant new expenditure is that the Enterprise Allowance scheme (which provides an allowance of £40 a week to unemployed people wishing to set up their own business) should be of national application in 1984-85: this would require an additional £46 million public expenditure provision (£31 million net, after taking account of savings on social security benefits).

4. Those who take part in the CP are paid the 'rate for the job'. Sponsors of projects are reimbursed wage costs up to an average of £60 a week; there is also a limit on the maximum wage that may be paid to any individual. The Secretary of State for Employment proposes that the average wage limit should be raised to £62 a week from October, 1983, and that the limit on the maximum individual wage should be abolished.

Neither proposal has any direct expenditure implication: any increase in unit costs resulting from an increase in the average wage limit could be accommodated by having fewer projects.

5. E(A)(83)2 also discusses the rate of allowance under the YTS. But this has now been settled. The Secretary of State for Employment has decided that the allowance should not be increased; this decision has been publicly announced.

6. Finally, E(A)(83)2 discusses the Technical and Vocational Education Initiative (TVEI). This initiative, which you announced in November 1982, is currently based on 14 pilot projects. The Secretary of State for Employment proposes that savings of £14 million in 1984-85 and £20 million a year in later years should be used to fund additional projects: since the maximum amount of assistance is £500,000 a year, a minimum of 40 additional projects could be financed in this way. The extension (unlike the present TVEI) would apply to Scotland.

7. The Chief Secretary, Treasury argues in his minute of 27 June that it is unnecessary to take decisions on most of the proposals in E(A)(83)2 and that they should be considered with other bids for additional expenditure in the 1983 Public Expenditure Survey. He also argues against the proposal to increase the average wage limit under CP from £60 to £62 a week, on the grounds that there is no shortage of applicants under the scheme.

MAIN ISSUES

8. Most of the proposals in E(A)(83)2 involve relatively small amounts of money; and there is no obvious operational reason for deciding them now. For both these reasons, you will probably wish to accept the Chief Secretary's suggestion that they should be discussed, in the first instance, between the Secretary of State for Employment and himself in the context of this year's Public Expenditure Survey. The Sub-Committee might then concentrate on the following.

(i) The proposed review of the YTS and CP.

(ii) The average wage limit under the CP.

(iii) The proposed extension of the Enterprise Allowance scheme.

(iv) The TVEI.

Review of YTS and CP

9. You are holding a meeting immediately beforehand with the Ministers concerned which will be relevant to this. You will no doubt wish to reflect the conclusions of that meeting in your handling of the Sub-Committee's discussion.

CP: average wage limit

10. The original concept of the CP, as announced in the then Chancellor of the Exchequer's Budget speech in 1982, was that those who took part would not be paid the 'rate for the job' but a rate related to social security benefits. This proved unacceptable to the trade union representatives on the MSC, and to many potential sponsors of projects under the CP; and the Government agreed that the 'rate for the job' should be paid, subject to an average wage limit (the effect which is that many of the jobs under the CP are part-time). The Secretary of State for Employment will no doubt argue that to refuse to increase the present limit of £60 a week would be widely regarded as the first move in an attempt to reopen this issue, and so jeopardise the success of the CP.

11. Against this, it can be argued that there is no lack of schemes being brought forward (indeed, as the Chief Secretary hints, the Treasury are concerned that the provision for 1983-84 may be overspent); and that it is unwise and unnecessary to increase the average wage limit, since the effect will be to reduce the number of places that can be provided under the CP.

12. A possible compromise would be to decide to make no increase from October 1983, but to agree to review the figure when the Secretary of State comes forward with proposals on the future of the scheme (paragraphs 12 and 13 of E(A)(83)2).

13. The separate limit on the maximum individual wage that may be paid under the CP seems to serve no very useful purpose; and we understand that the departments concerned agree that it should be abolished.

Enterprise Allowance scheme

14. This scheme is operating on an experimental basis in 5 pilot areas. It is being extended nationwide from 1 August 1983 until 31 March 1984.

The Secretary of State for Employment proposes to extend its life until (at least) 31 March 1985, on a cash-limited basis.

15. It can be argued, as the Chief Secretary does, that such a decision would be premature: the results from the pilot areas have not yet been fully evaluated; and preliminary results suggest that the scheme is rather expensive. On the other hand, it was explicitly mentioned in the Government's Election Manifesto; and it would clearly be difficult to withdraw it as soon as March 1984. The Sub-Committee may therefore think it reasonable to agree in principle that the scheme should be extended to the end of 1984-85, as the Secretary of State for Employment proposes, but to leave the details (and therefore the cost) to be discussed in the first instance between the Secretary of State for Employment and the Chief Secretary in the light of fuller evaluation of the pilot studies.

TVEI

16. The Chief Secretary does not object in principle to the proposal in E(A)(83)2 but suggests, in effect, that decisions should be taken in the context of the Public Expenditure Survey. The Sub-Committee may, however, see a difference between this proposal and the other expenditure proposals in E(A)(83)2. The other proposals are new policy departures not matched by reductions in cash-limited expenditure programmes. In the case of the TVEI, the Secretary of State does offer savings to finance his proposals. The Sub-Committee may consider that it is reasonable for the Chief Secretary to satisfy himself that those savings can be delivered but not that he should be able, in effect, to insist that policy adjustments within a programme, even if those adjustments have no net cost, may be made only when the Public Expenditure Survey is being considered.

Community aspects

17. Although E(A)(83)2 does not discuss the Community aspects of its proposals (apart from the reference in paragraph 7 to the European Social Fund) changes in schemes such as the SEMs usually have to be agreed with the Commission. Given the increasing emphasis on training and measures to reduce youth unemployment, there should be no great difficulty with the Commission. But you may still wish to remind the Secretary of State for Employment of the need to concert tactics with the Foreign and Commonwealth Secretary.

HANDLING

18. You will wish to ask the Secretary of State for Employment to introduce his memorandum. You might then invite the Chief Secretary, Treasury to reply. The Secretary of State for Education and Science is likely to wish to comment on the training aspects and, in particular, on the TVEI. The Secretary of State for Trade and Industry may wish to comment on the involvement of private sector employers in training measures. Mr Allan Stewart, representing the Secretary of State for Scotland, may also wish to comment, particularly on the extension of the TVEI.

CONCLUSIONS

19. You will wish the Sub-Committee to reach conclusions on those of the proposals summarised in paragraphs 18 and 19 of E(A)(83)2 which it is agreed should be decided now rather than in the context of the 1983 Public Expenditure Survey. These might be:

(i) the maximum and average wage limits under the Community Programme;

(ii) the extension of the Enterprise Allowance scheme;

(iii) the Training and Vocational Education Initiative.

20. Depending on the outcome of your immediately preceding meeting, you may also wish to record conclusions relating to the proposed review of the Youth Training Scheme and the Community Programme.

PG

P L GREGSON
Cabinet Office.
28 June, 1983

cc AWS
FM 3

Prime Minister

I have sent, as you requested, on a strictly personal basis, copies of Ferdie's note to the participants at the 10.15 meeting. Please see, too, Alan Walters' note.

SECRET

P.01052

PRIME MINISTER

UNEMPLOYMENT STRATEGY

Before the meeting of the Ministerial Sub-Committee on Economic Affairs, (E(A)), to discuss the Secretary of State for Employment's paper on the Annual Review of Special Employment Measures (E(A)(83)2) you are having a preliminary discussion with a smaller number of colleagues about unemployment strategy.

2. Your starting point might be the statement in the Manifesto (page 7) that unemployment ".....can be checked and then reduced only by steadily and patiently rebuilding the economy so that it produces the goods and services which people want to buy, at prices they can afford".

3. This requires a comprehensive and continuing programme of action under many different headings. The purpose of this meeting might be to identify the main headings and then to ask your colleagues to go away and consider what might be done under the various headings in preparation for your Chequers discussion on 6 September.

4. The headings might include the following:

i. Taxation

Can more be done to stimulate the creation and expansion of new enterprises?

ii. Burdens on industry and commerce

Have we done enough to eliminate unnecessary restrictions on the wealth-creating sector of the economy, for example building and environmental regulations and planning controls?

SECRET

iii. Barriers to employment

How quickly can we reduce the barriers to employment, for example the Wages Councils and some of the requirements in the Employment Protection Act?

Empl

iv. Labour mobility

Can we do more to increase labour mobility between different employers (?pensions), different industries (?craft and union restrictions) and different parts of the country (?housing policy)?

Empl.

v. Union resistance to change

How best can the next stages of industrial relations reform contribute to reducing union power to obstruct change?

Empl.

vi. Training

How can the efforts of schools, higher education, the MSC and industry be best deployed to give workers and managers the skills they require?

Empl / Ed

vii. New technology

Can the Government do more to assist industry to adapt to and exploit new technology?

Ind

viii. Regional policy

Can the resources be better deployed to stimulate the creation of worthwhile and lasting jobs?

Ch

ix. Extending the market sector of the economy

What further progress can be made in the lifetime of this Parliament in privatisation, contracting out, and the opening up of the public sector to market forces?

Ch

x. Redefining the working population

Given that the new employment available is still likely to be less than the increase in the working population, how best can we adapt the size of the working population - by early retirement, by longer education and training for the young or both?

Empl

Ch (viii) Public expenditure
(ix) Denationalisation

5. All these are matters on which there has already been much study and in many areas considerable progress has already been made. Other items may be added to the list. Your main concern will be to give a new and more urgent impetus, placing over-riding priority on the need to expand the competitive and efficient wealth-creating sector of the economy.

6. You will probably find it convenient to place on individual Ministers the main task of coming back to you with constructive ideas under the various headings. In relation to the list in paragraph 4, the allocation might be as follows:

Take

Chancellor of the Exchequer

Items i., viii. and ix.

(NB he will shortly be submitting a further report on Regional Policy to you and will be consulting you on how to handle it)

Secretary of State for Trade and Industry

Items ii. and vii.

Secretary of State for Employment

Items iii., iv., v. and x.

Secretary of State for Education and Science

Item vi. (in consultation with the Secretary of State for Employment).

Some other Ministers, for example the Secretary of State for Energy and the Chancellor of the Duchy of Lancaster might be asked to make proposals on a personal basis.

7. You will need to consider whether you would like papers prepared and circulated on a personal basis in time for your Chequers discussion.

PG

P L GREGSON

28 June 1983

cc NO

PRIME MINISTER

E(A) COMMITTEE, 29 JUNE 1983: PAPER BY THE SECRETARY OF STATE FOR EMPLOYMENT

I think it might be helpful if I set out in advance my reactions to Norman Tebbit's paper on the annual review of special employment measures (E(A)(83)2).

First, I do not think it is necessary to take a decision now on the future of the Enterprise Allowance after March 1984. I believe we should wait until we have a full assessment of the Scheme's cost effectiveness, and some evidence of how the extension announced in the last Budget is going.

Secondly, I would not accept that savings on demand-determined special measures are available to be spent on others. Such savings are by nature uncertain. But, more important, we are due next month to have a first discussion of the background to this year's Public Expenditure Survey. It is already apparent that difficult decisions may be necessary to do no more than remain within existing plans. This implies, at the very least, that any bids for new expenditure which are accepted ought to be offset by policy savings on cash-limited spending rather than by reduced requirements

Against this background, I have the following comments on individual items in Norman Tebbit's paper:-

(i) Enterprise Allowance. Leaving aside the question of when a decision should be taken, it is unlikely that an expansion on the scale envisaged would be justified. I am especially doubtful about increasing the level of the allowance when the effect might merely be to stimulate demand for places which cannot be met.

(ii) Job-Splitting Scheme. All the signs are that this experimental scheme has failed to take off. I see little point in extending its life after March 1984, particularly since by then the part-time Job Release Scheme will be in operation.

(iii) Voluntary Projects Programme. There may be a case for continuing this because of its popularity with the voluntary sector. But I think we should spend no more next year than is likely to be spent in 1983-84 around £5 million.

(iv) Community Programme. I very much agree that there should be no increase in the number of places. However, I am not convinced that the average wage limit should be increased when there are signs that the Programme might be going ahead faster than the provision for it in 1983-84 allows.

On the Technical and Vocational Education Initiative I am sympathetic to Norman Tebbit's proposal, but as the proposal is that the extension should be financed from policy savings in other parts of the MSC budget, I should prefer to examine these savings more closely when we look at the MSC in the Public Expenditure Survey. I support the rest of Norman's proposals in principle, subject to some detailed points in respect of Community Industry.

I am copying this minute to other members of E(A),

PR.

PETER REES
27 JUNE 1983

24 June 1983

SECRET

Prime Minister

Another paper for the Chequers meeting?

Yes - and for the preliminary meeting - but only on strictly personal basis. MCS 24/6

PRIME MINISTER

UNEMPLOYMENT

I. POLITICAL BACKGROUND

Many people were surprised that the sharply rising level of unemployment never came to be an "Election issue" in the way that was expected. Clearly, the Government did to some extent manage to convince people that it was taking the only realistic means available to deal with what was overwhelmingly a world problem. Historically, there was in fact little reason to expect a Government to be thrown out in such a situation. In fact, it was pointed out a couple of years ago (in the Spectator!) that the most likely parallel would be 1935 and not 1945.

But I doubt very much whether the same benefit of the doubt will be given to the Government at the end of this Parliament. Indeed, the 1935 landslide for the National Government had turned into a bare majority in the opinion polls at the outset of World War Two, and by the middle years of the War, the Conservatives were lagging far behind the Labour Party. I do not believe that the War was the only factor in this.

Unless we are seen to be making progress in reducing unemployment by the second and third years of this Parliament, a feeling of impatience and frustration may build up very quickly. The comfortable refuge is to imagine that the Opposition will still be hopelessly split by that stage and that, in the ensuing General Election, the Conservatives could still hope to survive, even on a reduced percentage share of the poll. But there are other possibilities:

(a) the Alliance makes further progress at by-elections and in the opinion polls, and becomes regarded as the settled major opposition party, and is thus well able to take votes from the Conservatives and looks like a viable alternative Government: and

(b) (much less likely) the Labour Party pulls itself together, pays attention to what the electorate wants, and reasserts itself as a natural responsible opposition.

The point is that, regardless of whether (a) or (b) turns out to be the case, the voters are capable very quickly of fixing on the most likely alternative as soon as they weary of the status quo.

II. REDUCING UNEMPLOYMENT

At present, our efforts to reduce unemployment can be divided into four parts:

(a) Improvement of the economy generally. We believe that our measures are designed to create a low-inflation, low-interest rate, high-investment, high-technology economy, and that this will bring new jobs with it, although we are well aware that it will destroy old jobs as well. What nobody knows is the exact differential between the rate of creation and the rate of destruction. How soon will Hector Laing's new catering businesses replace the jobs lost, in the factories he has had to close? I attach Blake Baker's article on Corby which shows the potential time-lag. Corby has had dazzling success in attracting new industry, but male unemployment is still 22.5 per cent there.

Recent forecasts for the economy produce closely comparable forecasts for the rate of inflation and for economic growth, but with wildly differing estimates for unemployment, ranging from 1.8 million to over 4 million and higher still. In the state of our ignorance, we cannot therefore rely on a healthy economy alone to reduce unemployment to tolerable levels.

(b) We also intend to reduce barriers to employment such as Wages Councils, Employment Protection legislation and all the myriad obstacles posed by trade unions. We are convinced that the removal of these obstacles will reduce unemployment, but again we cannot be certain about the time-lag or the size of the reduction.

(c) Some of us believe that the gap between family income in work and family income out of work makes work unattractive for many thousands of people, and so adds to unemployment.

Various measures to remedy the "why work" syndrome have been proposed. After carefully studying most of them, I must confess that, in the short to medium term, the more ambitious claims made for these remedies seem unconvincing:

(i) Those workers with the highest "replacement ratio" (where dole income is near to work income or actually exceeds it), are mostly family men who, all studies agree, are the most determined work-seekers: and, in any case, form only a small minority (around 20 per cent) of the unemployed. The idlers, or those who make the rational calculation that work is economically futile, are mostly young single people for whom the gap between the dole (about £20 a week) and even a manual wage (£70-£90 a week) is quite considerable. The natural conclusion is that where these people really do not try to seek work, it is not because of the tax-benefit linkage.

We are well aware of jobs which remain unfilled because they are menial or tedious, eg in catering and cleaning. But simply to deplore the "workshy generation" is not a solution. I doubt whether it would be politically possible, even if it were desirable, to abolish social security for the under-21s, as some have suggested. Nor would it be possible without a similar outcry to reduce drastically family income where the husband is out of work. At the same time, nobody has yet produced realistic means of inducing people to take jobs they do not wish to take. Yet if people do not "choose" to work, at least it ought to be possible to see to it that as few of them as possible are classified alongside those who genuinely cannot find jobs.

(ii) Some people have argued strongly for the introduction of a "cap" on benefits so that an unemployed man should not be able to receive more than, say, 70 per cent of his in-work family income. It was alleged that this cap system kept unemployment

much lower on the Continent, but that argument became much less convincing as soon as unemployment in France and West Germany started rising so rapidly. The truth is that if you allow for compulsory military service, earlier retirement ages and the sending home of gastarbeiter, there is not much to choose between unemployment rates in most Western countries, even in those like the United States which are much less generous to their unemployed people than is the British welfare state.

(d) Our final method of reducing unemployment has been to reduce the size of the working population. This has been happening, intentionally and unintentionally, throughout this century. If the school-leaving age were still 14 today, and if statutory retiring ages had not been introduced in the state insurance schemes, no doubt the registered rate of unemployment would be, not 3 million, but 5 or 6 million. The "working population" is an arbitrary definition. And so is a "working life". Indeed, the latter varies between different social classes in this country. Until recently, it was traditional in the manual working classes to expect work to start at 16, whereas in the professional classes, who expected their sons at any rate to attend university or go into the services, the possibility of becoming unemployed might not arise until the age of 21 or so. It is worth noting that our special employment measures have so far kept unemployment from rising much above 3 million, and the efforts of the TUC to talk about "4 million jobless" have not caught on.

It's the headline total which counts. There is no doubt that the reduction of the working population is the most immediately effective means of reducing the rate of registered unemployment. It is therefore an essential form of "insurance" to be considered against the possibility that, while our economic policies may succeed in creating much greater prosperity all round, they might well fail to dent the unemployment statistics sufficiently quickly.

What we are looking for are methods of "reversible reductions": methods which reduce the numbers on the register without adding permanently to commitments which the economy cannot sustain. Three possibilities suggest themselves:

(i) Extending the YTS to the age of 18 so that unemployment would not be an option until that age. It would take time to organise further training, but given the speed with which David Young found the 460,000 places already required for the first year, I do not see it as insuperable. In the second year, we would expect more and more young people to find jobs (so long as wages remain considerably higher than the training allowance). And the cost to the Exchequer would diminish sharply as and when more jobs became available.

(ii) The over-60s. Early retirement is already a highly popular cause and likely to become more so if unemployment persists. Yet the burden of lowering the pension age to 60 for men is not affordable. I think we should re-examine the idea of "interim retirement benefit" which would enable all men over 60 to be paid social security automatically under a special scheme after they had been unemployed for more than 6 months. Naturally, we would have to broaden or abolish the disregards and make the payment as automatic as that of the pension in all respects, except that it would cease to be payable so soon as a man found a job. This scheme might seem a little untidy in its relationship with social security for the under-60s, but I believe it would be widely regarded as adding to personal dignity.

(iii) The long-term unemployed. Again, it would be the mark of a successful society if we managed to remove unemployment as a long-term option, as Sweden almost managed. The Community Programme is clearly a start and needs to prove itself before we could see whether

it would form a basis for a scheme which offered permanent community work to anyone who had been on the unemployment register formore than 2 years.

If these three measures were prepared together over the next couple of years, I believe that we would be felt to have responded to unemployment in a way which so far we are not regarded as having responded. We would have removed from the register the under-18s who had not properly entered the labour market and the over-60s who had, in all but name, left it; and we would have offered some prospect of occupation to the long-term unemployed.

At present, we are "forgiven" because the problem has hit the Western world hard and we are taking hard and determined measures to reverse it. But as and when other countries return to fuller employment, the danger is that we shall be forgiven no longer, unless we too have begun to reduce the numbers on the register from 3 million to nearer 2 million. I am convinced that unemployment will eventually come to arouse stronger political emotions in this Parliament than it did in the last.

And the only reliably effective insurance against it is to reduce the size of the working population. No doubt this would be one of the subjects you will want to discuss at your September meeting. But it is obviously also relevant to the earlier discussion of Special Employment and Training Measures.

FERDINAND MOUNT

Daily Telegraph
Friday, 24 June 1983

PERSONAL VIEW

Corby on the Right path

BLAKE BAKER on the town Labour lost despite its long dole queues

LAST time I was in Corby three years ago, it was a disaster area: 6,000 steel redundancies in a one-industry town.

It was also a surprise to go back. Sited in the middle of Northamptonshire it is a new town, with piazzas and tree-lined avenues. It is not a steel town like Sheffield or Duisburg. It is hardly a steel town any more.

The people — Glaswegian accents on the streets — are friendly and helpful. The only hotel is no longer called the Strathclyde, but the Grosvenor House, although everyone still refers to it as the Strathclyde.

It was two days before polling day. The local working men's club, when I visited it, was full of young Jobs Marchers. I was told aggro was planned when Norman Tebbit came to speak at Corby the next evening.

So it proved. The front rows were occupied by pretty tame Tory supporters. The rear was full of raving, chanting Far Lefties, determined not to give Mr Tebbit a hearing. It was an enjoyable shindig if you like a barney. Mr Tebbit gave better than he got.

Back at the hotel, the porter said: "Don't think, Sir, that that is typical of Corby." One day later, Corby (with a Labour council) voted Conservative.

I do not think the explanation lies wholly in the middle-class villages that surround the town of Corby. I suspect it was a vote for enterprise, not just "private enterprise," but also self-enterprise, publicly assisted enterprise, self-help—the philosophy that you get up off the floor of the ring if you have been knocked down, and fight back.

For Corby is one of the success stories of this country in recovering from adversity. It has learned how to promote itself. When down and out, it went looking for jobs.

It got much help. It won more than £200 million in private investment, backed by £50 million in Government aid, as well as £70 million from the European Commission after an enterprising trip to Brussels.

More than 200 new firms have come. To go round the enterprise zone is an eye-opener after three years. Everywhere, there are spanking new factories, large and small: Avon Cosmetics, with Euro trucks lined up outside, BMCL Plastics, a giant flour mill like a power station, small firms, cabinet makers, reproduction furniture, alloys, plastic cutlery, Commodore computers, British American Tobacco, its largest plant in Europe, food firms.

Also the British Institute of Management and, surprise, the Oxford University Press with a distribution centre for 12 million books are there. More firms are coming, such as R S Computers, expected to employ 1,000 people.

Much of the credit for this is due to the redoubtable Fred McClenaghan, director of industry, employed jointly by Corby district council and the Commission for New Towns.

Recently, Corby had a large advertisement in this newspaper, headed "Corby Works Better." Corby, it pointed out, has a market of 30 million people within 100 miles, and is "slap-bang in the middle of the most buoyant, profitable market in the U K."

It listed a dozen financial incentives for firms moving to Corby. Nor is that all. Corby has produced ECORBYIST, comprising a series of articles by distinguished writers published in the ECONOMIST.

There are brochures on the beautiful countryside, with stone-built villages, surrounding Corby. Another on wildlife and walking. Yet another on sport facilities: also, "Corby Works."

The newest project is Wonderworld, a Disneyland-type leisure and education complex costing about £200 million, which could create 3,000 new jobs. A million trees and shrubs are to be planted in Corby.

The old steelworks, which dominated the town like a row of black teeth, has been demolished at a cost of £16 million, freeing another 250 acres for redevelopment.

All is not yet well in Corby. Male unemployment is still at 22·5 per cent., female at 14 per cent.; 19·5 per cent. overall. Unfilled vacancies are a mere 268, against almost 6,000 jobless. Since 6,500 were made redundant in the steelworks closure, leaving 2,700 still employed at the tube plant, Corby, as elsewhere, has been otherwise affected by the recession.

Nevertheless, 3,000 new jobs have been filled. Women have been going back to work. There is a demand for bookkeepers with computer skills, and other white-collar workers. Fitters, welders and similar skilled workers have been placed in work.

Government re-training goes ahead. Although it has a Labour council and now a Tory MP, running of municipal affairs is rather non-partisan. Three years ago, Corby had a large estate of unoccupied council houses, being vandalised. So, with many redundant steelworkers having thousands of pounds in pay-offs, the council has been selling 1,000 a year, many of them derelict, at knock-down prices, £2,000 or less. Council staff were reduced by more than 20 per cent. This year, Corby cut the rates by 25 per cent.

Corby is a remarkable example of how a one-industry town, but with an industrious population, can, after a disaster, pull itself up by its bootstraps. Instead of steel, there are now electronics and a host of modern industries, new skills.

It has been achieved by a combination of government and public aid, private enterprise and self-enterprise. In its small way, Corby is an example of the transformation which is taking place in Britain.

PA
MCS/7

~~E(PM)~~

E(P.M)

(1)

PRIME MINISTER

UNEMPLOYMENT: MEETING AT CHEQUERS

We ought to settle soon on a date for the meeting you want in September, at Chequers, to work up new ideas for the years ahead, particularly on dealing with unemployment.

Should we go for Tuesday, 6 September, i.e. after Balmoral and before any overseas visit you might be doing?

To ensure that there is a proper discussion, we ought to keep the numbers down. Are these the people who should be invited?

- Arthur Cockfield
- Keith Joseph
- Nigel Lawson
- Norman Tebbit
- Cecil Parkinson
- Peter Walker
- Alan Walters
- Ferdie Mount
- David Wolfson
- David Young

We could have less many in addition to Ministers.

Do you want any paper circulated in advance of the meeting? I am inclined to think that it might be a good idea if we were to send on a personal basis a copy of David Young's paper, as an indication of the kind of ideas that we are looking for. But there must be no bureaucracy, agendas, briefing and that sort of thing.

Yes.

I need a preliminary meeting in July not.

MCS

24 June, 1983

Please see Ferdie Mount's paper on unemployment (attached, flag A)

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES.

Reference: E(A)(83)2

Date: 23.6.83

Signed C Wayland Date 30 April 2013

PREM Records Team

MA

Prime Minister's Briefing for the debate on the Queen's Speech - the Youth Training Scheme

Progress to date

The Scheme has got off to an excellent start. The Manpower Services Commission have already identified 90% of the places needed for 460,000 youngsters this year. 93,000 have already been approved by Area Boards throughout the country, ready for the full launch of the Scheme in September.

Entrants to date

Thousands of Easter school-leavers have already joined the Scheme. [By the end of May, 7,000 people had been notified as entering YTS] and there are many more places ready for immediate occupation.

A measure to hide youth unemployment?

This is a high-quality training scheme and, as such, has commanded the support of both the Labour and Alliance Parties. Shirley Williams "welcomed" its announcement by the Secretary of State for Employment in the House on 21 June last year. Harold Walker said, in a debate on the Scheme, in February of this year that the Scheme "deserves the support of the House".

No jobs at the end.

There can be no guarantee of a job - only steady economic growth can create real jobs. But the Scheme will certainly give our young people a better chance, with more to offer employers, in a difficult labour market.

Level of the allowance.

We accepted an allowance of £25 a week on the recommendation of the Manpower Service Commission's Task Group. We shall shortly consider the current level of the allowance in the light of advice from the Commission. [The Manpower Services Commission will discuss this on 23 June.]

Health and Safety on the Youth Training Scheme.

We are doing all we can to protect young people on the Scheme. The Health And Safety at Work Act of 1974 protects trainees as well as employees on employers' premises. Furthermore, the Commission's contract with managing agents requires sponsors to treat trainees as they would employees. But equally, every individual has the responsibility of being actively involved in securing health and safety in the workplace.

Equality of opportunity.

We are totally committed to equality of opportunity in the Scheme regardless of sex or race. The contract between managing agents and the Manpower Services Commission requires that sponsors treat all trainees as if they were covered by the employment provisions of the Race Relations and Sex Discrimination Acts. In additon, the Secretary of State for Employment will shortly be designating providers of training in YTS to make it unlawful for sponsors to discriminate on grounds of race or sex in recruitment or termination.

Disabled young people.

We recognise the special problems of disabled young people. This is why we have extended the eligibility rules to cover 18 year-old disabled school-leavers; a year beyond the normal upper recruitment age for the Scheme.

PAPER BY DAVID YOUNG

C

8.6.85

Put with appropriate Cerdic Moore letter

The First Fifteen Months.

INTRODUCTION

In writing this paper I have tried to refrain from generalities. The field is too wide and I am conscious that I have been out of the mainstream for over a year. It may be that some of the suggestions made are already being undertaken. For that I apologise but nevertheless I do believe that all the specific steps suggested are capable of being brought into effect with immediate advantage. What is I hope agreed is that the priorities of the last year of a first term are not the priorities of a first year of a second term.

But some generalities have to be made.

The first term has above all else changed attitudes. What we now have to do is to change the real world.

- The public sector is still too large.

- Taxation remains too enervating for enterprise.

- Barriers to mobility are still with us.

Some of the steps suggested will require **legislation** whilst others will require **preparation** - but they **all** have be identified and taken in good time.

Where legislation is required then the time for decision is all too short. Whatever is not in the first Queens speech will not be enacted until the end of the second session, and we will then have but eighteen months before the next election appears on the horizon and the fear of policy reversal is with us. Not only do some controversial Bills require the moral force of a recent election victory but so do major policy changes. The first hundred days will lay the foundation of the second term.

Therefore this paper is concerned to identify a number of objectives needed to be achieved within the first session.

1. THE PUBLIC SECTOR.

There are three seperate areas within the Public Sector where I believe that there is scope for immediate action - in the Civil Service, in Local Authorities and in the Nationalised Industries and Utilities.

1.1 The Civil Service.

During the lifetime of the last Parliament we made substantial reductions in the size of the Civil Service and within the last few months we undertook an exercise for a further 5% or 10% cut. I do not believe that there is very much more to be gained from this type of review for all the savings in terms of efficiency have probably been made. There is little doubt that many Departments, where they have accepted reductions, have now adopted a policy of "equal misery" which in the end turns out to be misery for all and not good man management.

So what we must do is to cut **FUNCTIONS.** We should go back to Departments and ask what functions could be cut and only then what the manpower savings would be.

There are also a number of activities that could be carried on outside the service. A good, although small, example is the Enterprise Allowance where we went to the banks to run the scheme for us and now they will be making the payments direct to the applicants at a considerable saving both in money and manpower.

But in the end if we are to achieve smaller (and thus cheaper) government then we must be prepared to undertake less.

1.2 Local Government.

In a similar manner we should consider legislation to regulate the kind of activities that local government is allowed to undertake. It may not be sufficent to merely restrict rate increases in the short term - perhaps we would lower the burden of rates quicker if we were to make a number of fringe activities Ultra Vires. This would apply no matter how we modify the present rating system. The problem lies in the expenditure rather than in the collection.

If we are to legislate then we should consider the advantages of giving statutory encouragement to the commercialisation of Local Authority activities. The early successes of private refuse collection should be built upon. We could ensure that Local Authorities had to go to competitive tender for many activities and let their own departments compete on an equal basis. This would expose the Direct Labour Organisations to open competition and only if they win a tender would they be entitled to the work. But tenders must be returnable to an independant assessor to ensure fair play. If nothing else it would expose the real costs of many of their services.

1.3 The Nationalised Industries and Utilities.

Apart from our existing commitment to the disposal of British Telecoms we have a Manifesto commitment that Rolls Royce, BA, parts of BSC, British Shipbuilders and BL will become private sector companies. Some may make it but this depends on trade conditions as much as political will. We also have a commitment to seek "other means of increasing competition in, and attracting private capital into, the gas and electricity industries."

At the present time we have:-

1. The residual holdings of the first round of Privatisation e.g. Cable and Wireless, British Aerospace etc. After the election the market will be prepared to take the balance of our shares.

2. The Nationalised Industries e.g. BSC, BL, BA, British Shipbuilders and British Telecoms. Despite our commitment there is still some way to go before disposal. Parts of all of these industries are saleable now and as a first step we should adopt Companies Act status for subsidiaries, and then apply pressure for some to be sold as soon as possible.

3. The Utility Sector. So far we have not made much progress with the Utilities in general and CEGB in particular. There is little point in disposing of the Grid but there would be considerable advantage of disposing of the generating stations

and thus introduce competition in power generation. If we put together and then sell individual coal pits and adjoining power stations we could solve more than one problem at a time.

The organisation of British Gas lends itself to that of a Holding company with subsidiaries. If we were to sell off but one of the regional companies in the next two years we would have changed the attitudes of all. When I last saw them they were seperate in all but name.

Action

What is required is an orderly plan to divide each industry by region or function, and then progress towards disposal. Even if sales were not imminent we would achieve better management of the whole sector, and better management is as least as important as disposal. Legislation is required for British Telecoms (which will still be so large that it is difficult to see what advantage the private sector monolopy would have) and for the Utilities but many disposals of parts of Nationalised Industries could take place without any further action.

This programme must apply to both the balance of our existing holdings and to achieving new disposals. Gilt sales would be affected but it would still be better to sell assets than to incur debts.

The Committee responsible for overseeing the whole programme of

disposals is E(DL) but in practice this has acted merely to obtain the agreement of colleagues. What is required is a small permanent secretariat who will report to the Chairman and follow through to coordinate departments and ensure that the programme is maintained.

2. TAXATION.

If we are to reduce taxation substantially then a massive reduction in Government expenditure will have to take place. This cannot be done quickly and is therefore outside the scope of this paper. Nevertheless there are a number of important changes that we should introduce in the first few weeks of our return. These may be at the margin, but taken together will have an important effect on the growth of the economy in the medium term.

2.1 Safety First.

It has long been a main strand of the Governments programme that the future of employment and the expansion in the economy depended upon the birth and growth of new enterprises and to this end many schemes were introduced. However between their introduction in Budget statements and their enactment in Finance Acts the current philosophy of the Inland Revenue prevailed. This can best be described as "safety first" and their proper obsession with Tax Avoidance ensured that all these provisions were ringed with so many protections that they became of little

utility. Furthermore the practise of giving practitioners clearance for projects in advance fell into abeyance with the result that professional advisers became reluctant to recomend using these novel schemes.

During 1982 the House of Lords in the Ramsay case effectively ended all schemes of Tax avoidance. Transactions now entered into for the purpose of avoiding tax could be voided retrospectively and the tax avoidance industry ceased overnight. We can now afford to simplify the legislation.

The principle of using tax allowances for many of these small business schemes was to create 'new' financial institutions, i.e. the high taxpayer, acting as risktakers in areas where the other institutions simply would not go. We should promote the principle of allowing transparent trusts, partnerships, as well as the North American concept of Joint Ventures for tax purposes. Again the Revenue might well approve such a concept but without safeguards professional advisers will not let their clients proceed without clearance in advance.

The test as to whether the ring fence was drawn too tight is simple - has the allowance been used. On this basis the Residential Allowance needs redrafting as does the Business Start Up scheme. The Workshop Building Allowance should be the model for the former, and the latter should be simplified.

In the last Budget the Workshop Allowance was extended to include alterations to existing buildings and will thus help to renovate

some of the older buildings which had not reached the end of their life but only of their use.

The same principle could be adopted for the Residential Allowance for the **Inner City Areas only** but here instead of using the still unproven device of Assured Tenancies designate whole areas to be free of rent control where such renovation work is carried out. This could help to reintroduce houses and flats free of rent control and help not only with mobility of labour but restore the Inner City Areas with private funds.

Action

It is not sufficent to leave the drafting of these provisions either to the Revenue or to the supervision of Treasury Ministers who are always hard pressed. There is much expertise both within the Department of Industry and in the outside world (with the professional Accountants and Lawyers) that could and should be used. A **Practise Group** combining all these parties should sit between the Budget statement and the passing of the Act to advise on the actual drafting and the issues involved.

We should then review the Business Start Up Scheme, the Small Workshop and Residential Building Allowances in particular and the other measures in general and simplify the provisions in the next Finance Bill. At the same time we should ensure that the practise of the Revenue giving clearance **in advance** to professional advisors be restored.

2.2 Investment Surcharge.

Since the introduction of the Investment Surcharge we have seen a gradual shift of investment and shareholdings in Public Companies from individuals to the Institutions. Can we wonder when we have applied a penal rate to investors and left the Institutions (in the main Life Funds and Insurance Companies) tax free. If we are to see a return of the individual as an investor, and without this we run the risk of creating the corporate state, albeit unwittingly, then we must put this right. Abolishing the Investment Surcharge will at least help to restore the balance, whilst making all dividends free of any further tax will give a positive inducement to people to invest their savings in Industry and Commerce either through the stock market or in new companies rather than leaving them with a Bank or a Building Society. We must restore the concept of people investing for income for their retirement. Again this is another policy change that can only be introduced immediately following an election victory.

3. BARRIERS TO MOBILITY

There has been little that successive governments have been able to do since the war by regional policy alone to bring jobs that last to the people - **we will have to succeed in bringing people to jobs.** If this policy is to work then we will have to free up

the labour market all over the country but in the last analysis we will have to be prepared to encourage people to move. This has implications over many fields, housing, pensions and town planning and should be considered as a cohesive policy - and that means a number of departments working together.

Regional policy itself has patently failed - we only have to go to Merseyside for proof. For many years the policy has been directed at plant and buildings and not at people. If it were abolished and part, and only part, of the money were spent on retraining people in the new occupations (often in the service sector) then we would begin to make progress in the Assisted Areas.

We did agree, early in 1980, that we would make no change in Regional policy during the lifetime of that Parliament. We should now take a good look at our policy as a matter of urgency. We must help to raise the job potential of the old areas.

Barriers to Mobility take many forms. As well as inhibitions on new employment there are skill barriers and accomodation barriers which prevent people moving from the old industries to the new occupations. They all have to be dealt with, together and quickly, if we are to give them enough time to take effect. I am afraid that legislation is involved and to be given enough time to take effect would have to be included in the first Queens speech.

These barriers can be catagorised as follows:-

3.1 Employment Restrictions.

Although we have removed the effects of Employment legislation from firms employing less than 20 people, they still remain for larger firms. The one response that we do get from large firms who have survived the last few years is their reluctance to re-engage any of the workforce that they have shed often at great expense. A large part of this reluctance is the knowlege that it will be both difficult and expensive to dismiss such staff should the occasion warrant. If we were to remove the protection of the Employment Protection Act in respect of all new employees for a period of five years then we will make it easier for these companies to take on new staff and at the same time not remove the protection from the existing workforce.

If we are to succeed in our endevours to encourage the larger firms to take entrepreneural positions then we must make it easier for them to do so.

3.2 Skills Training.

We must give an even higher profile to the need for adults as well as young people to acquire new skills and thus move from low to high technology, and from manufacturing to the service sectors.

We do have plans for the division of the MSC into two nearly equal groups, that part dealing with the Jobcentres and the Community Programme going back to DE, with the balance being transformed into a multipartite National Training Commission. This step again could only take place immediately following an election - particularly as it is foreshadowed in the Manifesto - but that in itself is not enough. We have to deal with adult retraining.

One of the advantages that a National Training Commission would have is that it could report back to DES as well as DoI or DE. We spend at the present time about one billion a year in the Colleges of Further Education and the programme is funded through the Rate Support Grant. We could leave the ownership of the CFE with the LEA but direct the payment through the National Training Commission. The political objections to central Government control of education would not apply to Further Education and we could begin to ensure that courses relevant to future needs are provided.

At the present time we (through the MSC) spend about two hundred million on training the unemployed (TOPS) and very little on training the employed. Traditionally we have regarded the large employers as the responsible bodies for training but in the future it will be the smaller employer who will be taking on those with new skills and small firms do not have either the tradition nor the accomodation to carry out training on their own account . The way out is to encourage individuals to look to their own training needs and this requires a different approach.

We must look towards the use of part time and evening classes, and ensure that sufficent choice is available to all.

As a result of the MSC Review of Adult Training Strategy (which is due to report in July), we could introduce both vouchers, or credits, and a loan scheme.

This loan scheme need not be publicly funded in full. We could create a National Training Loan Fund of say 100m. p.a. and have the entire amount put up by the major banks. Our role would be to subsidise interest (say 5% p.a. being payable by the trainee) and to guarantee both capital and interest. The three to five year loan could have an upper limit of a thousand pounds and if we were to match this with a fifty percent grant we could help 100,000 people a year obtain part time training for a cost of less than 70m. - although the interest cost over the full term will bring this close to 100m. Nevertheless this compares well with the present cost of TOPS (some 200m. for 55,000 full time trainees) and furthermore this would also enable us to obtain valuable experience in the workings of a loan and voucher scheme for later use in the field of general education.

Whatever we do do, we have to make it easier for adults to cross skill barriers. Private Sector employers like BOC and Bell and Howell are now keen to come into the adult training market but without a voucher scheme it will be very difficult to find room for them and at the same time introduce a long overdue reality into the FE's.

3.3 Moving People.

Even if we do provide the inhabitants of the older industrial areas with the new skills and the job opportunities there is no guarantee, and very little likelihood, that they will be able to take advantage of them if the jobs are elsewhere in the country. The great growth in home ownership in recent years has only hindered the ease with which individuals can move, since the old private landlord has been replaced by municipal ownership. Even this is of little use since most local authorities manage to organise both long waiting lists and empty properties at the same time. One of the first casulties of the anti profit consensus this century was the private landlord and we have done little to reverse this trend. This is a policy change of considerable magnitude, but without it the process of change will be severly inhibited.

But even so I doubt if we can simply abolish rent control, and even if we did I am not too sure that we will see a return of the institutions to building residential accomodation to let. However if we were to liberalise the Residential Building Allowance and it was widely used and seen to produce a reasonable and safe return, then they would soon follow since the experience of the past has shown that they are great followers and never leaders.

Mobility of people lies at the root of our attempt to reverse the present pattern of unemployment. Without it all the fine words will have litte effect - the new jobs will only arise where they

will and that is not likely to be in the Liverpools or the Newcastles of the North.

There are still many barriers to mobility of labour and unless we manage to solve these problems we will not be able to reduce the very high levels of unemployment in the older industrial areas. It may well be that that is what we will be judged upon at the time of the next election.

June 1983

DEPARTMENT OF EMPLOYMENT

Caxton House
Tothill Street
London SW1H 9NA
Telephone 01-213

WITH THE
PRIVATE SECRETARY'S COMPLIMENTS

Mr. Scholar - to see

TIME OUT: "THATHER'S SECRET UNEMPLOYMENT PLANS"

The IPRS report predates the Government White Paper "A New Training Initiative" (December 1982) which gave its considered policy. This made it clear that the Government was going for a high quality Youth Training Scheme for School-leavers, not a measure designed to reduce registered unemployment. Had it been otherwise, it would be surprising that the Labour and Alliance parties had given their support to the YTS. Mrs Williams said (21 June 1982) that she welcomed the YTS "announced by the Secretary of State today and pay him due credit for being the first Minister of any Government to introduce a scheme to provide all unemployed 16 year-olds with what are hope will be effective training. It would be less than generous not to admit that the RHG has had more success with his Cabinet colleagues than I had with mine".

It is true that the Government originally considered a low allowance (£750 a year = £15 a week). But it finally decided on an allowance of £25 a week, which can be topped up by a company which is willing to employ a youngster on higher rates of pay. The allowance is substantially above benefit levels (£15.80).

There is nothing surprising about an internal Government report in 1981 anticipating youth unemployment. The number of youngsters reaching school leaving age is now very high (25% higher in 1981 than 1971), and retirements are low.

NI5912 4 XXX 304

HEALEY ACCUSES THATCHER OF JOBLESS LIES

LABOUR DEPUTY LEADER DENIS HEALEY TODAY ALLEGED THAT MRS THATCHER AND HER MINISTERS HAD LIED OVER UNEMPLOYMENT TRENDS.

HE SAID THT A LEAKED CABINET THINK-TANK REPORT SHOWED THAT THE GOVERNMENT WAS ''LYING ON FIVE ISSUES OF MAJOR IMPORTANCE'' WHEN IT SAID IN 1981 THAT THE END OF THE RECESSION WAS IN SIGHT.

THE REPORT, CIRCULATED TO MINISTERS IN FEBRUARY 1981, PREDICTED THAT BY THIS YEAR, MORE THAN HALF THE LABOUR FORCE UNDER 18 WOULD NEVER HAVE HAD A JOB, AND THAT A COMPREHENSIVE YOUTH TRAINING SCHEME - SUBSEQUENTLY INTRODUCED - COULD CUT THE NUMBER OF REGISTERED UNEMPLOYED BY ABOUT 200,000.

MR HEALEY, INTERVIEWED ON TV-AM, SAID LABOUR INTENDED TO MAKE ''A VERY BIG THING INDEED'' OF THE REPORT IN THE ELECTION CAMPAIGN.

''THE GOVERNMENT WERE LYING WHEN THEY SAID (1) UNEMPLOYMENT WOULD NOT REACH THREE MILLION. THIS REPORT AYS IT WOULD. (2) THEY WERE LYING WHEN THEY SAID THAT UNEMPLOYMENT WAS NOT A FACTOR IN THE BREAKDOWN OF LAW AND ORDER UNDER THE CONSERVATIVES. THIS REPORT SAID IT IS.'' HE SAID.

MR HEALEY ALSO ALLEGED THAT THE GOVERNMENT HAD LIED THAT (3) THE YOUTH TRAINING SCHEME WAS NOT A DEVICE TO CUT THE JOBLESS TOTAL, THAT (4) IT WOULD NOT PUT OLDER PEOPLE OUT OF WORK, AND THAT (5) IT WOULD NOT CRIPPLE UNIONS' ABILITY TO PROTECT THEIR MEMBERS.

ASKED WHETHER ''LYING'' WAS TOO STRONG A WORD FOR WHAT MIGHT BE CONSIDERED SIMPLY MISCALCULATION, MR HEALEY REPLIED: ''A LIE IS A STATEMENT WHICH IS FALSE AND WHICH IS KNOWN BY THE PERSON WHO MAKES IT TO BE FALSE.

''MRS THATCHER WAS TOLD THE FACTS IN THIS SECRET REPORT - AND IN SPIT OF KNOWING THE FACTS SHE MADE FALSE STATEMENTS IN THE FIVE AREAS I HAVE MENTIONED. ''I HATE TO USE THE WORD 'LIE' - I WOULD NOT BE ALLOWED TO USE IT IN PARLIAMENT - BUT MAKING A STATEMENT KNOWING TO BE FALSE IS A LIE.''

--

190930 MAY 83

NI6012 4 XXX 243

TEBBIT HITS BACK AT HEALEY

EMPLOYMENT SECRETARY NORMAN TEBBIT THIS AFTERNOON HIT BACK OVER CLAIMS BY LABOUR DEPUTY LEADER DENIS HEALEY THAT MRS THATCHER AND HER MINISTERS HAD LIED ON UNEMPLOYMENT.

MR TEBBIT SAID THAT MR HEALEY HIMSELF WAS NOT TELLING THE TRUTH.

MR HEALEY MADE HIS ALLEGATION ON TV-AM SAYING THAT A LEAKED CABINET THINK-TANK REPORT SHOWED MRS THATCHER AND HER MINISTERS HAD BEEN ''LYING ON FIVE ISSUES OF MAJOR IMPORTANCE'' WHEN THEY SAID IN 1981 THAT THE END OF THE RECESSION WAS IN SIGHT.

HE SAID THE REPORT, GIVEN TO MINISTERS IN FEBRUARY, 1981, PREDICTED THAT BY NOW MORE THAN HALF THE LABOUR FORCE UNDER 18 WOULD NEVER HAVE HAD A JOB AND THAT A YOUTH TRAINING SCHEME - NOW INTRODUCED - COULD CUT THE UNEMPLOYED BY 200,000.

MRS THATCHER WAS TOLD THE FACTS IN THIS SECRET REPORT AND IN SPITE OF KNOWING THE FACTS SHE MADE FALSE STATEMENTS IN THE FIVE AREAS I HAVE MENTIONED. I HATE TO USE THE WORD LIE BUT MAKING A STATEMENT KNOWING IT TO BE FALSE IS A LIE',, SAID MR HEALEY.

MR TEBBIT DISPUTED MR HEALEY'S ACCOUNT OF THE REPORT, PUBLISHED IN THE LONDON MAGAZINE TIME OUT.

MR TEBBIT SAID THE REPORT DID NOT WARN THAT UNEMPLOYMENT COULD REACH THREE MILLION, OR SAY THAT LAW AND ORDER WOULD BREAK DOWN.

MR TEBBIT ADDED: ''ALL THIS RAISES CONCERN ABOUT MR HEALEY'S CAMPAIGNING STYLE. AS HE SEES THE POLLS POINT TO A LABOUR CATASTROPHY HIS ALLEGATIONS BECOME MORE HYSTERICAL DAY BY DAY.''

--

191431 MAY 83

Prime Minister (2)

MCS 21/6

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

MT

Willie Rickett Esq
Private Secretary
10 Downing Street
LONDON SW1

21 June 1983

Dear Willie

DEBATE ON THE ADDRESS

As foreshadowed in my letter of yesterday,
... I enclose defensive briefing on points
that might be raised on the Youth Training
Scheme.

Yours Sincerely

Felicity Everiss

MS F M EVERISS
Private Secretary

cc Mr. Wolfson

10 DOWNING STREET

PRIME MINISTER

Time Out article

I attach a note to give you some material to deal with the "Time Out" article. I have sent a copy to the Department of Employment, the DHSS and the CPRS and have asked them for clearance as early as possible tomorrow morning.

F.E.R.B.

18 May 1983

MR. HEALEY'S "FIVE LIES"

The Government were lying when they said that unemployment would not reach three million. This Report said it would.

Untrue. The Report made no such forecast. It merely described a number of outside forecasts, by Cambridge Econometrics, the Cambridge Economic Policy Group, the London Business School, the National Institute, the University of Liverpool. Some of these forecasts showed unemployment going over 3 million: others were below. All had already been published. It also referred to Manpower Services Commission forecasts, which were below 3 million.

The Government were lying when they said that unemployment was not a factor in the breakdown of law and order. The Report said it is.

Untrue. The Report said that "the effect of youth unemployment in terms of opportunities for crime is uncertain. But it is undoubtedly a matter for justifiable concern".

The Government were lying when they said that the Youth Training Scheme was not a device to cut the unemployment total, that it would not put older people out of work and that it would not cripple unions' ability to protect their members.

All untrue. The Report said that, among many other advantages, such a scheme would reduce registered unemployment, but what is wrong with that? The Report did not say that the Youth Training Scheme would put older people out of work or that it would cripple unions' ability to protect their members.

So all Mr. Healey's charges of five lies turn out to be lies themselves.

Manpower

UNEMPLOYMENT

THE CAUSES

We hear a good deal about how to cure unemployment. But first, let's remember what caused it.

As the Western world sank into recession, unemployment rose rapidly everywhere. In some countries such as West Germany, it has risen faster than in Britain. But the level in Britain is tragically high.

The world recession hit this country hard because Britain was so notoriously inefficient. Our inflation was too high and so were our prices. Strikes bedevilled many of our manufacturing industries. We failed to deliver our goods on time, or at the right price. Our traditional customers began to look elsewhere for reliability and quality.

All too often, the Government propped up the old industries instead of encouraging new ones.

We turned a blind eye to trade unions which refused to accept new machines and new techniques. We left undisturbed the hidden unemployment in many of our industries which were overmanned and riddled with restrictive practices. As a result, productivity remained abysmally low. Our young people were given training that was out-of-date or given no training at all.

WHAT WE ARE DOING

We all care about unemployment. Do you think there is any government, here or anywhere in the rest of the world, which would not seize the chance of halving unemployment if there was a magic button it could press?

The latest figures show that we have the same proportion of our population in work as West Germany, and a higher proportion in work than France, Italy or the Netherlands.

The problem of unemployment stretches across the industrialised world. And there is no government anywhere which is tackling that problem with more vigour, imagination and determination than this Conservative Government.

We not only care passionately about unemployment. We are also committed to the only policies that give us real hope of removing this blot on our national life.

And our policies go right to the fundamental causes. They are not window-dressing to catch the voter's eye, but serious, long-term measures.

We have brought down the rate of inflation ~~to 4~~ less than 5 per cent, the lowest rate for 15 years. We have brought down interest rates. The strikes which won British industry such a dismal reputation are far fewer and mostly confined to the public sector. We have brought down tax rates for managers and workers alike. We have

slashed the National Insurance Surcharge - Labour's tax on jobs - giving £2,000 million back to industry. Productivity has risen dramatically. There has been a rapid shift from the old, declining industries to the industries of the future. Overmanning and restrictive practices - ~~that~~ which concealed unemployment for decades - have visibly declined in industry after industry. All this means new business and new jobs.

We are encouraging the industries of the future. In response to the Alvey Report, we have recently announced an ambitious scheme in which Government, universities and industry would collaborate on the next generation of computers and beyond. £200 million comes from Government, and £150 million comes from private industry. That means new business and new jobs.

We have introduced more than 100 measures to help small firms - schemes to guarantee loans, schemes to find and build new premises, schemes to give them the best advice. That means new business and new jobs.

We've introduced the most exciting scheme ever to train our young people in the skills of tomorrow - at the cost of £1,000 million a year - so that Britain can compete with the best in the world. That means new business and new jobs.

Mr Chairman, we have done all this - and much more. And we shall do more still.

LABOUR'S RECORD

Now let's look at Labour's record. Let them try to find a single Labour Government since the War which has left office with unemployment lower than when they came in. When Labour's present leader was Secretary of State for Employment, in 2 short years unemployment doubled from 618,000 to 1,284,000. He did not have a magic formula then, and he has not got one now.

Mr Chairman, every Labour Government has promised to reduce unemployment, and every Labour Government has in fact increased it. And if ever there were to be another Labour Government, the same thing would happen again.

No-one can be unmoved by the plight of those who see their cherished skills of half a lifetime suddenly become unwanted. No-one with any sensitivity could be indifferent to the difficulties of young school-leavers finding work.

But we will take no lectures from a party which did nothing to halt our industrial decline when they had the chance.

How can you believe the promises of industrial revival from a party which has never hesitated to burden industry with higher costs?

How can you believe in the goodwill towards business of a party which has taxed top managers at penal rates of 83 pence in the pound?

How can you believe promises of jobs from a party which put a tax on jobs? and then increased that Tax

And can anyone seriously believe a party which talks about saving jobs and then puts millions of jobs at risk by threatening to pull out of Europe?

We will not accept the credentials to compassion of a Labour Government which panders to the most extreme of the trade union bosses - men who have destroyed more jobs over the years than the recession itself by clinging to their own obsolete privileges and restrictive practices.

And we will listen to no homilies on economics from:

- a party which has adopted inflation as a deliberate policy
- a party which would spend, spend, spend and borrow, borrow, borrow until Britain was once again as broke as when the IMF has to bail us out
- a party which would try to rescue the mess they'd make by the same kind of social contract which led straight to the chaos and bitterness of the Winter of Discontent.

THE CHOICE ON JOBS

I invite the British people to choose: which party is more likely to win the new customers for Britain and bring the new jobs with them?

Which party is more likely to reduce unemployment - a party which put a tax on jobs, or a party which slashed that tax by £2,000 million?

Which party is more likely to reduce unemployment - a party which wants to get out of the European Community and put up the shutters on the world, or a party that believes in open trade and increasing our biggest export markets by staying in Europe?

Which party is more likely to reduce unemployment - a party which believes in nationalisation and controls, and which sneers at businessmen and wealth-creators, or a party that believes in free enterprise and thriving business?

> "Success will ultimately depend on the understanding and support of the community as a whole - and especially on the efforts of employers and workers in industry; for without a rising standard of industrial efficiency, we cannot achieve a high level of employment combined with a rising standard of living."

Mr Chairman, those are not my words. Those are the words of Lord Beveridge in his White Paper on Employment Policy in 1944. They were true then, and they are true today.

There are still no magic cures. We regain jobs by regaining customers. And we win new jobs by supplying new goods and new services of the right quality and at the right price.

As a Government, we shall do everything in our power to help businesses, large and small

- to deliver those goods;
- to cut costs by keeping inflation down and keeping taxes down and keeping interest rates down;
- to increase incentives and rewards for hard work for managers and staff alike; and
- to satisfy our customers across the world.

That is our kind of caring. That is how we shall bring new jobs to this country.

HL

cc CPRS
DHSS
HMT
A. Ridley

10 DOWNING STREET

From the Principal Private Secretary

18 May 1983

Time Out Article - "Thatcher's Secret Unemployment Plans"

I attach a copy of an article from Time Out, together with a speaking note which we have hastily prepared for the Prime Minister's use in case she is asked about this article. Could you please let me have any comments as early as possible tomorrow morning - preferably by 9.15. a.m.

I am copying this letter with the same request to Eileen Mackay (CPRS) and Steve Godber (Department of Health and Social Security).

E. E. R. BUTLER

Barnaby Shaw, Esq.,
Department of Employment.

TIME OUT ARTICLE - "THATCHER'S SECRET UNEMPLOYMENT PLANS"

Time Out have obtained two Government documents of early 1981 - a CPRS report entitled "Unemployment and Young People" and a Policy Unit commentary on it.

The documents appear to be genuine but the quotations from them in the article are dishonestly selective. In quoting the passage below the article leaves out the words underlined:

> "The prospects for young school leavers are bleak. The MSC forecasts (which may be on the pessimistic side) suggest that there could be nearly half a million under 18s in early 1982 (excluding the effects of special measures) and 600,000 by early 1983. By the end of 1983, between 50 per cent and 70 per cent of the labour force under 18 might never have had a proper job. The effect in terms of future training skills, attitudes to work and opportunities for crime and social disruption is uncertain. But it is undoubtedly for justifiable concern."

A MATTER

The omission of the first sentence underlined is designed to suggest that the CPRS was making its own confidential forecasts rather than drawing on the published forecasts of the Manpower Services Commission. The omission of words "is uncertain" is designed to suggest that it was taken for granted that there would be effects on skills, attitudes to work and crime.

Similar selective quoting is shown by the article's omission of the underlined words in the following sentence quoted from a paper by No. 10 Policy Unit:

> "We all know that there is no prospect of getting unemployment in the more difficult regions down to acceptable levels during the next few years".

The motive in omitting the restriction of this sentence to "the more difficult regions" is obvious: it is designed to suggest that the paper was talking about unemployment generally, not particular black spots.

/ Even by

Even by quoting in this selective and dishonest way, the article produces nothing of which the Government need be ashamed. For example, there is nothing to be ashamed of in saying that:

- the level of unemployment is unacceptable and, particularly in the most difficult regions, will take a long time to get down;

- political imagination is needed in taking steps to help the young unemployed;

- schemes to help the young unemployed should be aggressively marketed to achieve the maximum take-up.

The article goes on in the same vein to suggest that, because the CPRS report contained an estimate of the effect of their proposals on the unemployment register, the schemes were designed only to affect the statistics: this is obviously invalid.

It should be borne in mind that both the Labour Party and the Alliance Parties support the Youth Training Scheme which emerged from these proposals.

The article goes on to suggest that the "real aim behind the scheme" is to cut youth wages, and goes on to apply a similar charge to the Young Workers Scheme and the Community Programme. It is nonsense to suggest that this is the primary purpose of these schemes. But there is nothing to be ashamed of in suggesting that it would be easier to deal with the problem of unemployment if traditional skill differentials were not so rigid, or if the wages of the unskilled, and particularly the young, were allowed to reflect their productivity. Insisting that young people should be paid more for their labour than the market will sustain is bound to increase and prolong the problem of youth unemployment.

/ The article

The article also says that the DHSS have "admitted" that those who refuse a place on the YTS will have benefit stopped or reduced for six weeks and that this constitutes "compulsion" to join the scheme. The arrangement that unemployment benefit is withheld, and supplementary benefit reduced (normally by 40 per cent), for six weeks from people who without good cause, refuse an opportunity for training is not new. There has been legislation to this effect for many years. It is most recently covered by the Social Security Act 1975 - enacted by a Labour Government - which carried forward similar provisions from earlier legislation.

F.E.R.B.

18 May 1983

ELECTION JUNE 9TH 1983

EXCLUSIVE

7 DAYS IN LONDON

'The new disclosures reveal a Toryism which is authoritarian, inclined towards social engineering without regard to human cost, and profoundly secretive and undemocratic.'

THATCHER'S SECRET UNEMPLOYMENT PLANS

Confidential Government documents obtained by *Time Out* show that the private face of Conservative unemployment policy is the opposite of that purveyed by party leaders in public. The documents, which illustrate both the basis of existing policy and the course which would be followed in the event of a Tory election victory, reveal that:

- **As long ago as the beginning of 1981, the Government was in no doubt that unemployment would reach its present levels — and would not decline in the foreseeable future.**
- **The real purpose of the Government-sponsored training and work schemes is not job creation or youth opportunities but to 'massage' the statistics, force youth wages down, and curb crime and social unrest.**
- **The Tories believe that three of the main causes of unemployment are benefits for the unemployed themselves, union power and narrow differentials between high and low wages — all of which will come under attack if the party wins the election.**

CHRIS DAVIES

'It is clear from the documents that Margaret Thatcher has been personally concerned with some of the most extreme theories and ideas.'

The leaked papers obtained by *Time Out* were produced by the Central Policy Review Staff, better known as the 'Think Tank', and the No 10 Policy Unit, two separate bodies very close to the Prime Minister herself. It is clear from the documents that Margaret Thatcher has been personally concerned with some of the most extreme theories and ideas.

The Think Tank Report on Youth Unemployment, circulated confidentially in February, 1981, contains the genesis of all the Government's subsequent initiatives. Contrasting sharply with the optimistic pronouncements on both economic upturns and employment policies made by Mrs Thatcher and Norman Tebbit since that time, the report paints a grim picture. Its introduction states:

'The prospects for young school leavers are bleak. By the end of 1983, between 50 per cent and 70 per cent of the labour force under 18 might never have had a proper job. The effect in terms of future training skills, attitudes to work and opportunities for crime and other forms of social disruption is undoubtedly a matter for justifiable concern.'

Looking at economic forecasts, the Think Tank concluded that by 1983, unemployment would be above three million — a prediction which ministers repeatedly denied at the time. There was no chance, the report went on, that the jobless total would fall to the level obtaining when Mrs Thatcher came to power in the foreseeable future.

Opposition claims that the Youth Training Scheme was conceived in the first instance to cut the jobless statistics are all true.

Written just three months before the outbreak of the 1981 riots, the report was in no doubt of the possible implications of youth unemployment for social disorder: 'From the point of view of law and order, the fact that unemployment leaves some potentially troublesome youngsters with nothing to do is a justifiable cause for anxiety.'

Mrs Thatcher was given a copy of the Think Tank report, and also had the benefit of a personal memorandum prepared by the No 10 Policy Unit commenting on the Think Tank findings. There was no disagreement between the two bodies. The Policy Unit told her: 'We all know that there is no prospect of getting unemployment down to acceptable levels within the next few years.'

In response to the problem, the Unit concluded: 'We must show that we have some political imagination; that we are willing to salvage something — albeit second best — from the sheer waste involved. There are many people who would like to do *something* (No 10's italics) even if it is of marginal economic value.'

The last quotation comes from the Policy Unit's response to the Think Tank's ideas for dealing with youth unemployment, ideas which formed the basis of the three main schemes set up by the Government. All of them, No 10 went on, would have to be 'aggressively marketed' — using national TV advertising and the full array of public relations techniques. The schemes have indeed received this treatment — and no minister has yet gone on record to say that they are 'second best'.

Looking at the Think Tank proposals in detail, similar contradictions occur. The biggest scheme developed by the Government to date is the Youth Training Scheme (YTS), which comes into full effect in September with places for 460,000 16 and 17-year-olds. It works by the Government, operating through the Manpower Services Commission, paying an allowance of £25 per week to trainees on the scheme.

The Think Tank proposed radical action — massive reductions in the level of benefits for youngsters, and a campaign to persuade employers of the virtues of low pay.

Employment Secretary Norman Tebbit has been at pains to show that this scheme, unlike the old Youth Opportunities Programme (YOP) which it replaces, will provide a sound basis for young people's entry into the world of work. Against the claims of Labour leaders that YTS is merely a method of reducing the paper jobless totals and of exploiting youth, he has said that the scheme will 'provide a bridge between school and work', and will be 'an integral part of the Government's policy for improving Britain's industrial performance'. With 13 weeks, off-the-job training, Tebbit claims, YTS will help young people find jobs when their training year comes to an end by giving them skills.

However, the documents make clear that the Think Tank was under no such illusions. It recognised that there was a strong possibility that YTS trainees, having completed their year on the scheme, would find a bridge not to work, but to the dole queue. All the training would do would be to 'increase the supply of

FRONTLINES

skills when there is an upturn in the economy' — which, as we have seen, it did not regard as arriving in the foreseeable future.

But then the primary aims of the Think Tank proposals — called then 'Training Year' or 'TY' — were not, in any sense, to create youth opportunities. The report states:

'The essence of the proposal is to reduce the size of the labour force by raising to 17 the age of entry to the normal labour market. We estimate that the Training Year would reduce the level of registered unemployment by about 200,000 above the 130,000 reduction resulting from YOP.' Listing the advantages of the scheme, the first point emphasised is that 'it significantly reduces registered unemployment.' Writing, it will be recalled, in 1981, the Think Tank said: 'On forecasts for 1982-3, the register would in effect be nearly 300,000.'

In other words, opposition claims that YTS was conceived in the first instance to cut the statistics are all true.

There was another important aim behind the scheme which never surfaced in public — to cut youth wages. When the Think Tank drew up its proposals, it wanted the allowance to be just £15 per week — on the basis that 'financial hardship affects young people less severely than older people'. Political pressures later forced the level to be raised to £25 per week. But even with the higher rate, the conclusions of the report remain chillingly applicable. In a paragraph headed 'It makes young

Union power and employment protection would be curtailed in draconian fashion. An assault on the closed shop and other 'restrictive labour practices' would be only the first step if the full radical vision of the new report were to be realised.

eople pay for their training', contained in a list of the scheme's advantages, the report says:

'Young people on TY would receive a modest allowance well below the normal wage. It would be possible, in time, to prescribe a lower training wage for those being trained by their employer (including apprentices). This would be a means of achieving a *particularly desirable objective* (*TO*'s italics) — the lowering of the training wage, which is unlikely to be achieved voluntarily.'

There are signs that this 'overspill' effect from low YTS allowances to

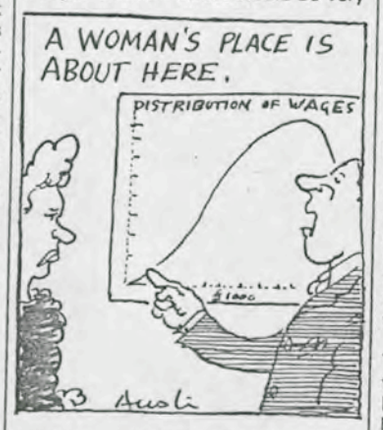
Like the first report, the new study lays heavy emphasis on widening differentials. Action would be taken to keep youth wages down, to depress rates of pay for unskilled workers and, perhaps most explosively of all, for women in relation to men.

low youth wages in general is beginning to come about. The Electrical Union recently agreed to a cut in the employers' apprenticeship rate from £41.63 to £27.88 per week.

One final contradiction between public statements and private practice has come to light regarding YTS. Although the original Think Tank scheme was to be compulsory, this was later found to be politically unfeasible. Norman Tebbit went so far as to say in the House of Commons last June that he had 'never' proposed any form of compulsion. But what happens to young people who turn down a place on the scheme? Both the Department of Employment and the Manpower Services Commission told *Time Out* that such 'refuseniks' would not suffer any reduction in supplementary benefit. How then to explain a memorandum from the MSC Employment Services Division recommending just such a course, complete with liaison with benefit offices? Confronted with this, a third Government Department, the DHSS, admitted that, after all, there *was* some element of compulsion — the 'refuseniks' would have their benefit stopped or reduced for six weeks after September 1.

The second big scheme launched by the Government and first previewed in the Think Tank report is the Young Workers Scheme (YWS), the personal brainchild of Professor Alan Walters, Mrs Thatcher's economic adviser. Like YTS, the plan has been loudly trumpeted by Norman Tebbit as a way of providing job opportunities for 17-year-olds. The notion behind the scheme is that by subsidising employers who pay young people less than £45 per week, youngsters will 'price themselves into jobs' — and so create more employment.

In fact, before the scheme even began in January last year the Department of Employment commissioned a study which showed that the job creation effect would be very



small — only 6 per cent of young workers on the scheme (110,000 at present) would be in jobs that did not exist before. The Think Tank, discussing a prototype of the plan in a section headed 'More Job Opportunities in the Ordinary Labour Market', came to the same conclusion. Nevertheless, the scheme did contain one thing very much in its favour — like the training plan, it would help to reduce youth wages.

This was the major objective of this entire section of the report — 'Action to widen wage differentials between young people and adults'. To achieve this end, the Think Tank proposed radical action — massive reductions in the level of benefits for youngsters, removing young people from the jurisdiction of Wage Councils, and a campaign to persuade employers of the virtues of low pay.

In the end, the Think Tank rejected the YWS, although the strong personal influence of Professor Walters ensured that it was nevertheless put into effect. But the scheme's slight effect on job creation was not the reason why it was turned down. The worst problem with employment subsidies in the Think Tank's view was that 'youth employment is promoted at the expense of the Government, *rather than that of the young people themselves.*' (*TO*'s italics.)

There is further evidence to back the suggestion that the primary objective of the YWS was to depress wages, rather than create jobs. Last year, ministers considered whether the maximum wage rates for payment of the subsidies should be raised to keep pace with inflation. They decided that they should not — otherwise the scheme's real purpose would be in jeopardy.

The third and final scheme set up by the Government is the Community Programme, a measure designed to help the long-term unemployed over 17 years old, though mostly under 25. Arising from the old Community Enterprise Programme, it works by the Government subsidising 'sponsors' who come up with a job that needs doing.

Looking at economic forecasts, the Think Tank concluded that by 1983, unemployment would be above three million — a prediction which ministers repeatedly denied at the time.

The cynicism expressed by the No 10 Policy Unit under the heading 'More Community Work' takes some beating: 'Organising community work is a much more justifiable — and much more cost-effective — measure than support for some of the lame duck industries which consume energy and materials while paying wages *far above* (their italics) the local equilibrium level.' As with the other schemes, the Think Tank looked at community work. Its advantages were considerable: low investment cost, little supervision needed, and 'some community benefit.'

The original Think Tank plan was that people on the Community Programme would be paid not the 'rate for the jobs' but merely the current benefit rate plus a small premium. The No 10 Policy Unit warmly endorsed this proposal. But in the end union opposition proved too much — and the Think Tank's hope that it could then blame the unions for taking 'unconstructive attitudes' and force them into submission proved unrealistic. Officially, at least, people on the programme will be paid the rate for the job, not 'benefit plus'.

But the way in which these rates will be worked out suggests that they will be overwhelmingly low — and certainly, in the case of a married man with a child, little more than 'benefit plus'. The Manpower Services Commission told *Time Out* that it was working on a basic 'negotiating figure' when dealing with sponsors —

The Central Policy Review Staff or Think Tank is a group of economists and advisers to the Government set up by Edward Heath, now headed by John Sparrow of merchant bankers Morgan Grenfell. Under Mrs Thatcher the body has been a reliable indicator of hard right thinking within the Tory leadership.

The No 10 Policy Unit is Mrs Thatcher's personal staff of full-time advisers, now headed by ex-journalist Ferdinand Mount. In the papers leaked to *Time Out*, the influence of Professor Alan Walters, the PM's personal economist, is strong.

The Manpower Services Commission is a tripartite body of employers, unions and the Department of Employment — which controls it. The MSC administers the Youth Training Scheme and the Community Programme.

The Young Workers Scheme, which came into operation in January 1982, is a scheme whereby the Government subsidises employers with grants of up to £15 per week for taking on young people at low rates of pay — £40 per week for the full allowance. It has been a dismal failure at creating jobs — less than 10 per cent of youngsters on the scheme owe their employment to it. There are currently 110,000 on YWS.

The Youth Training Scheme was set up to replace the old YOP and comes into full operation — with 460,000 school leaver places — in September. Trainees are paid £25 a week, and employers get three allowances for every two people they have already taken on. They can convert all five places to YTS.

The Community Programme — aiming at 100,000 places by autumn — is a scheme for the long-term, mainly young unemployed. Workers are taken on after negotiations between the MSC and 'sponsors', and in theory the Government will pay them the 'rate for the job'.

just £60 per week. Payment under the scheme will affect benefit entitlement, and all things considered the No 10 Unit's view that people would rather do something than nothing even if it was of 'marginal economic value' — still seems applicable.

In addition to these leaks illuminating policy which has already been put into action, *Time Out* has also received details of a later Think Tank report — a study of unemployment in general, not simply in relation to youth. This study, completed late last year, provides a unique insight into policies which would be enacted in the event of a Conservative election victory. If this later study has as much influence on Government decisions, the policies will be very radical indeed, considerably more radical than those likely to be unveiled in the Tory manifesto.

Like the first report, the new study lays heavy emphasis on widening differentials. This time, action would be taken not only to keep youth wages down, but to depress rates of pay for unskilled workers in relation to the skilled and, perhaps most explosively of all for women in relation to men.

The earlier study laid the groundwork here, pointing out that 'the present tax rules unduly favour married couples'. If couples did not get higher allowances than two single people, both reports conclude, there would be less incentive for women to enter the labour market at all than there would be under a more 'neutral' system. The Think Tank believes that female jobs have expanded at the expense of other employment opportunities, particularly those of youth. Reduction of the scope of the Equal Opportunities Commission may be very much on the cards.

Another problem highlighted by the new study is the level of real wages in general — felt to be too high relative to productivity. In a classic formula-

tion of anti-Keynesian economics, the Think Tank restates its proposal seen in the first report in relation to youth, but this time applied across the board: if real wages could be held or forced down, unemployment would eventually fall. Not unexpectedly, the report compares British productivity with that overseas, and recommends that British workers should bear a large part of the burden for improving the international comparison.

The language of the Think Tank in dealing with this knotty problem of highly paid, unproductive workers is typically euphemistic — the inevitable resistance to sweeping changes of the kind proposed is 'real wage stickiness' and 'behavioural and institutional resistance to change'. In other words, union power and employment protection — which should be curtailed in draconian fashion. An assault on the closed shop and other 'restrictive labour practices' would be only the first step if the full radical vision of the new report were to be realised.

The point where the report is perhaps most radical of all is in its discussion of the so-called 'Minford thesis' — a discussion which took place at the express wish of the Prime Minister. Briefly summarised, the Minford thesis (named after its creator, Professor Minford of Liverpool University) states that not only union power but unemployment and social security benefits are an underlying cause of unemployment.

According to Minford, benefits create unemployment because there is too small a gap between benefit levels and low-paid job wages. Quite how widening this gap — by reducing benefits, not increasing wages — would create jobs is one of the deeper mysteries of applied economics: one might well think that the incentives to get a job were already sufficient. But not in the view of the Think Tank and Mrs Thatcher. Both the administration of the social security system — which is said to encourage people not to make themselves available for work, and should therefore be more strictly administered, forcing people to take jobs they do not want — and benefit levels and allocation come under heavy fire.

Another recommendation of the new report echoes Norman Tebbit's celebrated remarks concerning his father's bicycle. The report urges moves towards increased geographical mobility, drastic reform of the public housing system being the most prominent of its proposals in this area. A related suggestion is to remove 'job-entrenchment' and encourage more competitive behaviour within the labour market — possibly by the inevitably controversial abolition of statutory redundancy pay.

Just how many of these schemes would be enacted if the Conservatives win a further term of office is impossible to say. But if the policies towards unemployment carried out already are anything to go by, one thing seems certain: that the public statements accompanying new reforms will run sharply at odds with the real stimuli behind them. Like the family policy group leaks earlier this year, the new disclosures reveal a Toryism which is authoritarian, inclined towards social engineering without regard to individual human cost and profoundly secretive and undemocratic. Only rarely has honesty crept through the barrier of confidentiality in the past two years. It did once last October. Writing in *The Director*, Manpower Services Commission chairman David Young told employers: 'You now have the opportunity to take on young men and women, train them and let them work for you at our expense, and then decide whether or not to employ them.' A more succinct indication of the real beneficiaries of the various schemes could not be found.

David Rose

TARIQ ALI

It is unilateralism that makes Foot unacceptable to the ruling establishment as a future Prime Minister.

Conservative Central office appears to be commemorating the fiftieth anniversary of Hitler's rise to power in an uncharacteristically roundabout fashion. I refer, naturally, to the simplistic rant with which Margaret Thatcher inaugurated her election campaign at Perth in Scotland last week. The influence of Hitler's repulsive propaganda boss, Goebbels, was unmistakeable. It was Goebbels who perfected the technique of the 'Big Lie' and made it the centrepiece of the Nazi ideological drive. His method was simple. Invent a falsehood, embellish it shamelessly and then repeat *ad nauseam* in the press and on the radio. Thatcher told her Perth audience that this general election was a straightforward choice between 'freedom and Marxist Socialism'. The Tory hounds who bayed their appreciation of this particular piece of incisive analysis were only too happy to believe this rubbish. The remarks in question were, however, intended for a wider audience. The *Sun, Mail, Standard* and the rest of the horror-dailies had been paving the way for such an assault for years.

If Thatcher actually believed that the Labour leaders were advocating 'Marxist socialism' (her crude code for what exists in Eastern Europe), then she would be a suitable case for treatment. Every Tory leader is perfectly well aware that a substantial majority of the Parliamentary Labour Party is just as firmly committed to the existing social, political and economic order as the Tories, though with a different scale of priorities. Healey, Shore, Hattersley and Golding are strong believers in the 'mixed economy' (capitalism). Why then this outrageous lie? Perhaps to make doubly sure that the voters do not suffer a last-minute loss of nerve and return Labour to office as a consequence.

What is undoubtedly both new and welcome in Labour's current election manifesto is a clearcut commitment to a non-nuclear defence policy, though even this is hardly extreme. It does not go as far as even the policies of the Swedish or Austrian social democrats who remain opposed to NATO. It is unilateralism that makes Foot unacceptable to the ruling establishment as a future Prime Minister. This explains the attempts to remove him by the Labour Right a few months ago. It is a unique feature of this campaign that Labour's official policy on the EEC and nuclear weapons is *not* supported by any Fleet Street paper. If the *Daily Mirror* had supported Labour's policy on this question it could have played a major role in ensuring, at the very least, a close result. John Pilger and Paul Foot, two of the best campaigning journalists in the country, could easily have presented the arguments against the Tories and the SDP-Alliance to millions of readers every day. Labour

The British press is as editorially uniform on maintaining nuclear weapons as is the press in the Soviet Union.

could have benefited greatly. Likewise the *Guardian*, which could have utilised the absence of half its senior journalists (contesting seats as Alliance candidates) to give unequivocal backing to the anti-Cruise campaign.

This is not to be. The British press is as editorially uniform on maintaining nuclear weapons as is the press in the Soviet Union. In order to cover up this monolithism the pundits continue to build Foot as the scapegoat of this campaign. Only last Sunday, Anthony Howard was pontificating in the *Observer* that Foot was a liability and Healey might have led Labour to victory. What is always left unexplained is why, in this case, aren't the electorate flocking to the SDP, which is led by people very similar to Healey in politics and temperament? Foot is constantly attacked for being too old, but the same pundits who want Labour to ditch Foot are quite happy to accept Reagan as their leader in the world arena. The message seems to be that a geriatric is fine only provided he has a slick speechwriter, an efficient teleprompter and, above all, a nuclear phallus.

The fundamental reason for Labour's inability to win back the electorate is the experience of the Callaghan government. Labour lost in 1979 not because of Foot, Benn, Livingstone, *Militant* or anyone else. They were defeated because 2,000,000 trade unionists voted for Thatcher. This layer of skilled workers has not been won back. They were angry in 1979 because Labour eroded differentials by redistributing wealth exclusively *within* the working class. Those in employment have not seen as drastic a lowering of living standards as they did under Labour. This is the unpalatable fact.

If by some miraculous transformation Labour were to win on June 9, the real victors would be the Peace Movement throughout Europe. For Labour remains the only party determined to prevent Cruise from being stationed at Greenham Common and elsewhere. For this reason alone a Labour victory could be the first small step towards a nuclear free Europe.

20 February 1981

Policy Unit

PRIME MINISTER

UNEMPLOYMENT AND YOUNG PEOPLE: E ON 24 FEBRUARY

1. INTRODUCTION

1.1 The CPRS paper E(81)22 makes three main proposals:

(a) A mandatory training year of work experience and work preparation for 16+ school-leavers.

(b) Measures to reduce the differential between young people's and adults' wages.

(c) A new programme of community work for the long-term unemployed.

1.2 We strongly support the second of these proposals, including the reduction in the level of benefit. We have minuted separately on one important way of widening the differential: the abolition of Wages Councils. We also strongly support the CPRS proposal for more skill-training for able school-leavers. The rest of this note addresses the value of the CPRS package as a whole - particularly the political value - and its presentation.

2. MORE COMMUNITY WORK

2.1 We all know that there is no prospect of getting unemployment in the more difficult regions down to acceptable levels within the next few years. Against this background, we think the political arguments in favour of a greatly expanded programme - CPRS suggests 100,000 places - of community work for the long-term unemployed are compelling. We agree with the CPRS assessment that it would only be necessary to offer a very small premium above the benefit level. There are many people who would like the opportunity to do something even if it is of marginal economic value.

2.2 We must show that we have some political imagination: that we are willing to take steps to salvage something - albeit second best - from the sheer waste involved. Organising community work is a much more justifiable - and much more cost-effective - measure than suppor for some of the lame duck industries which consume energy and materials, while paying wages far above the local equilibrium level,

thus preventing the adjustments which could help lead to creation of new enterprise.

2.3 This scheme needs to be aggressively marketed. Up to now, the various Manpower Services schemes have had curious labels (like WEEP) which seem unlikely to fire the public's imagination. If we are to sell this scheme effectively and get some credit for it, perhaps there could be a junior Employment Minister with special responsibility for it; a national television advertising campaign to explain it and invite participation in its setting up - ideas for local projects, offers of management skill in leading projects. This would help to tap the large reservoir of resentment against the wastage involved in mass unemployment. It needs to be branded with a snappy title, perhaps itself the subject of a public competition.

2.4 The key to making these operations successful is likely to be the local leadership for individual projects. There is plenty of scope for asking companies to supply young trainees - gaining valuable management experience - to lead these projects.

3. THE TRAINING YEAR

3.1 The political value of the compulsory training year is more difficult to assess. There are obvious ideological problems: is a Tory Government really going to outlaw a shopkeeper taking his own 16-year-old son on his payroll as soon as he leaves school? What are the political consequences of reversing the tide towards greater juvenile independence from parental income and influence? Would it damage industry to remove the supply of 16-year-old labour from the market? Would the MSC be capable of organising traineeship for an extra 70,000 16-year-olds?

3.2 All these questions are worth asking. But they have to be set alongside the reality of 20% unemployment among under-18-year-olds now and the CPRS prediction of this rising to between 50% and 70% during 1983. If this really is the prospect, many of the arguments above become secondary. A year spent in training/work experience is not as good as a year spent paying one's way. But the question is whether it is better than a year spent doing nothing. We feel certain that it is.

3 Compulsory or voluntary?

3.3.1 Although we think it would be right to make the training year as universal as possible, there are obvious hazards about the "compulsory" label. These dangers could be reduced by the right presentation and by designing some flexibility into the system. Specifically:

(a) As paragraph 30 of the CPRS report suggests, the scheme could be presented as an entitlement. 16-year-olds could be free not to participate in the scheme, but they would receive no benefit at all.

(b) Instead of appearing to outlaw the employment of 16-year-olds, we should explain the new obligation on a company employing a 16-year-old to ensure that he was employed in a way which met the traineeship requirements.

(c) The Government would be accepting an extended obligation to provide the (modest) youth benefit and to find/arrange training year places for all 16-year-olds that did not find approved places themselves.

(d) Small businesses, particularly family businesses, could be treated more flexibly than large companies. Even work in, say, a shop, might be accommodated.

4. UNION REACTION

4.1 We can anticipate union opposition to the package on several points:

(1) The training year seeks to provide a substitute for the apprenticeship system.

(2) A widened wage differential between young people and adults could lead to substitution of older workers (union members) by younger people. It could also reduce wages at the margin.

(3) Reduced youth benefits could look like the thin end of the wedge - with other benefits to follow.

(4) The community work programme could supplant some public service employment (though the aim would be to avoid this).

4. Despite these objections, we think it would be very hard for unions to carry public opinion against a package so clearly intended to help solve youth unemployment; provide better training, including skill training; and help the long-term unemployed. It is hard to see how they can oppose these objectives or a plan involving modest public spending to help solve them. This is one area where public opinion must be on the Government's side. But careful preparation would be needed to anticipate and head-off union opposition.

5. CONCLUSION

We think the CPRS proposals could provide the basis of a politically imaginative package.

I am copying this minute to members of E, Robin Ibbs and to Sir Robert Armstrong.

JOHN HOSKYNS

cc CO1
B1

HL

10 DOWNING STREET

From the Principal Private Secretary

16 May 1983

Youth Training Scheme Advertising

I am writing to confirm the telephone message conveyed by our Duty Clerk on Saturday that the Prime Minister agreed to the continuation of the advertising campaign for the Youth Training Scheme during the General Election period on the basis set out in your letter.

I am copying this letter to the recipients of yours.

E. E. R. BUTLER

Barnaby Shaw, Esq.,
Department of Employment.

10 DOWNING STREET

Robin

PM's response relayed, as requested, on Saturday.

Peter
15/5

dm

cc n/o
B1

1

Prime Minister

Bernard Ingham and I do not see any objection to this going ahead in view of the extensive consultations at X/ and the timing at Y/.

Agree?

FERB
13.5

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Robin Butler Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON SW1

12 May 1983

Yes

Dear Robin

YOUTH TRAINING SCHEME ADVERTISING

The Youth Training Scheme is due to get fully under way in September, when large numbers of summer school leavers will be coming on to the labour market. The Manpower Services Commission, which is responsible for administering the Scheme, is in the middle of a major advertising campaign aimed at promoting a general awareness among young people of the aims of YTS and persuading them that it is a worthwhile option.

Under the rules you circulated yesterday about advertising during the Election campaign, the MSC would have cancelled the advertising. However, David Young, MSC's Chairman, put it to my Secretary of State that the advertising might continue, since the YTS is a major component of our policies for helping young people and it is particuarly important to get the message across to young people at the present time as they approach the end of their school careers. Mr Tebbit is inclined to agree.

X Peter Morrison has therefore spoken to Harold Walker, Shirley Williams and Cyril Smith to explain our worries about the effect which a ban on YTS advertising would have on the MSC's ability to launch the Scheme. All are content that we should proceed, Harold Walker on the specific under-standing that members of the Commission agreed to this. David Young has now spoken personally to Commissioners and obtained their agreement that the advertising should go ahead. One of the 3 trade union Commissioners, Ken Graham, has studied the transcripts of the advertisements and is satisfied that they do not constitute a "political" campaign since there is no mention of the Government in them.

I should be grateful if you could consider exempting this advertising from the normal pre-election rules. The proposals are as follows:-

Y

(a) Television. MSC would like to advertise nationally up to 22 May, when their current schedules show there was to have been a short break. They would not propose to resume advertising until after 9 June.

(b) Press. Space has been taken in a number of teenage and women's publications. None of these can now be retrieved as they have already been printed but under the rules they would in any case normally proceed. It is not entirely clear whether advertising booked in TV and Radio Times could be stopped.

... I enclose a schedule showing the television and press advertising planned for June and July, together with a transcript of the longer of the 2 TV advertisements (the shorter one contains only part of this wording). We could send you more details if you wanted.

I am copying this to Donald Grant at the COI and to Bernard Ingham.

Yours sincerely

Brian Shaw

J B SHAW
Principal Private Secretary

Tell the truth, at 16 I couldn't wait to get out into the big wide world - it was watch out everyone, here I come ..

Watch out! Yeah well, it was a bit of a shock, I'll tell you

Course, I knew it wasn't going to be easy getting a worthwhile job when I left school

Easy? Walking on water would have been easier!

Then, as luck would have it, I saw this advert ... Youth Training Scheme

Now I don't go a bundle on schemes, I mean where there's a scheme, there's usually a schemer, right?

But as it happens this Youth Training Scheme looks OK.

There's a year of training - proper training and practical experience,

and what d'ya know, you get something that's worth more than money ...

a signed certificate that'll give you a real chance of getting a decent job.

If you don't get on the Youth Training Scheme, how are you going to get on?

COI/MSC - YOUTH TRAINING SCHEME

SCHEME ANNOUNCEMENT CAMPAIGN

12th April 1983

WOMENS PRESS

JUNE - JULY 1983

PUBLICATION	SIZE	NO.	DEPLOYMENT	
			JUNE	JULY
Woman	Page	4	XX	XX
Woman's Own	Page	4	XX	XX
Woman's Realm	Page	4	XX	XX
Woman's Weekly	Page	4	XX	XX
Woman and Home	Page	2	X	X
My Weekly	Page	4	XX	XX
Family Circle	Page	2	X	X
Living	Page	2	X	X

TEENAGE PRESS

JUNE - JULY 1983

PUBLICATION	SIZE	NO.	DEPLOYMENT	
			JUNE	JULY
New Musical Express	Page	4	X X	X X
Melody Maker	Page	4	X X	X X
Oh Boy	Page	4	X X	X X
Record Mirror	Page	4	X X	X X
Smash Hits	Page	4	X X	X X
Blue Jeans	Page	4	X X	X X
Jackie	Page	4	X X	X X
Patches	Page	4	X X	X X
My Guy	Page	4	X X	X X
Sounds	Page	4	X X	X X
Shoot	Page	4	X X	X X

YOUNG PEOPLES TELEVISION CAMPAIGN

1. Campaign Objective
   - To persuade 16 year old school leavers that YTS is worthwhile and genuinely is a good way of bridging the gap between school and working life.
   - To promote a general awareness of YTS, its aims, scope and operation, particularly among those who influence the sponsors and participants in the scheme.

2. Target Audience - All adults with special emphasis to parents with children 15/16.

3. Target Area - National (ex Ulster) without regional biases.

4. Campaign Period - April 18 1983 - May 22 1983 (London April April 18 - May 15) June 6 - 26 1983.

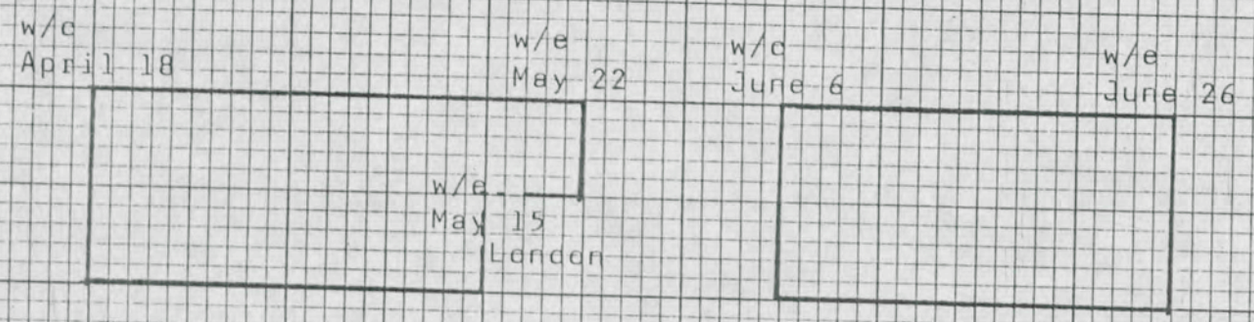
5. Commercial Rotation - 2 commercials (Growing) will be used. Time lengths are 50 secs and 10 secs.

April 18 - May 22 (May 15 London)	60 : 40	50/10 secs
June 6 - June 26	50 : 50	50/10 secs

6. Time of Day - 65% of budget to go in peak time (6.00 pm - 10.30 pm) Spread of airtime acros week with weekday/weekend balance.

7. Airtime Expenditure - £ 1,350,485

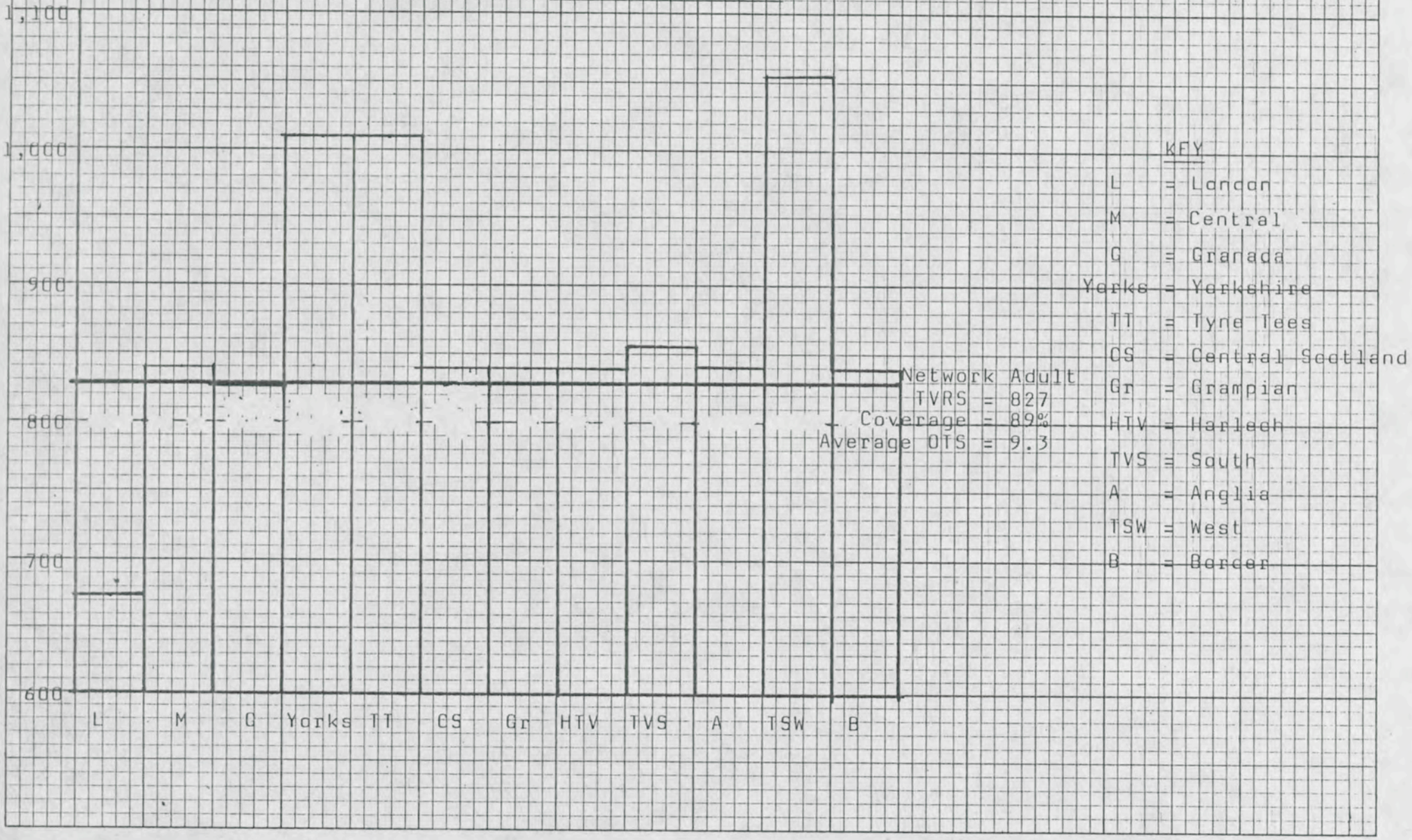
YOUNG PEOPLES TELEVISION CAMPAIGN APRIL-JUNE 1983



TOTAL NETWORK ADULT TVRS	=	827
ESTIMATED ADULT COVERAGE	=	89 %
AVERAGE OTS	=	9.3

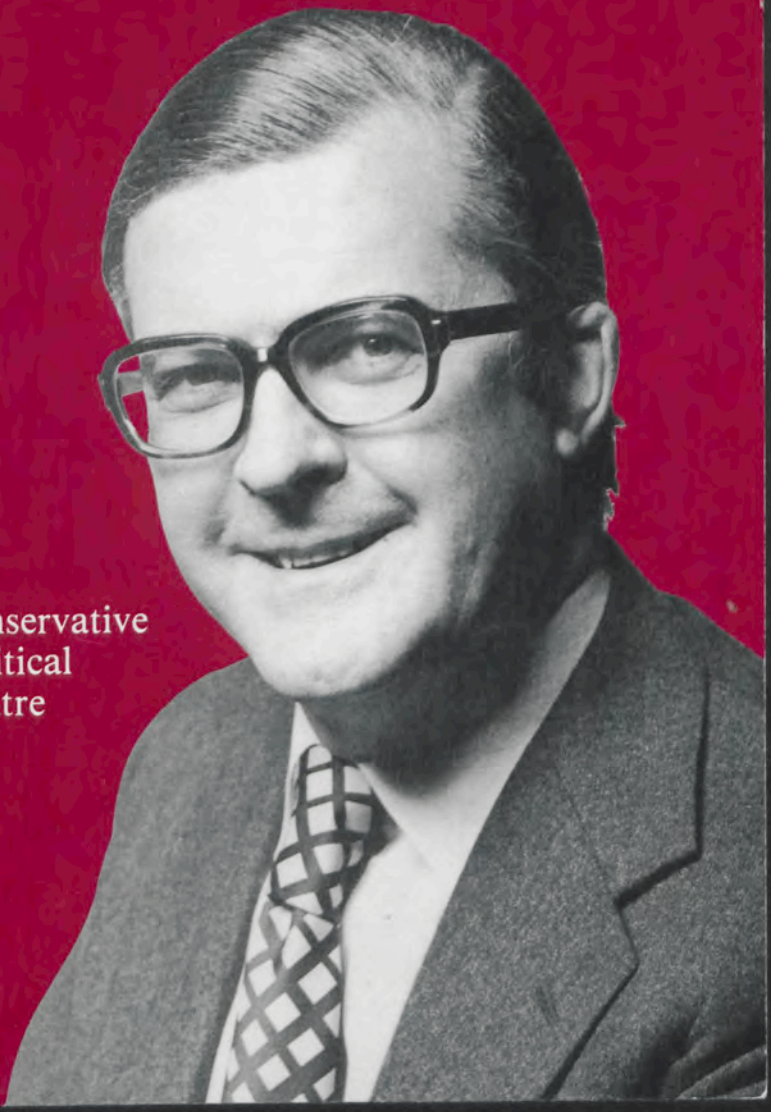
YOUNG PEOPLES TELEVISION CAMPAIGN APRIL-JUNE 1983

ADULT TVR RATINGS



New jobs from new technology

Kenneth Baker MP



Conservative
Political
Centre
80p

New jobs from new technology

Kenneth Baker MP
Minister of State for Industry and Information Technology

Conservative Political Centre
LONDON

This pamphlet is based on the lecture delivered by Mr Kenneth Baker, MP to the Conservative Political Centre meeting held in The Dome at Brighton on 6 October 1982.

CPC No. 511-521-696

ISBN 0 85070 689 0

Published by the Conservative Political Centre, 32 Smith Square, London SW1P 3HH and printed by Strange the Printer Ltd., Eastbourne, East Sussex BN21 3XD
First published October 1982

CONTENTS

NEW JOBS FROM NEW TECHNOLOGY

IT IS A GREAT HONOUR to be asked to deliver the CPC lecture at the Party Conference. The CPC has a special place in our Party. Its role is to think, and to think about the future.

Politicians and particularly Ministers are necessarily involved in the day-to-day problems that arise in the government of the country. That is why we need a group within our Party one of whose reasons for existence is to lift our eyes from the path beneath our feet to the more distant horizon.

This is the thirty-second CPC Lecture, but it is the first which has addressed itself to technology. Indeed debates about technology at our party conferences can be classified as 'absent friends'.

So congratulations to the CPC for bringing Technology in from the cold. Technology is important for one simple reason – it can transfer a non-resource into a resource. It is only technology which can transform the oil under the North Sea into a great export earner. It is only technology which can transform a few grains of sand into a silicon chip which can then do sums faster than the human mind.

The technological changes today are happening so rapidly that they are creating a momentum of their own. Politicians must first be aware of these technology-driven developments and they must understand the changes that are implicit as a result of such developments. That is another way of saying that we must be technologically literate. We must be able to decipher the letters of the new alphabet; only then can we put together the words and realise that we can fashion the sentences in our own way. Politicians are not the mere playthings of these changes. We can if we have the will and the understanding use them to fashion the sort of society that we want.

Technology is having a profound effect upon all aspects of our society because it is pervasive, it creeps in everywhere. In the office, the factory, the home, the hospital and into warfare. The Falklands Campaign brought home to all of us very vividly the importance of technological superiority. It is still vitally important in such a campaign to have courage, a determination of purpose and real leadership but all these have to be backed up by superior technology. We all learnt that modern warfare is very much a matter of rival missile systems.

It is the recognition of the importance of technology that led the Prime Minister to create the post of Minister for Information Technology and led to the reorganisation of Government responsibilities putting together microelectronics and telecommunications. I found a recent poll on Information Technology fascinating. It showed that 83 per cent of those asked knew nothing about Information Technology. Yet 53 per cent of the same sample said that Information Technology was essential for our future industrial growth; the most important thing in the country.

This poll revealed many things but in particular it revealed an obscure instinct to be found in all of us. We probably know little of the details of technology and yet deep down we are aware that the microchip has revolutionary implications for our economy and for our society. It is creating another industrial revolution.

The accepted definition of information technology is the use of computers, microelectronics and telecommunications to help us produce, store, obtain and send information in the form of pictures, words or numbers, more reliably, economically and quickly. That is a mouthful but let me explain it in this way. Information Technology was born out of the convergence of previously separate industries and disciplines. The computer industry, the telecommunications industry, the office equipment industry, parts of the entertainment industry and the space industry. So we are talking of the office of the future, the factory of the future, the home of the future and the hospital of the future.

At various points in our history, technological advances have occurred of such magnitude that they have driven

forward the growth of our economy. In the first half of the nineteenth century, it was the invention of steam power by James Watt that created the first great industrial cycle which lasted from 1800 to about 1840. This was followed by the second cycle of which the motive force was the development of the railways. The third, starting about 1890, derived from the impact of electricity and the car engine. The fourth is the microchip revolution starting in the 1960s and now providing the main motive force for economic development for the rest of this century. I am convinced that the world is going to come out of recession not as a result of demand pull but as a result of technology push.

The economic activity generated by this revolution is immense. The world trade in IT products was around £54bn. in 1980 and is expected to rise to £105bn. by 1985. This represents an average annual growth rate of 14 per cent. Compare this with the more mature world car industry whose output actually fell in 1981.

Britain's position

What is Britain's position in this great industry? Well, first we have a small trade imbalance of about £40m. a year and if one just takes it simply on electronic equipment the imbalance is even greater, about £300m. a year, made up principally of imports of computers from the United States and radio and video recording equipment from Japan. However, we continue to sell a great amount of electronic equipment overseas and what was a trade deficit in our sales to Europe in 1970 has now been turned into a trade surplus.

I think the first thing to recognise is that Britain cannot hope to compete right across the board in every piece of equipment. We have to be selective.

First let us look at the raw material of this revolution, namely the chips. Ferranti has a world lead in a specialised chip called the ULA and they are selling this in increasing numbers right across the world. Also our major companies like Plessey and GEC are expanding and developing their silicon capacity to design and make specialised chips. We have also attracted in the last year £100m. of investment from

Japanese and American companies in building silicon chip factories in Scotland. The INMOS factory in Wales is also coming onto stream.

In other areas let us also be proud of British achievement. It was a British mathematician who invented fibreoptics in 1966 in Middlesex. These are the very fine glass fibres along which messages and television pictures are sent by lasers. In this area we still have a world lead. British Telecom has laid a length of over 100 kilometres without any booster or repeater stations and by 1990 it will have laid tens of thousands of miles linking our cities. By that time we are likely to have the most extensive network of fibreoptic cable laid in Europe.

One of the most encouraging developments of the last three years has been the number of small companies making microcomputers. You can now buy, through an advertisement in a Sunday magazine, a microcomputer to plug into the back of your television set for some £50, which is rather less than the first class return fare between London and Leeds. Mr Sinclair now boasts that he is the largest manufacturer of computers in the world, making them in a factory in Scotland at the rate of 200,000 a month rising to 400,000 a month.

Regularly, I get asked to open a factory or to launch a product designed by a company which literally did not exist two or three years ago. This is a fast, exciting developing industry.

At the more fundamental level of research we have received a report from a committee composed of industrialists and boffins under the title the Fifth Generation Project. This recommends a programme of fundamental research on a co-operative basis between industry, the universities and government to produce the next generation of computers which will be able to receive instructions by voice and provide instantaneous translation. It's a computer which is much closer to the human mind. This is a major programme costed at over £350m., with industry providing its share.

I hope that what I have said will persuade you that this is not an industry that is dominated just by the Japanese and the Americans. There is great talent and ability in Britain. Too often in the past we have been brilliantly inventive but the

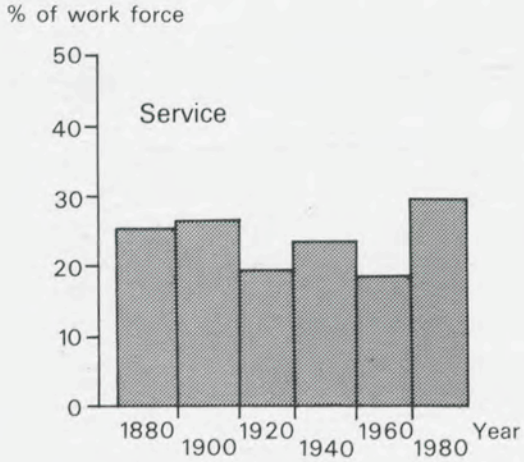
commercial developments have slipped through our fingers. In the thirties it was the British inventor, Baird, who demonstrated the first working television set, in a room in Soho which is now an Italian restaurant. British mathematicians at the end of the Second World War did much of the conceptual thinking on computing and in fact the first working computer was built in Manchester University. But other countries moved more quickly in the commercial development of television and computers and we were left behind. Part of my job is to ensure that British inventiveness does not run into the sands again.

Jobs

It is often said to me, 'This is all very well. Technology must be accepted, but doesn't it mean there are going to be far fewer jobs in the future'. I think that question has to be faced up to and answered. There is no doubt that our economy is undergoing a deep structural change and the older industries which have served us so well in the past are declining. What we have to do is to create the conditions in which the new industries will begin to take their place. If we fail to develop, exploit, adopt and sell the new technology, then the consequences for jobs are likely to be very much more severe than the impact on jobs of accepting the technology. This was exactly the point made recently by the General Secretary of the Swedish Metalworkers Union when he said: 'Investment in new technology must increase. There is a risk that Swedish companies cannot meet the competition from other countries if they cannot keep up with technical developments'.

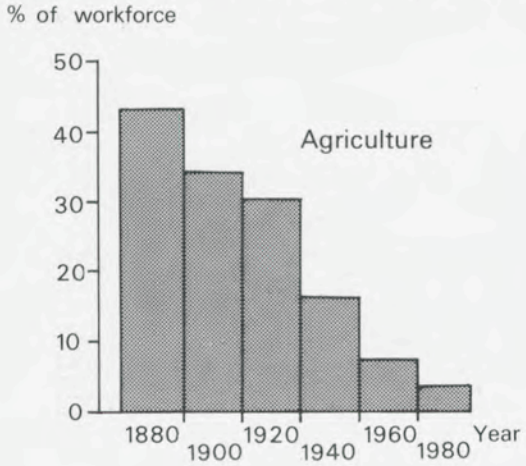
I am optimistic that information technology will provide more jobs because we are moving towards an information economy. In America over 100 years ago the information-related occupations employed less than 10 per cent of the American workforce. Now they employ almost half. In Britain the trend has been the same. In 1951, 27 per cent of the total workforce were employed in information-related activities. This has risen steadily to 32 per cent in 1961, to 36 per cent in 1971, and now over 40 per cent. You might ask what these information operatives do.

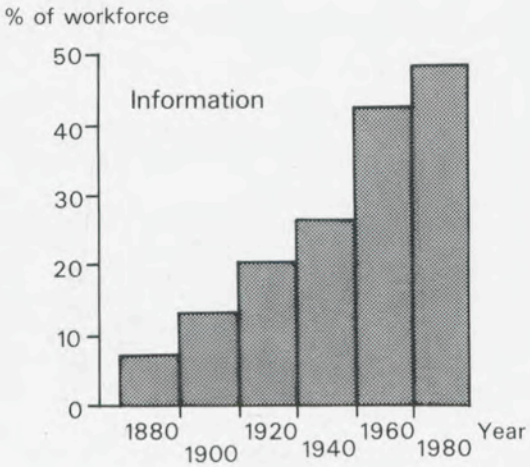
Employment in the USA 1880-1980



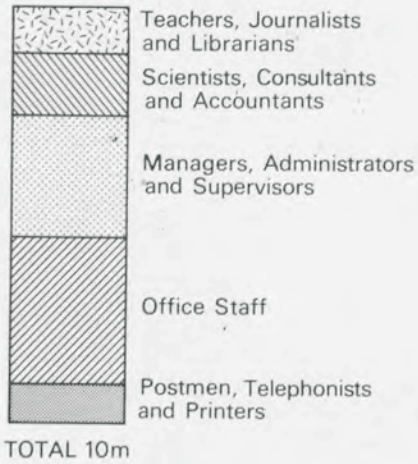
In the UK some 10 million people are classified as information operatives. They have increased by 1 million over the last decade and constitute some 45 per cent of our workforce. These information operatives cover managers, who organise information; secretaries, telephone operators, postal workers, printers, journalists, teachers, broadcasters and technical salesmen who transmit information; filing

Employment in the USA 1880-1980





clerks, librarians and computer programmers who store and retrieve information; scientists, artists, writers, statisticians, architects, designers and video programmers who create new information; lawyers, doctors, accountants, consultants who apply information to solve specific problems; and engineers and factory workers who make electronic equipment for the information economy, and finally politicians, who are



IT occupations in Britain

addicted to information, and if they are deprived of it for any length of time, soon reveal most distressing withdrawal symptoms.

The point I want to make is that these new technologies do create a great number of jobs in the generation and dissemination of information which is an essential prerequisite for economic growth and development. These people have jobs because they possess the information needed to get things done.

But I am also asked, 'Surely robots will destroy jobs in factories very quickly'. It is perfectly true that through the introduction of automatic welding by British Leyland and Volvo, labour requirements for welding have been reduced by 80 per cent. In printing and publishing, savings of 50 per cent on labour costs from new technology are not unusual. In the office a change from conventional typewriters to word processors can increase the productivity of the typist by over 100 per cent. I could continue. But if the story of the employment effects of IT stopped here, then you would conclude that the impact of IT on jobs can only be negative. This is precisely where the analysis should not stop because if it stopped there, it would ignore what are called the compensation effects.

Let me try and explain in this way what the compensation effects are. Suppose at the turn of the century Herr Benz had

come to you and said 'I can sell you a new kind of engine which can do the work of a horse and my colleague Herr Daimler and I will make you a horseless carriage'. If you had been a Victorian sociologist and asked to predict the employment consequences of all the carriages in Britain becoming horseless, what would you have said? You would have been able to predict the wholesale disappearance of postillions and blacksmiths, haycarters, grooms, stablemen, ostlers and bridlemakers, distress among farmers who grew oats and hay, bankruptcy among horsebreeders, loss of the fertility of the land through the lack of manure and the breakdown of the rural society. What you would not have been able to predict would have been the appearance of all those jobs that have been created as the horseless carriage of the nineteenth century has evolved into the motor car of today. Design, manufacture and sales apart, look at the countless number of jobs dependent at one stage removed on the internal combustion engine, the road builders, the garage owners, the traffic light manufacturers, the makers of cats eyes, driving instructors and yes, even the traffic wardens.

So increased productivity through technical change in one operation may well create a need for increased employment in other associated operations. Now I say, *may well* create a need for increased employment. The new jobs will not just happen by themselves. Companies have to be alert and quick to respond to changes in the market and let me demonstrate what I mean by what has been happening in Sony over the last few years. In 1975 television sets represented 37 per cent of Sony's output, by 1981 only 24 per cent. But Sony had got their skates on. They introduced large scale production of video tape recorders and look what happened to employment. Even though they were making proportionately fewer television sets, Sony's employment rose from 22,000 to 38,500. This shows what a company can do by keeping pace with developments. They moved from televisions to video recorders and they were of course one of the few companies in the world that realised that you could make electronic products for joggers, namely the Sony Walkman. The other lesson of this of course is that the goods have to be competitive. They have to fight for their place in the market place of

Sony Corporation : World Employment

Year	Number employed
1975	22,000
1981	38,500

Sony Corporation: Product Changes

Product	1975	1981
Televisions	37%	24%
Video Tape Recorders	21%	40%

the world and that is why in our general economic policy over the last three years we have set as a high priority the winning back of the competitiveness of British industry.

Government policy: support for innovation

Well what is the Government doing about all of this? You might well ask, does the Government have to do anything? I think the answer to that is very clear. We have first a job to persuade British industry to adapt to these new technologies. In the surveys that we have undertaken, we find that less than 50 per cent of British companies use microtechnology and perhaps the most modern thing they have got is an electric typewriter which they bought quite recently. So that is why we have been mounting major awareness programmes, persuading industries, the plastics industry, the instrumentation industry, the engineering industry to use the new technologies. It is why we have launched a programme of support for companies to apply for money to assist them in introducing robots and flexible manufacturing systems in their factories. I am glad to say that very many small com-

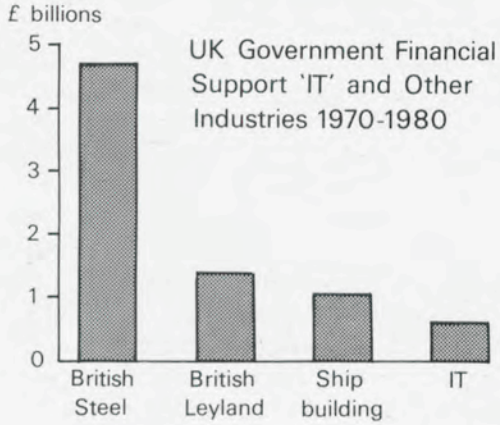
panies apply for this assistance grant of 33⅓ per cent to help get new projects and new processes off the ground.

We have increased Government support from £50m. in 1979 to £173m. in 1983 and over the next four years we plan to spend £1½bn. on science and technology support.

DOI Support Programme

	'79/ 80	'80/ 81	'81/ 82	'82/ 83	'83/ 84
Microelectronics	7.2	15.2	17.2	22.6	29.7
Fibre Optics	0	0	0.2	1.5	8.2
Engineering IT	0	0	0	16.4	30.5
IT	5.8	11.0	14.6	40.2	43.2
Space	37.1	43.6	58.8	54.0	61.3
TOTAL	**50.1**	**69.8**	**90.6**	**134.7**	**172.9**

It is the fastest growing area of Government support for British industry. We must move the balance of support from propping up the old to stimulating and encouraging the new. The tragedy of British industrial support is that from 1970-80 we spent 15 times as much on British Steel, British Leyland and British Shipbuilders as on the electronic industries.



UK Government Financial Support 'IT' and Other Industries 1970-1980

Government policy: support for training

We also have a major programme in the educational area. We launched last year the 'Micros in Schools' programme which aimed to get a micro into every secondary school by the end of this year and we are on line to hit that target. It has been an immensely successful programme and I am glad to say the equipment is all British. The Prime Minister extended it to the 27,000 primary schools in July of this year and I am sure that there will be a massive and enthusiastic take-up. Because in my missionary work perhaps my strongest allies are the children! They are much more electronically aware than their parents or grandparents and it is very important that we should train the youngsters of today even in primary schools in the skills of tomorrow for they will still be at work in the year 2020 and they will be doing very different things from the things that they have been learning about at school today. And as the first stage in the great education and re-education process they should have a facility of being able to cope with the electronic gadgets which, after all, are only tools.

We have also launched a campaign to build across the country over 100 Information Technology Centres and these are designed to train 16-19 year olds who are unemployed and largely unqualified. These are the people who have not got much out of their progress through our educational system, maybe not even one O-level – maybe a couple of CSEs – and they feel alienated and left out, and these are exactly the people who are being taken into our ITeCs and after a course of nine months or a year the success that we are having in training them in simple computer skills and electronic assembly skills is striking. It is one of the most successful ventures that we have undertaken in post-school training and I would hope to expand this programme later this year.

Our achievements

Let me tell you what we have achieved. Last year we ended the monopoly of British Telecom. This is the most important industrial measure we have taken so far in the lifetime of this

Parliament. In future, private enterprise will be free to supply *you* with the equipment that *you* want, with services which *you* need. Already this is happening. Buzby is no longer cock of the walk. This great industry is no longer being dominated by monopoly; it is being driven forward by competition.

Secondly, last October we sold our controlling share in Cable & Wireless for some £225m., a substantial measure of de-nationalisation. The major Bill in the next session will allow us to sell up to 51 per cent of British Telecom. This is the largest measure of privatisation ever undertaken.

Thirdly, a licence has been granted to the Mercury consortium, which is a private group consisting of British Petroleum, Barclays and Cable & Wireless, to provide an alternative business telephone network. This is all private money. It is already laying down the network, and the services will be available from Spring 1983. This threat of competition has already led British Telecom to cut the cost of its trunk and international calls by a third. Who says that competition doesn't work!

Fourthly, this year the Home Secretary approved the system of direct broadcasting by satellite. In 1986 this means that there will be two additional TV channels transmitted over this satellite. The satellite is all privately financed at a cost of some £150m. and it will be the first privately financed satellite to be launched in Europe. Don't forget that we have a leading position in the European space industry. At the moment, nine satellites are being made in Britain, and we are working on another five.

Fifth, the biggest opportunity that is now before us is laying down a new cable network over the country for cable television. This is called 'broad band' and it will provide each home and office with thirty extra channels. Now before you recoil in horror at the prospect of thirty more television channels, for that would indeed be wall-to-wall Dallas, let me say that on these channels you will be able to get a wide variety of new services. A burglar alarm for your home; your meters could be read over these wires; there could be mail order shopping and home banking and speciality programmes for cultural events, sport, ethnic minorities or local activities and much more opportunity for education and skill training.

We have been consulting widely during the summer and I hope that the Prime Minister will be able to announce quite soon the details of the framework which will allow cabling to take place. We want to press ahead with this and have it settled before the election because we want the cabling to start.

We have the skills, we have the equipment, we have the technology, we have the money – now we want the jobs which recabling will create.

This cable network – the electronic grid of Britain – will create many jobs in the cabling and equipment and TV industries. But they will also create magnificent opportunities in the making of programmes, in providing new services – and these have great export potential. As the cable network operates over the country it will create jobs just as the railway network did as it spread over Victorian England. There was a small stationer in London, Mr W. H. Smith, who by reading the railway timetable discovered that he could deliver to Edinburgh and Manchester, Cardiff and Plymouth things that had been printed in London overnight and this gave a great boost to the development of the national newspaper industry. Cable can create equivalent electronic opportunities.

These are our policies for the new technologies.

- ☐ To create the opportunities for private enterprise to seize.
- ☐ To reduce the monopolies and the restrictions.
- ☐ To support research and development in industry.
- ☐ To equip the youngsters of today with the skills of tomorrow.

These will help to improve Britain's chances in the new industries.

We in Britain don't have to be frightened, apprehensive or apologetic about them. We have many competitive skills. We are not washed-up as an industrial nation, we are not washed-up as an inventive nation, we are not washed-up as an enterprising nation.

We are the only political party that has a policy for these sunrise industries.

While we are doing this, the Labour Party is tearing itself apart in a bloody civil war. They are fighting the battles of yesterday.

The SDP and the Liberals are bemused by the vision of a tomorrow which will not happen.

Once again it falls to the Conservative Party to look after the nation's interests. Our Party is fulfilling its historic role of preparing the country for the future. It is only *our* Conservative Party that is thinking about the future. It is only *our* Conservative Government that is planning for that future and it is only *our* Conservative Prime Minister who shows that she is uniquely suited to lead us into that future.

We spend too much time fretting over the failures of the past and moaning about the lost opportunities. Let's put all that behind us. We have even better opportunities in the new industries – let's make the most of them. The future can be ours.

THE AUTHOR

Kenneth Baker MP was appointed Minister of State for Industry and Information Technology in January 1981. He is Member of Parliament for St Marylebone. Born in 1934 he was educated at St Paul's and at Magdalen College, Oxford. During his national service, from 1953-5, he was Lieutenant in the Artillery in North Africa and also an Artillery instructor to the Libyan Army. During his time at Oxford University from 1955-8 he was Secretary of the Oxford Union.

Mr Baker, who served on Twickenham Borough Council from 1960-2, contested a number of elections before entering Parliament in March 1968 as member for Acton. Since 1970 he has represented his present constituency of St Marylebone. He was on the Public Accounts Committee from 1969-70, Parliamentary Private Secretary to the Minister of State at the Department of Employment from 1970-2, a Minister at the Civil Service Department from 1972-4, and Parliamentary Private Secretary to the then Leader of the Opposition, Mr Edward Heath, from 1974-5.

Prior to his appointment as Minister of State for Industry he was a member of the Executive of the 1922 Committee of Conservative Back Benchers. He was Chairman of the Hansard Society from 1978-81 and also Chairman of the Conservative Parliamentary Industry Committee. From 1973-4 he was Chairman of the Computer Advisory Council.

Mr Baker is married and has a son and two daughters. His recreations include collecting books.

THE GOVERNMENT'S REPLY TO THE REPORT FROM THE SELECT COMMITTEE OF THE HOUSE OF LORDS ON UNEMPLOYMENT

		Para	Reference in Ch 14 of Report
Increasing the demand for labour			
- help for small businesses	a) premises	57-62	14.39, 14.86 (ii)
	b) cooperatives	63-66	14.39, 14.86 (iv)
	c) local enterprise agencies	67	14.86 (iii)
	d) alternative employment in redundancy	68	14.86 (v)
- technical change		69	14.39, 14.86 (i)
- job creation		70-72	14.51-14.71
- the informal economy	a) earnings disregards	74-75	14.86 (vi)
	b) tax credit scheme	76	14.86 (vi)
	c) enterprise allowance	77	14.86 (vii)
Annex - the Exchequer costs of unemployment			14.72-14.82

INTRODUCTION

1. The Government congratulates the Chairman and members of the Committee on their thorough and substantial report (HL Paper 142). The present level of unemployment is a cause for deep concern. It represents a tragic waste of the nation's resources, skills and talents. It also means personal hardship for those who are out of work and for their families. The Committee seek long-term remedies, recognising, as the Government does, that there are no quick nor easy solutions. While the Government does not agree with all of the Committee's conclusions, it welcomes the report as an important contribution which will be valued by all concerned with the problems of unemployment.

2. The Government does not propose to comment on the Committee's detailed historical analysis of unemployment, nor on their description of its incidence and effects. Although there will always be differences of interpretation and emphasis in such matters, the Government finds these sections of the report generally accurate, thorough and useful. The reply will therefore be concerned with the main conclusions, policy options and recommendations, which are brought together in Chapter 14 of the report.

EMPLOYMENT AND ECONOMIC STRATEGY.

Economic Background

3. Unemployment in the UK has risen unevenly but inexorably over the past 20 years. During the 1960s total registered unemployment averaged around ½ million; in the 1970s the average level of unemployment more or less doubled; and since 1980, the figure has more than doubled again. That increase in unemployment was accompanied by rising inflation over most of that period. Inflation averaged around three per cent in the 1960s and over twelve per cent in the 1970s.

4. These problems of rising inflation and rising unemployment have been experienced by many other Western countries. In the major industrial economies unemployment has more than doubled since the first massive rise in oil prices in 1973 and there are now about 30 million people unemployed in the whole OECD area. The rise in OECD unemployment has become particularly acute over the last two years as the recession in the world economy proved much deeper and more protracted than anticipated and economic recovery was delayed.

5. In the UK, these problems came on top of long-standing and widely recognised weakness in industrial performance including low profitability, poor labour productivity and the failure to invest adequately in new products, skills and processes. British industry in general has been slower and less successful in adjusting to changed circumstances.

6. There are many reasons for this including excessive pay increases, entrenched restrictive labour practices, inefficient use of new capital investment and lack of response to new market opportunities. These obstacles have reduced the economy's competitiveness internationally so that market share both home and abroad has been lost. Also, they have inhibited the growth of entirely new economic activities and new employment opportunities.

The Government's Strategy

7. There can be no prospect of lasting growth in output and employment unless our national industrial competitiveness is improved. The central aim of Government economic policy is to create the conditions - above all, reduced inflation - in which the partners in our collective effort can achieve this. That requires firm restraint in public borrowing and the maintenance of sound monetary conditions.

8. The Government welcomes the Committee's view that the restoration of competitiveness must be the primary objective. Despite some recovery in international competitiveness over the last 18 months, the UK is still one third less competitive than in 1975. The United Kingdom is more dependent on international trade than almost any comparable nation. There is no other way for our industry to earn our national living than by producing goods and services that are better value for money than those of our competitors. Keeping our costs down is vital. Pay takes much the largest share of production costs in the tradeable goods and services sector. The Government therefore further agrees with the Committee that realistic pay settlements play a key part in improving our competitiveness, and so in our prospects of faster growth and fuller employment. Suppositions that unemployment can be overcome simply by increasing monetary demand, and that those who have a job accordingly need not moderate their expectations of higher incomes for the sake of those without one, offer no solution; they have indeed done much to create the problem.

9. Pay settlements and the growth in money earnings have come down considerably in the past two years. But further progress in this direction is urgently needed. Greater price stability and less fear of inflation should enable negotiators on both sides of industry to focus more on the central consideration: what can be afforded. In some cases there will be no scope for any increases at all. The country's success in the fight against inflation - from nearly 22 per cent in May 1980 to 7.3 per cent in September 1982, and an expected 5 per cent in 1983 - provides the setting for this.

10. Lasting remedies for unemployment must include improving the working of markets, particularly the labour market. This must be made more flexible and responsive to economic circumstances; and product markets must be encouraged to be keenly competitive. All this can be helped by improving incentives to work and enterprise, including measures to reduce the burden of tax, to make the tax structure more favourable and to reform the complex social security system. The Government's ability to move further in these ways is limited both by institutional obstacles to change and by the crucial need to maintain public expenditure and borrowing under firm control. The Government has however recognised and acted upon the case for using room for manoeuvre within its overall strategy to take action directly helpful to industrial performance. The decisions announced by the Chancellor of the Exchequer on 8 November illustrate this.

11. The Committee suggests that the long-term remedy of improving competitiveness should be partnered by measures of more immediate effect. The Government fully agrees that help is needed for those worst hit by the recession, and that much can usefully be done - by the Government, by firms and by other organisations - for particular groups of people or particular types of employment. The Government for its part is devoting very large and increasing resoruces to special employment and training measures - nearly £2 billion in 1983/84 - and to other measures which support employment in industry.

Comments on the Committee's Strategy

12. The Committee put forward a number of proposals for major public expenditure to create employment. These include more spending on public-

sector capital projects to generate investment-led job creation; more current expenditure on low skill jobs in areas like the National Health Service and local authorities; and more selective employment measures, including job-creation grants in the community and voluntary sectors.

13. The Government believes that the case for adopting these or other proposals must be considered within the wider framework of the policies needed to defeat inflation. Higher public spending on employment measures or infrastructure will require some mix of lower spending in other areas, higher taxation, or higher borrowing (with consequent upward pressure on interest rates). Each of these carries a penalty falling ultimately in one way or another upon industry and so upon jobs. The balance of advantage and disadvantage in particular proposals cannot be properly evaluated without taking a view on how they are to be financed and what further effects thereby arise. Implementing all the Committee's proposals would mean a major addition to planned public spending, and this would directly undermine the success over inflation on which the prospects for a lasting improvement in competitiveness - and ultimately employment - must depend.

14. On the Committee's own estimates, the gross costs of their proposals would be high - about £5 billion over present expenditure plans. The Government agrees with the Committee's suggestion that the Treasury should cost measures to promote employment "in the full consciousness of what it and the country lose when those in work become unemployed" (14.76). This is already done; for example, special employment measures are compared on the basis of both gross and net direct cost per person off the unemployment register. The Committee estimate that the net cost of their recommendations would be some £2 billion. Such figures are inevitably approximations. Particular schemes have to be assessed on the basis of assumptions about the precise characteristics of the people concerned and there is always room for doubt about what these will turn out to be. (See the Annex.) The Government believes that the Committee have in some cases - notably schemes for long term job creation-probably underestimated the net cost.

15. The Government recognises the merits of several of the proposals on selective employment schemes. In the continuing effort to devise selective measures which best meet the needs of particularly disadvantaged groups like the young and the long-term unemployed, the Government has already taken

extensive action in line with some of the Committee's proposals. Further ideas, including others put forward by the Committee and those from other bodies like the CBI, are being examined. As the Committee recognises, any new proposals must be judged not only against the macro-economic constraints but against a number of micro-economic criteria, particularly value for money and targetting upon those most in need. The Government believes that wherever possible special employment measures should also be designed so as to have not just a neutral but a positively helpful effect on improving labour-market flexibility, thus yielding longer-term benefit. For example, the new Youth Training Scheme is designed not simply to ease the necessary process of economic adjustment as it affects young people, but more importantly to contribute to that adjustment by improving skills and adaptability.

16. Finally, the Committee recommends "flexible and comprehensive incomes policies of indefinite duration". The Government believes it is better and more efficient to leave employers and employees free to negotiate pay. This means that all relevant market factors must be taken into account - what can be afforded and what rates of pay are needed to recruit, retain and motivate sufficient workers with the requisite skills to achieve the output required. The Government certainly has a role, by maintaining a firm monetary policy, taking a firm line on pay where it is the direct employer, to ensure settlements are kept to realistic levels, and making negotiators aware of the consequences of their actions; and by underlining publicly the link between pay and jobs. But the main solution lies with the pay negotiators themselves, who must realise that self-restraint is the way to improve competitiveness and to preserve and create jobs. Experience has shown that a formal incomes policy is economically damaging and cannot be sustained in practice beyond the very shortest term. But this does not in the least diminish the vital importance of strict moderation in the growth of personal incomes. For the foreseeable future, this will be an important need of the British economy. It is taken for granted by our most formidable competitors. It has enabled them to achieve higher real living standards alongside lower levels of unemployment than in Britain.

BALANCING SUPPLY AND DEMAND OF LABOUR

Education and training for young people

17. The Government very much welcomes the Committee's support for the Youth Training Scheme. The announcement made by the Secretary of State for Employment in the House of Commons on 21 June confirming that the Scheme was to go ahead from September 1983 embraced some of the suggestions made by the Committee, in particular that the Scheme should cover young people in employment as well as the unemployed. The Government also accepts that the level of allowance should be higher than originally proposed and that, for the time being, Supplementary Benefit should not be withdrawn from 16 year olds.

18. The Government cannot accept that a system of graduated allowances along the lines proposed by the Committee should be introduced. It still believes, as stated in the December 1981 White Paper 'A New Training Initiative' (Cmnd 8455), that it would be right for young people, whether in the first year of full-time education after the minimum school leaving age, in the Youth Training Scheme, or unemployed, to be regarded in general as dependent on their parents. It is noteworthy that there has been a marked increase in those staying on in full-time education in recent years, which suggests that more young people are prepared to put the pursuit of additional qualifications ahead of short term monetary considerations.

19. The Government does not accept the contention in paragraph 11.14 of the report that there was a rush of O level candidates leaving school in 1981 in advance of taking their examinations in order to obtain immediate supplementary benefit. At the invitation of the Government the CSE examining bodies carried out a survey of provisional and final entries in summer 1981 examinations and compared these with entries in the two previous years. The figures show no evidence that potential examination candidates are being persuaded, by the recent changes in the regulations governing entitlement to supplementary benefit, not to remain at school to obtain qualifications; and there is no evidence that the situation in respect of O level candidates is any different. In Scotland, the 1981 Scottish Certificate of Education statistics similarly showed no tendency for candidates to leave school after presentation and before examination in order to obtain benefits.

20. The Government agrees with the Committee that the high level of wages paid to young people is a disincentive to employers to recruit school leavers. The Young Workers Scheme aims to encourage employers to take on a greater number of young people at more realistic wages.

21. The Committee suggest that employers should be obliged to offer minimum age school leavers in employment the opportunity of release for further education or off-the-job training for a minimum of 20 per cent of working hours. It is intended that a substantial proportion of these young people in employment will, from next year, be participants in the Youth Training Scheme, a major feature of which is that at least 13 weeks will be spent off the job either in training or relevant further education.

22. The Committee suggest that a second year's training should be a longer term goal, accepting the huge cost of such a step. The Youth Training Scheme, which will cost £1,000 million in 1984/5, is the major element in the Government's response to the objective of moving towards a position where all young people under the age of 18 have the opportunity either of continuing full-time education or of entering a period of planned work experience combined with work-related training and education. This has been complemented by additional resources for full-time education for the same age group. The future development of the Scheme will depend on a number of factors but in the Government's view it is not fruitful to consider in detail the future shape or size of training programmes for young people even before the Scheme has started.

23. The Committee also recommended expansion of the services provided by Community Industry (CI) (14.50). The Government appreciates the contribution which has been made by CI over the last 10 years. After the introduction of the Youth Training Scheme in 1983, CI will be concentrating particularly on disadvantaged 17 and 18 year olds. The case for a further expansion of CI programmes has been carefully considered, but the Government's view is that for the present the available resources should be concentrated on the Youth Training Scheme.

Adult training

24. The Committee recommend the immediate expansion of adult training, for both the employed and the unemployed, with a substantial short-term increase in the taxpayers' contribution towards the cost. (14.26-14.28, 14.86 (xii)).

25. The Government endorsed last year the Manpower Services Commission's proposals for a New Training Initiative, one of whose major objectives was "to open wide-spread opportunities for adults, whether employed, unemployed or returning to work, to acquire, increase or up-date their skills and knowledge during the course of their working lives". This objective is related to the other major aim of developing agreed standards of skill, which will be accessible to adults as well as young people.

26. Current Manpower Services Commission expenditure on adult training is of the order of £260 million. The bulk of this spending is directed towards unemployed adults under the Training Opportunities Scheme. At present, however, the proportion of trainees who find jobs - particularly jobs using their training skills - within a reasonable period of completing their courses is fairly low and this is a serious constraint on the Commission's ability to expand skill training under the Scheme. Experience shows that trainees who do not have an early opportunity to put their skills into practice tend rapidly to lose them. The Open Tech Programme, whose first projects are likely to start later this year, will provide increased opportunities for adults, whether in employment or not, to acquire training, particularly at supervisory and technician level, by the use of open and distance learning techniques.

27. The Government also gives help to employers providing training for their own employees (e.g. through the Computer Joint Application Programme), and, as stated in the White Paper 'A New Training Initiative: A Programme for Action' (Cmnd 8455) intends that the resources of the Training Opportunities Scheme should increasingly be directed to encourage the necessary provision in industry. The main responsibility for training for skill must rest with employers themselves, since they are in the best position to judge their requirements for trained labour. They can be helped in this by industrial training bodies, whether statutory or preferably, in the Government's view, voluntary.

28. A Manpower Services Commission working group which has been looking at the future of adult training will be reporting shortly. Further consideration will be given to issues about the organisation, extent and funding of adult training when the results of this study are available.

29. The Committee draw attention to the need for training to reflect local labour market needs (14.29, 14.86 (xi)). The Manpower Services Commission's re-organised Training Division, which will have a network of Area Offices with senior managers advised by Area Manpower ~~Committees~~ Boards, will be well placed to see that training provided or supported at public expense is closely related to the needs of the area in which it is provided. The Government endorses the Committee's belief that the activities of employers, educationists and others concerned with training should be effectively co-ordinated at local level.

OTHER PROBLEMS OF BALANCING LABOUR SUPPLY AND DEMAND

The Public Employment Service

30. The Committee recommended that the public employment service should give special attention to the hard-to-place and that registration of the unemployed at jobcentres should be voluntary for one month and compulsory thereafter. They also stressed the importance of counselling for those in need. (14.30, 14.45, 14.86 (xiii)).

31. The Government considered very carefully comments received during the public consultation period before it decided to accept the Rayner Scrutiny Report recommendation for voluntary registration. This was implemented on 18 October this year and the Government consider that the change will bring advantages both for the employment service and for unemployed people, while at the same time making useful economies through the elimination of unnecessary procedures.

32. Substantial numbers of staff are now engaged on Unemployment Review, a large part of which involves counselling; and the Government has agreed that the Manpower Services Commission should retain 250 more staff than would otherwise have been allocated to assist the long-term unemployed. The Jobcentre service, of course, remains available to all those who want to use it on their own initiative or as a result of advice which is given to them.

The Careers Service and school-industry links

33. The Committee emphasise the need for effective careers guidance and specifically recommended further development of links between school and work (14.86 (viii)) and that careers teaching should be given from the beginning of secondary education (14.86 (xiv)).

34. The Government welcomes the recognition of the important role played by the Careers Service in the process of giving careers guidance, and the Committee's desire to encourage collaboration between careers teachers and Careers Service staff (12.35 and 12.38).

35. The Government is fully committed to the principle that links between school and the world of work should be developed, and has attempted to achieve this in a variety of ways. Considerable progress has been made, although it is recognised that room remains for further improvement.

36. Detailed aspects of the curriculum such as the development of school-industry links are essentially matters for individual schools, local education authorities and local firms. Nevertheless, the Government has drawn wide public attention, through various publications and many Ministerial speeches, to the importance of such links in helping to prepare pupils for adult and working life in practical ways. The Government also directly grant-aids a number of the national voluntary bodies which are active in this field.

37. In the autumn of 1980, the Department of Education and Science invited a senior industrialist, Mr Neville Cooper of Standard Telephones and Cables Limited, to examine the nature and extent of schools - industry link activities undertaken by the major organisations involved, and to consider how their total effectiveness might be improved at both local and national level. His report, which was delivered last autumn, contained a number of recommendations which are being followed up. In Scotland the final report of the 5 year Education for the Industrial Society project, to be published shortly, will be considered by the Consultative Committee on the Curriculum (The Secretary of State for Scotland's principal advisory body on the school curriculum).

38. The Government intends to continue to take every opportunity to encourage the development of links between schools and working life.

39. The Government fully accepts that all pupils need better and more systematic careers education and guidance. This point was made particularly strongly in the Department of Education and Science's guidance document 'The School Curriculum' which was published, jointly with the Welsh Office, in March 1981. It stressed the need, in the early secondary years, for a carefully planned programme of careers education for all pupils in good time to prepare them for the subject choices they need to make by the end of their third year. Guidance teachers in Scottish secondary schools, who have special responsibility for advice to pupils on personal, curricular and vocational matters, already work closely with Careers Officers on matters of vocational advice.

PROBLEMS OF PARTICULAR GROUPS IN THE LABOUR MARKET

The long-term unemployed

40. The Committee's report argues that those who have been out of work the longest, whatever their other characteristics, constitute the group most in need of help (14.41). The Government shares the Committee's concern about the problems of the long-term unemployed and has taken important steps to provide assistance for them.

41. The Committee's recommendations about the Community Enterprise Programme (CEP) (14.47 - 14.49) have been overtaken by events. The new Community Programme was introduced on 1 October 1982 and brings together CEP and the initiative announced in the Chancellor's Budget speech to provide 100,000 jobs for the long-term unemployed on schemes of benefit to the community. The Community Programme will provide up to 130,000 places, many of them part-time, for up to a year. Those taking part will be paid the rate for the job subject to a maximum of £89 per week and there is provision for sponsors to arrange appropriate training as part of their schemes. The operating criteria and eligibility conditions will be broadly the same as those for CEP. The Government believe that the new Programme will continue to offer the advantages of CEP while at the same time bringing about a considerable

increase in the number of opportunities available to unemployed people to do useful work and to gain experience, and in some cases training, which may help them to compete for permanent jobs.

42. Community Programme sponsors will include local authorities and voluntary organisations, who will be reimbursed their expenditure on wages and will receive substantial sums to cover the cost of setting up and administering projects. The scheme therefore has common features with the system of job creation grants for the voluntary sector which the Committee proposes (14.65).

43. In addition, of course, other current special employment measures provide assistance to the long-term unemployed, although not exclusively comfined to them.

The problems of other groups

44. While singling out the long-term unemployed for particular attention, the committee also notes the problems faced by other groups, which it considers to a greater or lesser extent at a disadvantage in the labour market.

a) Women in employment

45. The Government fully supports the Committee's call for continued action against sex discrimination in employment (13.12). Women are taking advantage of Government's employment and training services open to men and women on equal terms: for example, 260,000 participants in the Youth Opportunities Programme in 1981-82 were young women; and over the same period some 19,000 women completed Training Opportunities Scheme courses. The Manpower Services Commission also provides courses for women with special needs where this will help them get jobs. For 1982-83 there will be some 540 places for women on wider opportunities courses, for women returning to the labour market after a period of absence due to family responsibilities. This provision will include some experimental courses, some in new technology and others for women aiming to return to work at a supervisory or managerial level. The Manpower Services Commission also offers a number of experimental courses for women only for

training for work in which women are under represented, such as engineering. It also sponsors a number of schemes which aim to encourage industry to expand women's opportunities to train for occupations which involve relatively high degrees of responsibility and/or skill; and in which currently there are very few women working. Through the Co-ordinating Group for the Development of Training for Women, the Commission works with members of Industrial Training Boards and others to organise meetings and workshops on specialist topics within the field of women's training.

b) Disabled people

46. The Government is glad to note the recognition given by the Committee to the special problems faced by disabled people (13.26). It is not possible to isolate disabled people from the effects of the recession on employment generally, but the Government is committed to trying to mitigate its effects on them, and in particular to maintaining the level of assistance which is provided, through the Manpower Services Commission, to help them into jobs. The Commission operates a range of services and special schemes for this purpose, including the employment rehabilitation services referred to by the Committee, and in addition is making efforts to ensure that a good supply of suitable places in the new Youth Training Scheme and Community Programme will be available for disabled people. The Committee's report goes on to refer to ~~the refer to~~ the Commission's proposals for replacing the quota system for the promotion of employment of disabled people by a more general statutory obligation on employers, backed up by a comprehensive Code of Practice. When the proposals were put forward eighteen months ago, the Government sought the views of all those most concerned with the employment problems of disabled people. Whilst a considerable body and weight of opinion supported the Commission's proposals, others took the view that statutory protection in this area was unnecessary. At the same time, a considerable number of those who commented called for the Quota Scheme to be retained and strengthened in various ways. Given these widely differing views, the Government announced in July this year that it had decided, against making any change in the basic legislation for the time being, but had asked the Commission to consider ways of making the scheme more effective within the existing legislation, and to press ahead with the development of a Code of Practice, without prejudice to whether it might eventually be applied on a statutory or voluntary basis. The

development of Code of Practice is wholly in line with the approach of the 'Fit for Work' campaign, which, as the Committee says, is part of an educational process to help and encourage employers to adopt positive policies towards the employment of disabled people, and their advancement in employment. The Government welcomes the Committee's support for developments on the lines of this campaign, which has its own full support.

c) Ethnic Minorities

47. The Government welcomes the Committee's recognition of the action which is being taken against racial disadvantage in employment (13.24). The Manpower Services Commission is increasing provision for work-related language training in 1982-83. It is hoped that in 1982-83 some 1200 people from the ethnic minorities will embark on courses combining tuition in literacy and numeracy with language training; this compares with only 700 in 1981-82. Courses in skillcentres and colleges which link training in occupational skills with language tuition will offer 540 places in 1982/83, as against 200 in 1981/82. In addition, the budget of the Industrial Language Training Service will rise to £2 million for 1982/83 with further annual increases planned for the subsequent three years.

REDUCTIONS IN SUPPLY OF LABOUR

Pairing and extension of Job Release Scheme

48. The Government agrees with the Committee's general conclusion that, unless pay is reduced proportionately, reductions in working time will not increase demand for labour or reduce unemployment (10.60). The Committee rightly make it clear that any increase in labour costs puts jobs at risk. As the Committee point out specific measures involving the sharing of work and pay can be used effectively to reduce unemployment only if they are carefully designed and directly targetted on recruitment of unemployed people.

49. The Government shares the Committee's interest in job pairing (14.35), and the Chancellor of the Exchequer announced on 27 July the introduction of a new Job Splitting Scheme in January 1983. The objective is to open up opportunities for productive activity for unemployed people; potentially

redundant people in the same firm will also be eligible. The Scheme will be open to all below state pension age. A subsidy of £750 will be paid to employers in 4 instalments.

50. The Committee suggest adjustments in national insurance contributions as an incentive to introduce a pairing scheme and so take on additional labour or avoid redundancy. There are difficulties in principle as well as practical problems in such selective use of the National Insurance Fund. The Government considers that direct payments to employers are a more efficient way of providing an incentive to split jobs. It is worth noting that in most cases when a job is split National Insurance Contributions are also split, so there is no extra cost.

51. The Government welcomes the Committee's support for the Job Release Scheme (14.34). The Scheme is at present due to close for applications on 31 March 1984 and we estimate that by then some 113,000 people will be receiving job release allowances. The future of the Scheme after that date will be considered next year.

52. The Committee propose that for state and occupational pensions in particular, but also for benefits more generally, loss of benefit rights as a result of early retirement or job splitting might be compensated for by some form of crediting of contributions on the basis of earnings higher than those actually received (14.36). The existing Job Release Scheme provides for maintenance of basic pension rights through payment by the state of Class 3 contributions for those retiring early under this heading. The Government thinks, however, that it would be difficult to go beyond this. Most of those voluntarily retiring from a job before normal state pension age do so with an occupational pension, and we doubt whether it would be right to guarantee occupational pensioners state pension rights other than through the existing arrangements for unemployment credits - or, in the case of those who are incapable of work, incapacity credits. These credits do in fact cover the majority of people affected, and special arrangements were necessary for those in the Job Release Scheme only because people opting for retirement under that scheme are specifically prohibited from seeking employment and thus prevented from getting unemployment credits.

53. It is unlikely that job-splitting will often result in earnings below the contribution threshold, and earnings above that threshold will of course secure basic benefit rights. Any extension of credit arrangements would thus be directed towards earnings-related pensions, and the award of credits in this area to one particular group of people with earnings lower than they might otherwise have had would open up a whole range of questions about fairness to those who through sickness, disability, unemployment, or reduced earnings prospects were earning less than they might otherwise have expected and were thus losing state and/or occupational pension rights. All workers interested in the Job Splitting Scheme will of course have it drawn to their attention that they should consider any effects on their pension.

54. Occupational pensions schemes are voluntary and DHSS is not in a position to secure the sort of changes envisaged by the Committee, particularly as the schemes are already faced with the problem of large numbers of members who leave early. Also, given the wide variety of occupational pension schemes, it would be particularly difficult for the state to make payments to secure earnings-related rights in selected cases.

Effective Retirement for Long-Term Unemployed People Aged 55 and Over

55. The Committee note that those aged 60 and over who have been unemployed and receiving supplementary benefit for over 12 months can receive the long-term supplementary scale rate. The Committee recommend that this scheme be extended to cover those aged 55 or more (14.46).

56. Any extension of eligibility must in the Government's view compete with other claims on the additional resources which would be needed, and in particular with the claims of other groups of the unemployed: the Social Security Advisory Committee for example have pressed the claims of families with children. It is a matter of judgement at which age it is realistic and acceptable to decide that a person is no longer in the employment field. The Government has however carefully noted the Committee's views on this matter.

INCREASING THE DEMAND FOR LABOUR

Small businesses

a) Premises

57. The Committee single out the availability of small, cheap premises as most likely to facilitate the creation of small businesses and they recommended that the English Industrial Estates Corporation (EIEC) should build advance factories and workshops suitable for new enterprises, acting in association with local authorities (14.86 (ii)).

58. The Government agrees that an adequate supply of small premises is essential for the creation and development of small businesses. A greatly expanded programme of public sector investment to provide more small premises at very low rents would be counter productive because it would kill off any private investment, which is looking for higher rents to offset greater management costs on this type of development.

59. To encourage private investment the Chancellor introduced the Small Workshops Scheme in his 1980 Budget under which there is a 100% initial allowance for capital expenditure incurred on the construction of industrial premises of 2,500 sq ft and below for a period of three years until 26 March 1983. This has approximately tripled the annual rate of supply of small premises. To increase the supply of smaller premises the 100% initial allowance for industrial premises of 1,250 sq ft and below has been extended for a further two years until 26 March 1985.

60. EIEC is already heavily involved in building small factories, and for the past year has concentrated almost exclusively on this type of development. In the 12-months to July 1982 EIEC built 523 units of less than 232 sq metres and only 164 larger units. A further 432 small factories are under construction and 500 more are planned. Many of these factories have been built in inner city areas and EIEC will be concentrating more of their efforts in these areas in the future. The Corporation works very closely with local authorities in planning and marketing its estates.

61. However, EIEC confine themselves to developments in those areas where the private sector is not prepared to invest in small factories at present, and seeks to encourage private investment in those areas where they are active, by demonstrating that they can make a commercial rate of return on their investment. The Corporation is also undertaking some speculative building of new incubator units for small high technology companies in conjunction with universities in the Assisted Areas. If these are a commercial success we can expect that more of the same type of development will be financed by the private sector.

62. EIEC will continue its activities in the problem areas and in the more speculative types of development, where the private sector is not meeting the demand, but in the long run only the private sector can provide the majority of the huge number of small premises required to ensure a flourishing small business sector.

b) Co-operatives

63. The Committee also recommend that the development of new co-operatives should be encouraged, for instance by expanding the role of the Co-operative Development Agency (CDA) (14.86 (iv)).

64. The Government is in favour of unsubsidised co-operatives, regarding them as an expression of private enterprise, and is keen to see the producer co-operative sector flourish. Further funding of the CDA was approved in July 1981 by means of the CDA (Grants) Order 1981. The money is expected to last until August 1984 by which time the Agency will have existed for 6 years.

65. It was never intended that the CDA should be supported by public funds indefinitely. It was intended to become financially independent of Government in due course. Following a review of the CDA in 1981, changes were proposed to improve its effectiveness and reduce its expenditure. It has now been slimmed down and is concentrating its efforts more upon job creation. Its new strategy is aimed at doubling the number of industrial co-operatives over the next 3 years from 500 to 1000. The emphasis in pursuing this objective will be placed on business skills in order to make co-operatives more viable. Expert advice by specialists in such matters as marketing and the law is to become available shortly.

66. In addition to help available from the CDA, the Department of Industry's Loan Guarantee Scheme is open to co-operatives (one practical way in which banks can help co-operatives) and so is the Department's Small Firms Service, with its Counsellors. There are also cooperative representative bodies ready to give advice and assistance, including Job Ownership Ltd (JOL), the Industrial Common Ownership Movement Ltd (ICOM) and the Industrial Common Ownership Finance Ltd (ICOF). Specialist co-operative representative bodies give advice and assistance to Agricultural, Housing, Horticultural and Fisheries Co-operatives. The Department of Industry has published a booklet, "Co-operative Information" which incorporates advice on taxation which is of particular interest to co-operatives.

c) Local Enterprise agencies

67. The Government is continuing to support the formation of local enterprise agencies (14.86 (iii)). The 1982 Finance Act made provision for tax relief on contributions to these agencies by a company or an incorporated business. Relief will be given by treating the expenditure incurred in making the contribution as a deduction when assessing the taxable profits of the business. In seeking the formation of new agencies the Regional Offices of the Departments of the Environment and Industry have worked closely with Business in the Community, an organisation formed by industry and commerce specifically to encourage and assist companies to become more closely involved in local economic and social development. By October 1982, the Government was aware of over 70 agencies in existence in England, and talks which could lead to the formation of another 50 agencies were in progress. Similar good progress is being made in Scotland and Wales. Local authorities are closely associated with the work of most of these agencies.

d) Alternative employment in cases of redundancy

68. The Committee suggested that nationalised industries and large employers should be encouraged to create alternative employment for their workers in advance of redundancy, as British Steel and Pilkingtons have done. The Government has encouraged action along these lines. British Shipbuilders provide re-training for their employees threatened with redundancy and also provide financial help for redundancy employees to transfer to other areas

where they may obtain alternative employment or training to equip them to take up such employment. In addition, the Leyland Group (part of BL, which is sponsored by the Department of Industry) in the context of a major rationalisation programme, have set up a high level project team to seek constructive uses for redundant plants and assist in creating new job opportunities. Advice centres have been established enabling employees considering starting their own businesses to benefit from management experience.

Technical change

69. The Government fully supports the view that "as a nation we must embrace new technologies and exploit them to the best of our ability" (14.39). To that end the Department of Industry has a programme of support for industrial research and development at a cost exceeding £200 million per annum. More than half this money is spent directly in industry and there is further assistance to projects involving new technology under the Industry Act. The Department gives particular attention to new technologies such as microelectronics, information technology and computer aided manufacture. It provides a Manufacturing Advisory Service and a Technical Enquiry Service to assist small firms. In the specific field of microelectronics the Department operates the following schemes:

(i) Microelectronics Applications Project (MAP). MAP was launched in 1978 with an allocation of £55 million. It comprises an awarness and training programme, grants of up to £3,000 for consultancy and grants of up to $33^1/_3$% for projects involving the design, development and launching of significantly improved products and processes involving the application of microelectronics.

(ii) Microelectronics Industry Support Programme (MISP). MISP was launched in 1978 as a five year selective support programme for the UK microelectronics industry. Its aim is to encourage research into and development of new products and processes, to increase investment in production capacity and to assist product launching for marketing for silicon integrated circuits and microelectronic components in the UK.

Job creation

70. The Committee propose further capital expenditure on public sector projects and more current spending on low skill jobs in areas like the NHS and local authorities, in order to create more jobs.

71. It remains Government policy to give priority to worthwhile public capital projects where these do not conflict with overall public expenditure constraints. The Government believes local authorities and nationalised industries should spend their full allocation for capital programmes and has recently taken steps to encourage them to do so. Special priority is being given within available resources to increased capital investment which will create the conditions for the private sector to invest and expand. The urban programme initiatives being taken by the Government are an example of this.

72. The Committee suggest that small changes in the number of low skill jobs in certain parts of the public sector would not have any adverse consequences for pay and efficiency. The Government believes that any commitment to creating more jobs in the public sector, beyond those necessary to provide a cost-effective service, would risk regenerating inflation. The outcome would be reduced efficiency in the public services and upward pressure on pay, not just in the public sector but in the economy as a whole.

The informal economy

73. The Committee suggest that unemployment could be relieved by giving incentives to those in the hidden economy to come out into the open. The Committee suggest that such incentives might include allowing the unemployed limited earnings without loss of benefit ("earnings disregards"); the introduction of a tax credit scheme; and a possible widening of the present Enterprise Allowance Scheme.

a) Earnings disregards

74. The Government acknowledged the advantages of unemployed people taking part-time work; and have taken steps to encourage and facilitate this. The Community Programme, the Job Splitting Scheme, and regulations made in 1982 to

ease the conditions under which people doing some part-time work can get unemployment benefit are examples.

75. The earnings disregards mean that unemployed people may earn small sums from part time work without losing title to benefit; those on UB may earn £2 a day before losing all title (a sum recently increased from 75p) and those on SB, £4 a week, after which their benefit is reduced £1 for £1 (except for single parents). The level of these disregards is not immutable, but there are risks in increasing them. Substantial increases would probably be needed to provide really effective encouragement for unemployed people to take part-time work. But this raises incentives problems, since it would narrow, or even eliminate, the gap between incomes in and out of work. There would also be substantial additional expenditure both on benefits and their administration.

b) Tax credit scheme

76. In paragraph 12.55 of the report, the Committee record their view that "determined consideration should be given to the introduction of a tax credit scheme along the lines contemplated by Mr Heath's government in 1973". They then referred to the essence of the scheme as being the merger of the income tax and social security systems, including the abolition of the concept of benefits dependent on a contribution record and the replacement of all present income tax allowances and all social security payments by tax credits. It must be emphasised that the 1973 tax credit scheme was in fact more limited in scope, and that a number of its objectives have since been achieved in other ways. What the scheme did not set out to do was to achieve a total merger of the income tax and social security systems (indeed, the 1973 proposals depended in part on the continuation of a contributory national insurance system). A scheme which brought about a total merger would involve enormous cost, or would require, if it had to be cost-neutral, rates of income tax which would create significant disincentives to work.

c) Enterprise Allowance Scheme

77. The future of the Enterprise Allowance Scheme will depend on the results achieved in the 5 areas where it is currently being tried out. Take up of the Scheme so far has been encouraging, but an evaluation of the pilot schemes is still in progress.

ANNEX

THE EXCHEQUER COSTS OF UNEMPLOYMENT

1. The Committee suggest that an appropriate estimate of the fiscal cost of unemployment is £5,000 per person unemployed per year. The Treasury published a figure of this kind in the February 1981 issue of Economic Progress Report. This figure has not subsequently been updated because the effect which higher unemployment has on the public finances depends so much on its causes that any single figure is bound to be misleading. In some cases the PSBR may even be reduced.

2. Average figures are in any case of limited value in calculations of the net cost of special employment measures. Particular schemes should be assessed on the basis of details of the precise characteristics of the people involved. When this is done tax payments and National Insurance Contributions are generally found to be less than is assumed in average figures (eg because incomes are lower). Likewise actual benefit savings will tend to be less than is assumed in average figures. The main reason for this is that it is more likely that any scheme which aims to attract people voluntarily from the unemployment register will have its greatest appeal to those in receipt of the lowest levels of benefit. Certainly the married man with two children (one of the examples given in paragraph 14.77 of the Report) is very unlikely to be representative of the people involved in these schemes.

3. It would be misleading to calculate savings in benefit, etc, on the assumption that all jobs supported by a special measure do in fact constitute a net addition to national employment opportunities. In practice a part of any public money will go to finance either jobs which would have existed in any case, or jobs which displace others elsewhere in the economy. The Committee recognise this possibility in the case

of the employment subsidy suggested by Professor Layard (9.31), but seem to ignore it in the case of their own scheme to create 300,000 jobs in the public sector (including contracting to the private sector). It would be very difficult to ensure complete additionality in the case of a long-term scheme of this size. There is the final possibility that only a proportion of new employment will go to people coming off the unemployment register, and so that again benefit savings will be less than they might appear.

4. For all these reasons, calculations of net direct cost which use an average figure, as it seems do the figures for long-term job creation, in the Committee's Summary Table (on page 162), tend to over-estimate the likely scale of any Exchequer savings. Net costs are, of course, invariably less than gross costs. But, as the Committee say, the State cannot itself "give work to the unemployed, on reasonable rates of pay, at no net cost". The Committee suggest that there are "ways of promoting employment in the private sector for less than the Exchequer cost of unemployment" (14.75). But if this means that the State can get back as much as it spends, or foregoes, on subsidies or other measures, the Government thinks that even the Committee's estimates show that this is likely to be the case only in very special circumstances.

5. The Committee also use their estimate of the fiscal cost of unemployment to derive a figure for the total annual Exchequer cost of unemployment (6.34). But, as they themselves recognise (6.27), this estimate can only be made on the basis of the very unreal assumption that prices, earnings, tax rates etc would remain unchanged if unemployment were somehow to be eliminated. It is, therefore, a figure without meaning.

THE EMPLOYMENT ACT 1982

SECTION BY SECTION

EMPLOYEE INVOLVEMENT

Section 1 amends section 16 of the Companies Act 1967 so as to require directors' reports of larger companies to contain a statement describing what action has been taken during the year to introduce, maintain or develop arrangements aimed at furthering employee involvement.

COMPENSATION FOR CERTAIN CLOSED SHOP DISMISSALS BETWEEN 1974 AND 1980

Section 2 and Schedule 1 enable the Secretary of State to pay compensation to some people who were dismissed for not being a union member in a closed shop between 1974 and 1980. The people concerned are employees whose dismissal would have been "unfair" had the main closed shop provisions of the Employment Act 1980 been in force at the time when they were dismissed.

UNFAIR DISMISSAL IN A CLOSED SHOP

Section 3 enlarges the circumstances in which dismissal for non-membership of a trade union in a closed shop is to be regarded as unfair. The additional circumstances are:-

- where a closed shop agreement has not in the five years preceding the dismissal been supported in a secret ballot by 80% of the employees covered by it or by 85% of those voting;

- where the employee has obtained or is seeking a declaration from an industrial tribunal that he has been unreasonably excluded or expelled from the trade union to which he has to belong under the closed shop agreement; and

- where the employee is bound because of his qualifications to observe a written code of conduct and has left or been expelled from his union, or refused to join a union, because of a conflict between that code of conduct and a requirement to take industrial action.

The first of these will not take effect as early as the other provisions of the Act; the Government's intention is to bring it into force on 1 November 1984.

Section 3 also provides that an employee who cannot be fairly dismissed for non-membership of a trade union in a closed shop cannot be fairly dismissed either for refusing to make payments to the trade union or some other body or person in lieu of union membership.

COMPENSATION FOR CLOSED SHOP DISMISSALS AND DISMISSALS FOR TRADE UNION MEMBERSHIP AND ACTIVITIES

Section 4 introduces a minimum basic award of compensation of £2,000 for people who are unfairly dismissed because of their non-membership of a union or because of their trade union membership or activities. This minimum may, however, be reduced on account of matters such as the employee's conduct before dismissal.

Section 5 creates a new 'special award' of compensation which will be payable to some people who are unfairly dismissed because of their non-membership of a trade union or because of their trade union membership or activities. The special award will be made where the unfairly dismissed employee asks the tribunal to order his reinstatement or reengagement but no reinstatement or reengagement occurs. Where the tribunal decides not to make an order for reinstatement or reengagement, the amount of the award will normally be 104 weeks' pay subject to a minimum of £10,000 and a maximum of £20,000. Where the tribunal makes an order, but the employer refuses to reinstate or re-engage in accordance with it, the amount of the special award will be 156 weeks' pay subject to a minimum of £15,000. In both cases the special award is additional to any basic or compensatory award. The special award may, however, be reduced on account of matters such as the employee's conduct before dismissal.

Section 6 is concerned with the situation where an employee who is found to have been unfairly dismissed for non-membership of a trade union or because of his union membership or activities broke a requirement in a contract or some other agreement that he must be a member of a union. It also covers the case of a requirement not to be a member or not to take part in union activities. The section provides that in such cases the fact that the employee broke the requirement is not to be a reason for reducing the amount of any compensation for unfair dismissal which is awarded to him.

JOINDER

Section 7 enables an employee who is claiming that he has been unfairly dismissed for not being a member of a trade union to "join" as a party to unfair dismissal proceedings a trade union or other person in certain circumstances. These are where he claims that the union or person concerned put pressure on his employer to dismiss him by calling or threatening industrial action because he was not a union member. Where a trade union is 'joined' in the proceedings and the tribunal finds that it did exert pressure on the employer to dismiss unfairly because the employee was not a union member, the tribunal can award compensation for the unfair dismissal wholly or partly against the union.

INTERIM RELIEF

Section 8 enables people who claim they have been unfairly dismissed for non-membership of a trade union to apply to a tribunal for an order of "interim relief" (which is an order that their contract of employment should continue until their complaint of unfair dismissal is decided). The opportunity to apply for an interim relief order is already available to people who claim to have been dismissed for trade union membership or activities.

DISMISSAL IN CONNECTION WITH A STRIKE OR OTHER INDUSTRIAL ACTION

Section 9 provides that an employee who is dismissed while participating in a strike or other industrial action cannot claim unfair dismissal if his employer (i) has dismissed all who were taking part in the action at the same establishment as the complainant at the date of his dismissal; and (ii) has not offered re-engagement to any of them within three months of their date of dismissal without making him a similar offer.

ACTION SHORT OF DISMISSAL RELATING TO TRADE UNION MEMBERSHIP

Section 10 extends to the circumstances set out in section 3 an employee's right not to have action short of dismissal taken against him by his employer to compel him to be a trade union member in a closed shop.

Section 11 introduces changes in respect of 'joinder' in cases of action short of dismissal taken to compel membership of a trade union which are parallel to the changes introduced by section 7 in relation to joinder in unfair dismissal cases.

UNION LABOUR ONLY REQUIREMENTS

Section 12 makes void any term in a commercial contract which requires a person to use only union labour (or only non-union labour) in fulfilling a contract. It also makes it unlawful to exclude someone from a tender list or to fail to award a contract to him or to terminate a contract with him on the grounds that anyone employed or likely to be employed on work connected with the contract is, or is not, a union member.

Section 13 makes void any term in a commercial contract which requires the contractor to recognise, negotiate or consult with trade unions or trade union officials. It also makes it unlawful to exclude someone from a tender list, or to fail to award him a contract or to terminate a contract with him on the grounds that he does not recognise, negotiate or consult with trade unions or trade union officials.

Section 14 removes immunity from trade unions and other persons who organise industrial action to put pressure on an employer to act contrary to Sections 12 or 13. It also removes immunity from those who organise or threaten industrial action which interferes with the supply of goods or services on the grounds that

(a) work done in connection with the supply of goods or service has been or is likely to be done by non union (or union) members;

(b) the supplier of the goods or services in question does not recognise, negotiate or consult with trade unions or trade union officials.

TRADE UNION IMMUNITIES AND DEFINITION OF TRADE DISPUTE

Section 15 repeals section 14 of the Trade Union and Labour Relations Act 1974. It thus abolishes the special and wider immunities for trade unions and brings them into line with those given to other persons, such as individual union officials. As a result, those who suffer loss because of unlawful action (eg action which is not in contemplation or furtherance of a trade dispute; unlawful secondary action; and secondary picketing) which is authorised by a union will be able to sue that union in its own name for injunctions and seek damages from the union's funds. It will also become possible for the first time to sue a trade union if it is responsible for other unlawful acts whether or not connected with industrial action, such as libel, defamation, negligence, nuisance and breach of duty.

Section 15 also sets out when a trade union is to be regarded as liable for unlawful industrial action organised by its officials. The union is to be held automatically and irrevocably liable for unlawful action authorised or endorsed by its Executive Committee, its President, its General Secretary or any of its officials with authority to call industrial action under the union's own rules. It is also to be held liable for unlawful action authorised or endorsed by its employed officials or any committees to which they report, except where the authorisation is overruled by the Executive Committee, President or General Secretary or the union rules prohibit the official concerned from calling industrial action.

Section 16 sets upper limits on the damages which may be awarded against a trade union in any single set of legal proceedings. The limits, which will apply in all cases except the particular ones involving personal injury or the use of property for which unions may already face awards of damages without any upper limit, are set by reference to the numbers of members in the union concerned. They are:-

fewer than 5,000 members	£ 10,000
5,000 - 24,999	£ 50,000
25,000 - 99,999	£125,000
100,000 or more	£250,000

Section 17 protects certain trade union property from awards of damages, costs or expenses. These include personal property belonging to any trustee, member or official of the union concerned, and, in certain circumstances, property in a trade union's political fund or provident benefits fund.

Section 18 amends the definition of what constitutes a lawful trade dispute as laid down in Section 29 of the Trade Union and Labour Relations Act 1974. It specifies that there is a lawful trade dispute only when workers are in dispute with their own employer and the dispute is wholly or mainly about matters such as their pay, conditions or jobs. The effect of these changes is to exclude from the definition of a trade dispute disputes between a trade union and an employer where none of that employer's employees are in dispute; disputes between trade unions or groups of workers where no employer is involved in the dispute; and disputes which are simply connected with pay, jobs etc and are not wholly or mainly about them.

The section also excludes from the definition disputes relating to matters overseas unless the persons taking industrial action in Great Britain are likely to be affected by the outcome of the dispute as regards their own employment.

Section 19 repeals section 13(2) of the 1974 Trade Union and Labour Relations Act, and alters the section in that Act which translates the term 'tort' into its Scottish equivalent. Section 13(2) has always been regarded as a declaratory provision providing no substantive immunity. Its repeal became necessary because of a court decision which suggested that it provided immunity for workers involved in 'sit ins' and factory occupations.

OTHER PROVISIONS

Section 20 and Schedule 2 change from weeks to corresponding numbers of calendar months or years the periods of continuous employment needed to qualify for certain statutory employment protection rights and payments. These include redundancy, maternity and guarantee payments and the right to statutory notice and to complain of unfair dismissal.

Section 21 contains provisions as to interpretation and with Schedule 3 makes a number of minor amendments to the Employment Protection (Consolidation) Act 1978 and various other amendments which are consequential to the main Bill. The minor amendments are briefly explained in the attached annex.

Section 22 enables the Secretary of State to bring the Act's provisions into effect by order, except for Section 1 and Schedule 1 which come into effect on Royal Assent.

MINOR AMENDMENTS

Part I of Schedule 3 contains a number of minor amendments to the Employment Protection (Consolidation) Act 1978.

Paragraph 1 - unfair dismissal: effective date of termination

This amendment provides that, in cases where an employee has resigned because his employer has broken (or shown his intention to break) a fundamental term of his employment contract, the period of service used for calculating whether he qualifies to bring an unfair dismissal claim is extended by a period equal to his statutory minimum notice entitlement. This brings the position into line with that of workers dismissed by their employers without notice.

Paragraph 2 - Continuity of employment in certain schools

The amendments will mean that a teacher transferring from one type of maintained school to another in the same area keeps entitlement to statutory employment rights already 'earned'; and that a teacher can be eligible for a statutory redundancy payment if his or her job is filled by someone from another type of maintained school in the same area whose job has come to an end.

Paragraphs 3-5 - Insolvent employers: payments to employees

The amendments concern debts due to employees from insolvent employers which are payable out of the Redundancy Fund. They make it clear that certain debts resulting from an industrial tribunal award are payable irrespective of the date of the award, remove uncertainties about the periods for which pay arrears and holiday pay may be paid, and enable the Department of Employment, in certain circumstances, to meet debts earlier than is possible at present.

Paragraph 6 - Application of the 1978 Act to employed spouses

This amendment extends employment protection rights to employed spouses.

Paragraphs 7 and 9 - Interest on tribunal awards

These amendments enable the Secretary of State to provide by order for interest to accrue on awards of compensation made by industrial tribunals or by the Employment Appeal Tribunal.

Paragraph 8 - Interlocutory proceedings before the Employment Appeal Tribunal

It has been accepted practice in the Employment Appeal Tribunal for interlocutory matters to be determined by the Registrar or by a judge sitting alone. This amendment makes it clear beyond doubt in the legislation that the Employment Appeal Tribunal has power to determine interlocutory matters in this way.

Manpower

MR FLESHER

CORRESPONDENCE SECTION

GARDEN ROOMS

POLITICAL OFFICE

PRESS OFFICE

YTS POST IN NO 10

Following the recent announcement about a YTS post being created within No 10, Mr Burkhard of MPO prepared a form of words, approved by MPO and MSC, to assist in handling any correspondence received.

I attach a copy for your information.

Beth Frier

BETH FRIER
PRESS OFFICE

28 April 1983

The Prime Minister has asked me to thank you for your letter in which you say your son/daughter would be interested in working in No 10 under the Government's Youth Training Scheme.

I am grateful for your interest but initial recruitment for the post will, in common with all posts under the scheme, be made through the Career Service or a Job Centre and I am afraid that it is not possible for us to consider individual applications in the way you propose.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

2

CC NO

Prime Minister

LM 28/4

From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

27 April 1983

Dear Geoffrey,

I set down below some thoughts on Norman Tebbit's proposal for a White Paper on Employment Policy.

I agree that it is bound to be compared with the 1944 White Paper on Full Employment. That White Paper was preaching a New Gospel. It was a vision for the future which dominated public thinking for 20 years or more and the distant echos of which are still with us. We have to ask whether we have such a New Gospel to preach today. We have in many areas - in public finance, in the virtues of thrift and enterprise and hard work. But do we have a clear specific Gospel to preach in the case of employment? True, as Keith Joseph says, there are many things we have done, many policies we have advocated which will help. But without any disparagement, they are essentially in the nature of removing obstacles, in changing those attitudes which lead to unemployment. They do not amount to a policy for employment - if by that we mean measures which will reduce the present level of unemployment to tolerable levels in five or ten years. We do not stand alone in this : it is a problem of the Western world as a whole. It reflects also the greater understanding which comes from maturity. In 1944 we thought we knew the answers : today we have learned that we do not. This is not to abandon hope : on the contrary it is recognition that the task is harder than we thought : that we must strive harder, not less.

From the Secretary of State

I believe it would be of great value to publish a White Paper on Employment Policy. We have many individual measures and achievements in which we can take both pride and credit. They are worth setting down in detail, expanding and commending. But we need more than that. We need a corpus of philosophy which will lead us to our goal. If trying to draft a White Paper leads us to develop that philosophy it will be entire gain. I think we should put our hand to the plough.

I am copying this letter to Norman Tebbit and to those to whom he copied his letter of 24 March.

Yours,

Arthur

LORD COCKFIELD

CONFIDENTIAL

Prime Minister 2.

To see

MCS 25/4

MR. SCHOLAR

YOUTH UNEMPLOYMENT AND RELATIVE WAGES

Recent work on youth unemployment by the Department of Employment, which will soon be published in the Gazette, reveals some interesting conclusions. Perhaps the most surprising one (although it's no surprise to me!) is that a 1% reduction in the ratio of youth wages to adult wages will give rise to a 2% expansion in youth employment.

The implication of this is that a reduction of only 5% in the ratio of youth to adult wages would be sufficient to eliminate the youth unemployment problem. This can be calculated as follows:

Suppose the youth unemployment rate is 15%, then if we wish to reduce unemployment by ten percentage points, we need to reduce the ratio of youth to adult wages by five percentage points. This will then give an unemployment rate of about 5%, which might be taken to be about "normal". There are two cautions. If we did reduce relative wages in this way, it would take some time for the full effects to work out. Most of the expansion in employment would have taken place by the end of two years, but it is no "at a stroke" solution. Secondly, some of the additional employment of youths would be likely to be substitutes for adult workers. It would not be pure gain for total employment. The study did not calculate that aspect of the effect of relative wage movements. However, I would add that in my judgement the 2% reaction to a 1% decrease in relative wages is an under-estimate. I would expect the reaction to be rather more.

The other conclusions of the study chart the course of youth wages relative to adults over a period since the Second World War. The main effect is to show that there has been an increase in youth wages, relative to adults, which ceased on a very high plateau in the mid-1970s. More recently there has been a slight slip from the plateau, but it is too early to say yet whether this is a new trend.

AW

ALAN WALTERS
25 April 1983

CONFIDENTIAL

Employmet

18 April 1983

The Prime Minister has asked me to thank you for your letter of the 30 March about Saturday morning opening of Jobcentres. She would be grateful to know the result at the end of the experimental 16 week period, and is grateful to you for letting her know about this in view of the Jobcentre at 60 Ballards Lane, Finchley.

Miss Joy Robilliard
Constituency Secretary

B D Emmett Esq

ks

MANAGEMENT IN CONFIDENCE

cc NO

2

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6620/6690
Switchboard 01-213 3000

Parliamentary under Secretary of State

Prime Minister

To be aware of this experiment. The MSC expect the Civil Service unions to picket some of the jobcentres involved, including the one in Finchley.

WR 15/4

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON
SW1

15 April 1983

Dear Tim,

SATURDAY MORNING OPENING OF JOBCENTRES

As the Prime Minister is aware, the Manpower Services Commission is starting an experiment this weekend to test the cost-effectiveness of opening Jobcentres on Saturday mornings. Since it is possible that there may be some demonstrations by the Unions and some resulting publicity, Mr Morrison has asked me to make sure that some background information is available to the Prime Minister should it be required.

In all, 38 Jobcentres will open on Saturdays for an experimental period of 16 weeks. The Commission and Ministers in this Department consider the extension, which will be closely monitored, particularly valuable to employed people who find it difficult to visit jobcentres during normal weekly hours of opening. Jobcentres not only have their traditional function of bringing together those looking for work and employers, but have also developed a wider role as the main point of contact for members of the public wishing to find out about the whole range of the Commission's services - including training, services to disabled employees and information and advice on employment matters. Many of these services are appropriate to employed as well as unemployed people.

All of the staff working on Saturdays will be volunteers who will receive additional payments in accordance with normal Civil Service rules.

As the Prime Minister is aware, one of the jobcentres included in the experiment is Finchley. Indeed, you will recall that the Prime Minister was consulted before the final decision to include Finchley was taken because the Commission expected that

MANAGEMENT IN CONFIDENCE

any industrial relations difficulties there might receive some press publicity.

The up-to-date position on the industrial relations front is that the experiment is strongly opposed by the trade unions (SCPS and CPSA) who see Saturday opening as an erosion of improvements in staff conditions of service which were secured about 20 years ago. The trade unions have therefore tried to discourage staff from volunteering, although they have had limited success. The CPSA will also be picketing or demonstrating at some jobcentres - they claim about half. The Commission's officials expect heavy picketing or demonstrations at 8 or 9 offices - including Finchley - and local police have been forewarned. However, local managers have been given instructions to avoid any confrontation with pickets or demonstrators and not to seek any intervention by police. Senior staff will be available at the Commission's headquarters in Sheffield on Saturday morning to advise managers on any problems which might arise and both the Secretary of State and Mr Morrison will be available should a Ministerial comment be called for during the day.

The trade unions have made a great deal of play of the fact that the recent Rayner Report on the General Employment Services recommended that opening hours should not be extended on a regular basis, although Lord Rayner himself privately favours Saturday opening as a means of making more effective use of well-sited premises, many of which are in shopping precincts which are busiest on Saturdays.

The trade unions are also suggesting that references to an experiment are a charade and that decisions to make Saturday opening a regular feature and to change staff conditions of service to require Saturday working have already been taken. This is untrue. The Commission is prepared to abandon the idea of Saturday opening if the number of people using the jobcentres on Saturdays is not sufficient to justify the costs. Changes in staff's working conditions cannot be made by management unilaterally and would have to be negotiated with the trade unions on a Civil Service wide basis.

I am copying this letter to Mary Brown in the Lord Privy Seal's Office.

Yours Sincerely

Richard Power

RICHARD POWER
Private Secretary

PRIME MINISTER

MR. HESELTINE'S STATEMENT

Mr. Heseltine's statement on youth training in the Armed Services met a partisan response. The Opposition condemned the scheme while Government backbenchers were enthusiastic in their support. Denzil Davies set the tone for the Opposition by calling the scheme "an insult to the Armed Services and to young people" and saying that what was needed was real jobs (which enabled Mr. Heseltine to say that Mr. Davies was implying that jobs in the Armed Services were not real). The Opposition Members spoke with varying degrees of rancour against the scheme alleging that it was "back to a conscription, ~~with~~ that the Armed Services" and the MSC were against the scheme and that it represented the Government's failure to solve the real problem of unemployment. All the Government backbenchers who spoke, including Mark Carlisle, Antony Buck, Philip Goodhart, Jim Spicer, Cyril Townsend, David Gilroy Bevan, Alan Haselhurst, John Wilkinson and Robert Atkins, gave the scheme an enthusiastic welcome and their main concern was that if it proved a success it should be extended.

The only support from the Opposition benches for the scheme came from Shirley Williams.

Mr. Heseltine's responses to the Opposition were very well received by Government backbenchers who gave him the opportunity to score several political points. Robert Atkins asked, for example, if Labour's opposition to the scheme was not a major political misjudgement. Mr. Heseltine replied that by their standards, no!

TJ.

14 April 1983

Manpower

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~230 7822~~ 218 6169

MO 24(7)

14th April 1983

Dear Tim,

Further to my letter of yesterday's date (not to certain copy addressees) I attach two copies of the final text of the Statement which my Secretary of State will make to the House this afternoon on the participation of the Armed Forces in the Government's Youth Training Scheme.

Copies of this letter and of the Statement go to David Heyhoe (Lord President's office), Murdo MacLean (Chief Whip's office) (5 copies), Brett Bonner (Employment Secretary's office), Margaret O'Mara (Chancellor of the Exchequer's office), David Beamish (House of Lords Whips' office), Bernard Ingham and Richard Hatfield (Sir Robert Armstrong's office). I am sending copies separately to the Speaker's Secretary.

Yours ever,

Barry Neale

(B P NEALE)
Private Secretary

Timothy Flesher Esq

Macnamara

1) no proper jurs
2) compensation
3) funding – MSC
4) ~~Progress~~ Armed forces agenda
5

Heseltine Lab

Civil side OK

STATEMENT BY SECRETARY OF STATE FOR DEFENCE

ARMED SERVICES YOUTH TRAINING SCHEME

Mr Speaker,

With your permission I will make a statement on the participation of the Armed Forces in the Government's Youth Training Scheme.

I have been considering the role of the Armed Forces in the Government's programme to provide training and work experience for unemployed school leavers. The high quality of the training provided by our Armed Forces has convinced me that they should play a part. I therefore propose to make available some 5,200 places for the young unemployed volunteering for such opportunities which will be on the same basis as the Youth Training Scheme. The precise number of places available in the first year will depend on the number of applications and the capacity of the Services training organisation. The young people will volunteer to join one of the Services on a twelve months engagement, part of which will be spent in formal training and the remainder in work experience. All volunteers will receive the same basic training as regular Servicemen and women, and some will go on to learn skills and trades. All applicants for the scheme will be volunteers, will have to satisfy existing entry standards and will be able to leave at any time on 14 days' notice.

F. Atkinson Training in arms — learning not killing

theatre — same as sports

A. Lyon Compulsory consumption

MH Obviously not consumption

D. Gilroy-Beran — congratulations — extension of scheme

BDA Brown Worthy ~~scho~~ employers ~~fre~~ worthy professionals

DD not real jobs

A. Hazelhurst Complicate — reference & help

MH — look at proposal.

Wainwright what kind of training

Wilkinson Expertise

Ken Eastham ? Selection procedure — colleges of further education

R. Atkins wrong political misjudgement → opposition in opposing scheme

Hesketh by their standards → no

They will be Servicemen and Servicewomen and in all but a few respects will qualify for the same benefits as single regulars and under the same disciplines. They will receive, as will youngsters joining civilian employers in the scheme, an allowance of £25 per week. I have decided that a deduction from this will be made for food and accommodation of £10 per week.

The Ministry of Defence will receive the same subvention as civil employers. As the YTS volunteers will pay less than the normal Service food and accommodation charge, my Department will contribute about £1M to subsidise this lower deduction.

In order to give effect to these proposals, I shall be laying before the House Statutory Instruments to amend the appropriate Service regulations. I hope that the scheme may be in operation before September this year.

Mr Speaker, I am sure the House will applaud the willingness of the Armed Services to devote some of their training skills for the benefit of young people. I recommend the scheme to the House.

Denzil Davies — depressing epitaph → create unemployment — putting unfair — no dignity. Back in close queues after 12 months. MSC turned down 2 years ago. Insult to armed forces + young people. Real jobs

Heseltine — Obsessed with running down service; many people will volunteer

Carlisle — Widely welcomed — training
— constructive

S Williams — support — military land — yes
— trainees have no special status
— no new bureaucracy

A. Buck — welcomed — home + abroad

N. Spearing — introduction of new category of service volunteer / equal rate + when / recruit

P Goodhart — congratulate on upcoming MSC
— trainees will have priority

D. Young — criticism of Grant not forces, not first step towards conscription

Jim Spicer — farm scheme — trial run — expansion

Extension
Campaign
Compensation

J. Ashley — rights no compensation

C Townsend — training techniques in services — pilot scheme — review after a year

Tom Leston — better alternatives than drive on forces
V/C

Nelson — support — civil side to MOD

Manpower cc BI WR

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 6169

MO 24(7)

13th April 1983

PM has seen WR

Prime Minister 14/4

WR 13/4

Dear Tim,

I spoke to you yesterday (and to the offices of the Leader of the House and the Chief Whip) and told you of my Secretary of State's proposal to make an oral Statement tomorrow afternoon (Thursday 14th April) on the participation of the Armed Forces in the Government's Youth Training Scheme.

I now enclose, for your information and that of my copy addressees, a copy of the proposed draft Statement by Mr Heseltine. I will be circulating tomorrow morning the final text of the Statement, and I will at the same time provide copies to the Speaker's Secretary and to Sir Robert Armstrong's office.

I am sending copies of this letter to David Heyhoe (Lord President's Office), Murdo MacLean (Chief Whip's Office), Brett Bonner (Employment Secretary's Office), Margaret O'Mara (Chancellor of the Exchequer's Office) and David Beamish (at the House of Lords).

Yours ever,

Barry Neale

(B P NEALE)
Private Secretary

Timothy Flesher Esq

Armed Forces Youth Training Scheme.

DRAFT STATEMENT BY S OF S

ARMED FORCES YOUTH TRAINING SCHEME

Mr Speaker,

with your permission I will make a statement on the participation of the Armed Forces in the Government's Youth Training Scheme.

I have been considering whether the Armed Forces should play a part in the effort to provide training and work experience for unemployed school leavers. The high standards of our Armed Forces, and the quality of the training they provide, have convinced me that they can make a positive contribution to the problem of youth unemployment. I propose to make available some 5,200 places for the young unemployed on the same basis as the Youth Training Scheme. The young people will volunteer to join one of the Services on a twelve months engagement, part of which will be spent in formal training and the remainder in work experience. There will be places in the RN and RAF for some 150 girls. All volunteers will receive the same basic training as regular Servicemen and women, and some will go on to learn skills and trades. In either case I believe that the training and experience they will receive will stand them in good stead when they go on to look for full-time employment.

I should emphasise that the Armed Services now have few problems in recruiting. Against this background acceptance of YTS volunteers is in no sense a return to national service, nor is it a step down that road. We decided long ago on a smaller, highly trained, volunteer regular force, and events have shown that this was right.

The scheme which I am proposing will be fully consistent with that decision. All applicants for the scheme will be volunteers, and able to leave at any time on 14 days' notice.

I plan to review the Services' involvement after one year in the light of experience and to this extent our participation in the scheme will be experimental. In the first year we hope to make available up to some 5,200 places, although achievement of this target will depend upon the number of applications we receive, and the capacity of the Services training organisation to absorb the numbers at the time they apply. In all but a few respects they will be Servicemen and Servicewomen, qualifying for the same benefits as single regulars and under the same disciplines . Since however, their commitment is less, they will receive as will youngsters joining civilian employers in the scheme an allowance of £25 per week. I recognise, however, that to levy the full food and accommodation charges for trainees would leave them with an unacceptably small amount of money, and I am therefore planning to leave them with a clear £15 a week, and require only a flat rate of about £10 per week as a contribution to these charges.

The Ministry of Defence will receive from the Manpower Services Commission the same subvention as civil employers, which will cover the bulk of the costs of the scheme.

A new 12-month engagement will be necessary to allow participation in the Services on the basis I have described and for this purpose I shall be laying before the House Statutory Instruments to amend the Service regulations on enlistment and terms of service. These will need to be available for the scheme to be introduced some time before September this year.

Mr Speaker, I am sure the House will welcome the scheme, and applaud the determination of the Armed Services to devote scarce resources to the need to help with the national problem of youth unemployment. It is a measure of the seriousness with which this Government views the problem that I have agreed that the three Services should assist in this way. I recommend the scheme to the House.

Mr. Butcher
Now announced.

FERB

BF 9/5

PRIME MINISTER

file

YOUTH TRAINING SCHEME RECRUIT FOR NO 10

You will recall discussing with David Young the possibility that we might employ at No 10 a young person under the Youth Training Scheme. We have been considering how such a person might best be employed and we have concluded that the most suitable slot is in the Press Office although we do not rule out the possibility that he or she might assist on a part-time basis elsewhere in the office during some part of the twelve months of the appointment. Romola Christopherson has drawn up a job description (attached) which, I believe, meets the criterion that the Scheme should help young people to "acquire the skills and experience necessary for their working lives": it will give them an enviable insight into the work of a Government information officer and experience of general office administration.

If you wish, you could mention that we will be appointing a YTS trainee to the staff at No 10 as part of your speech to the CBI - it would fit easily into the passage on youth training.

We will have to put the trainee through positive vetting, and they will need to be carefully chosen. David Young and the MSC are of course aware of this and will help us with it.

Content that we should go ahead on this basis ?

F.E.R.B

13 April 1983

Mr Flesher

File

Youth Training Scheme

Thank you for letting me see your minute of 12 April, together with the draft minute to the Prime Minister and the Press Office job description.

The Job description looks formidable. It assumes typing skills which a young recruit may not be able to provide. It also does not seem to me to leave any slack which would enable the recruit to be employed on a part-time basis elsewhere in No.10. But I am very ready to give some thought to how a young recruit could best be employed in Honours should this become a feasible possibility.

13 April 1983

CONFIDENTIAL

CC/NO

Prime Minister

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

MCS 13/4

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

12 April 1983

Dear Geoffrey.

I write to support Norman Tebbit's proposal that a White Paper be drafted on Employment Policy. I have read your letter of 30 March and venture to take a different view to yours.

It seems to me that a draft White Paper gives us the opportunity to bring together a number of factors which tend to be ignored in the generally superficial discussion on the subject. Moreover I have the impression from a not too distant reading of the 1944 White Paper to which you refer that it contained - as indeed did the Beveridge Report - references to almost all the economic and cultural imperatives.

Depending admittedly on the skill and trenchancy of the drafting we would have the chance to lay the basis for a much more informed public debate.

I agree that my approach may make difficult the "short, non-technical document" in question: it might have to be longer than contemplated. Admittedly also, I have a bias from my own attempt to approach the task in a pamphlet I took much trouble in writing called "Conditions for Fuller Employment" which was published while we were in opposition and of which I attach a copy. If I were to rewrite this now - which I do not, I hasten to add, intend, there are other factors I would add.

Already the "why work?" syndrome is widely perceived. The White Paper would give us the chance to explain the "why hire?" syndrome also. It would also enable us to emphasise that competitive pricing depends upon unit labour costs rather than - as you suggest - only the level of real wages. We could also explain why profitability - subject to competition - is the friend and not the enemy of employment. We could also explain the dependence of public services upon a profitable trading base, the crucial importance of entrepreneurship and small firms at a time when the reduction of overmanning in the familiar employments is making available so much labour. We might even be able to explain that investment subsidies - for which unions are always clamouring - are not necessarily sensible

when they upset the balance between capital and labour.

Yet I agree that drafting would take much official time and that there would be a risk of leaks.

Nevertheless on balance I do hope that you will reconsider your point of view.

I am sending copies of this letter to Norman and those to whom Norman copied his.

Yours ever.

Keith

File SW

cc: Mr. Ingham

10 DOWNING STREET

From the Private Secretary

12 April, 1983

Thank you for your letter of 8 April about the announcement on the participation of Civil Service Departments in the Youth Training Scheme. As I told you yesterday, the Prime Minister is content with the arrangements for this announcement set out in your letter.

I understand that Mr. Heseltine has agreed with the Lord President that he should make a statement on Thursday about the participation of the armed forces in the Youth Training Scheme. The Prime Minister is content with this arrangement also, and looks forward to seeing a draft of the statement.

I am copying this to Mary Brown (Lord Privy Seal's Office), Richard Mottram (Ministry of Defence) and David Vere (Manpower Services Commission).

W. F. S. RICKETT

Richard Power, Esq.,
Department of Employment

cc Mr. Ingham
Mr. Scholar
Mr. Joce
Miss Edmunds

Pl. type draft below.

MR. BUTLER

Youth Training Scheme

You will recall that in a discussion with David Young the Prime Minister expressed interest in the possibility that we might employ a young person on the Youth Training Scheme in No. 10. Our preliminary reaction to this was that such a person might best be employed principally in the Press Office. Subsequent consideration has confirmed that impression and I attach a potential job description drawn up by Romola Christopherson. I also canvassed the views of other heads of sections in No. 10; Miss Edmunds thought that there was scope for employing a YTS recruit at least part of the time in Honours but Miss Porter and Miss Dover saw no real scope in Appointments, the Garden Rooms and Correspondence Section respectively. I think that the job description drawn up by Press Office constitutes an adequate basis for proceeding further; the post as described ought to occupy a considerable part of the working week. We should nevertheless bear in mind the possibility of employing any spare capacity on the part of the YTS recruit in Honours and assuming we go ahead perhaps Miss Edmunds could give thought to how the recruit might best be employed.

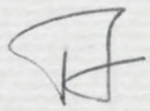
There are two other related aspects to which we should give some attention. Although we have never envisaged that the YTS recruit would be employed in the most sensitive areas of work they would nevertheless need to be positively vetted before joining the staff. This would mean making an exception to the usual rules which require that unless there is no practicable alternative persons under 17 years of age should not occupy PV posts. It follows that considerable care will have to be given to the selection of the trainee. He or she will be the subject of considerable attention by the Press even though the duties envisaged by Miss Christopherson do not include contact with the media. We shall need to keep in close touch with the MSC on the selection process and I have already been in touch with them to discuss preliminary thoughts.

/ We should

We should also ensure that we keep in step with MPO who are, I gather, thinking of a small team of YTS recruits in Cabinet Office and MPO itself.

We should, I think, now report back to the Prime Minister on the state of play. She has contemplated announcing our intention to employ a YTS recruit at No. 10 in a speech to the CBI on 19 April. This would tie in well with Employment's announcement of Civil Service participation in the YTS this week. In my view we ought to make this announcement as soon as possible and Employment see no objection. An early announcement would achieve the desired promotional effect while perhaps taking a little of the heat off the eventual appointee.

If you and the other recipients of this note agree, a draft minute to the Prime Minister recording the conclusions set out therein is attached.



12 April, 1983

DRAFT MINUTE FROM MR BUTLER TO THE PRIME MINISTER

YOUTH TRAINING SCHEME RECRUIT FOR NO.10

You will recall discussing with David Young the possibility that we might employ at No.10 a young person under the Youth Training Scheme. We have been considering how such a person might best be employed and we have concluded that ~~there is greatest scope~~ the most suitable slot is in the Press Office although we do not rule out the possibility that he or she might assist on a part-time basis elsewhere in the office during some part of the twelve months of the appointment. Romola Christopherson ~~Bernard Ingham~~ has drawn up a job description (attached) which, ~~we~~ I believe, meets the criterion that the Scheme should help young people to "acquire the skills and experience necessary for their working lives": it will ~~certainly~~ give them an enviable insight into the work of a government information officer and experience of general office administration.

If you wish, you could ~~announce~~ mention that we will be appointing a YTS trainee to the staff at No.10 as part of your speech to the CBI - ~~I believe you mentioned this possibility when you spoke to Mr. Tebbit about the idea. We could not at that stage of course do more than announce that we will be appointing someone. The selection process will necessarily have to be carried out very~~ it would fit easily into the passage on youth training carefully and the appointee will have to be positively vetted.

If you agree we can include an announcement in your speech to the CBI and in consultation with the Manpower Services Commission begin the process of selection.

We will have to put the ~~chosen~~ trainee through positive vetting, and they will need to be carefully chosen. David Young and the MSC are of course aware of this and will help us with it.

Content that we should go ahead on this basis?

12 April, 1983

MR INGHAM

YTS RECRUIT TO PRESS OFFICE

You asked me to draw up a full-time job description for a potential YTS recruit to Press Office. Bearing in mind Mike Foulds' suggestions and impressive minutes from Beth and Linda (attached), I offer the following for consideration.

1. Prepare and type up weekly list of forthcoming broadcasts (at present done by secondee) and set up TV/radio recordings on instruction.

2. Open Press Office mail, direct as appropriate, and clear out-trays.

3. Routine filing and information retrieval - Press Office bulletins/lobby notes/press digests/press notices/newspapers.

4. General clerical support including

   (a) taking material for typing/bulk photocopying to and from Cabinet Office eg MIO diary, minutes and speeches;

   (b) taking material across to the House for the Lobby;

   (c) directing circulation folders and checking that they do circulate quickly including Cabinet documents, second carbons, information and reading;

   (d) looking after the Press Office tea club.

5. Checking the PA tape and drawing attention to items of interest.

6. Keeping an eye on Press Office equipment, including tape recorder, video recorder, word processors, bleepers to see they are kept in working order.

7. Assisting at photocalls/TV and filming set ups in the Street and within No 10.

8. Routine liaison with Parliamentary Clerk's Office, including picking up Questions, copying notes on supplementaries as they come in and before they are whisked away by Mr Ingham.

9. Assisting with the production and distribution of Press Notices.

Supervision

Being at everyone's beck and call to an extent is inevitable but I am prepared to act as "mother" and do my best to ensure that the recruit is not just doing the things no one else wants to do.

Job Satisfaction

It is important for us all to be sensitive to the need for the recruit to feel that he/she is making a meaningful contribution to

the Press Office.

Accommodation

I suggest that he/she be accommodated in Linda and Beth's room. It will be a squeeze but they are content with this arrangement.

Romola Christopherson

ROMOLA CHRISTOPHERSON
Deputy Press Secretary

29 March 1983

2

Prime Minister

MLS 12/4

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

From the
Minister of State
Norman Lamont MP

The Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Treasury Chambers
Parliament St
London
SW1P 3AG

11 April 1983

Dear Geoffrey

I have seen Norman Tebbit's letter to you of 24 March suggesting a possible White Paper on employment policy. I am commenting in Patrick Jenkin's absence abroad.

While I appreciate the reservations which you expressed in your reply of 30 March I think a White Paper would be a good idea in principle; but it is difficult to make a judgement before we have a draft before us. I therefore think that the right course would be to allow officials to continue their work.

I am copying this letter to Norman Tebbit and to the other recipients of his letter.

Yours

Norman

NORMAN LAMONT

CF / pps pl

MCS 11/4

3 pps

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 24

11th April 1983

PA

Dear Michael,

YOUTH TRAINING SCHEME AND THE CIVIL SERVICE

below

Thank you for your letter of 28th March in which you told us of the Prime Minister's agreement to the limited participation of the Civil Service in the Youth Training Scheme. You will have seen Mr Heseltine's letter of 29th March to Mr Tebbit about the participation of the Armed Forces in YTS in which he referred to MOD involvement also on the civil side. He is content that the Department should explore urgently with the Manpower Services Commission the extent to which we are able to help within existing manpower cover and subject to satisfactory financial arrangements.

In principle we do not foresee any particular security difficulties arising. The normal rules will apply which could mean that attachment to our PE nuclear establishments is ruled out.

I am copying this letter to Barnaby Shaw (Department of Employment) and Jim Buckley (MPO)

Yours ever

Nick Evans

(N H R EVANS)

M C Scholar Esq

Manpower: Special Emp Measures Pt 9.

11 APR 1983

10 DOWNING STREET

From the Private Secretary

11 April 1983

YOUTH TRAINING SCHEME AND THE CIVIL SERVICE

The Prime Minister was grateful for your minute of 25 March about the participation of the Civil Service within the Youth Training Scheme.

As I mentioned to you on the telephone earlier today, the Prime Minister agrees to the extension of the Youth Training Scheme to certain establishments within the Ministry of Defence: Royal Ordnance Factories, Royal Dockyards, Defence Procurement Executive, Repair and Maintenance, and Stores and Depots. The Prime Minister's agreement is subject to there being no objection from the Ministry of Defence on security grounds: I understand that the Ministry of Defence do not, in principle, foresee any particular security difficulties.

I am copying this letter to Barnaby Shaw (Department of Employment), Mary Brown (Lord Privy Seal's Office) and Nick Evans (Ministry of Defence).

M. C. SCHOLAR

David Young, Esq.,
Manpower Services Commission.

ks

Prime Minister. 1.

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6620/6690
Switchboard 01-213 3000

Parliamentary under Secretary of State

Willie Rickett Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

8 April 1983

Dear Willie

When we spoke this afternoon I agreed to provide you with some further information about my Minister's current thinking on the announcement about the participation of Civil Service Departments in the Youth Training Scheme.

As you know, the Prime Minister has now agreed which Civil Service Departments should take part in the Youth Training Scheme. My Minister hopes to announce Civil Service participation in the Scheme on Tuesday, when the Department of Employment is First For Questions. A statement by the Lord Privy Seal and the Minister of State at the Treasury later that afternoon, in response to written PQs, will provide further details. I attach a copy of a draft which has been cleared by the Lord Privy Seal. Bernard Ingham has also suggested, as you know, that the Prime Minister may like to refer to the point during her own Question Time that day if the opportunity arises. I have therefore attached a Background Note which may be useful.

Mr Morrison has discussed the timing of the announcement with our Secretary of State, and both are keen to make it on Tuesday. Three Questions high on the list for answer that day relate to the Youth Training Scheme, and it seems very likely indeed that Ministers will be pressed on the question of Civil Service participation - very possibly by the Government's own supporters. Several members have taken up the point with Mr Morrison recently, by letter and by telephone, and it has been raised at Question Time before. The CBI, too, as you know, have been pressing us on this.

Finally, the Manpower Services Commission continues to face criticism that the Government itself is doing nothing from employers whose help they depend upon to get the Scheme off to a sound start.

I should be most grateful if you could let me know whether the Prime Minister has any objection to what is proposed. A reply

early on Monday would be appreciated because of the need to arrange the Question for written answer on Tuesday.

I am copying this to Mary Brown (MPO), Richard Mottram (MoD) and David Vere (MSC).

Yours Sincerely

Power

RICHARD POWER
Private Secretary

BACKGROUND NOTE FOR THE PRIME MINISTER

The Youth Training Scheme and the Civil Service

1 The Youth Training Scheme will guarantee the early offer of one year's high quality foundation training to unemployed 16 year-old school-leavers. Employed 16 year-old leavers, unemployed 17 year-old leavers and unemployed disabled 18 year-old leavers will also be eligible. The new Scheme supersedes the Youth Opportunities Programme. It started on 1 April and will be fully underway by September.

2 Each programme will continue a planned mix of work experience and training, including a minimum of 13 weeks off-the-job education or training. The youngsters will be provided with a certificate at the end, showing what they have achieved.

3 The Scheme will offer places for 460,000 of this year's school-leavers. About 300,000 of these will be on schemes based with employers. Youngsters leaving school at Easter will not have to wait long for a place.

4 The Prime Minister has agreed that the Civil Service as an employer should play its part in the Scheme, and has identified the following Departments and establishments as suitable:

Royal Mint

Her Majesty's Stationery Office
Ordnance Survey
Export Credit Guarantees Department
Ministry of Agriculture, Commodities Division
Offshore Supplies Office, Glasgow
Forestry Commission
Customs and Excise (particularly at Southend)
Some office/common service areas (including computers)
Government research activities
Manpower Services Commission
Royal Ordnance Factories)
Royal Dockyards)
Defence Procurement Executive (Repair and maintenance facilities Stores and depots)) See paragraph 9 below

5 These Departments will either be able to act as 'Managing Agents', drawing up a co-ordinated programme of training themselves, or to participate by providing work experience placements as part of a training programme arranged by an "outside" agent.

6 Civil Service managing agents will be treated like any other for funding purposes. They will receive £1,850 per place per year, plus £100 as a managing agency fee for each youngster on the Scheme. Departments will also be able to claim the grant for every two youngsters they normally recruit so long as they take on three extra trainees under the Scheme. The youngsters can be treated either as trainees on the £25 per week allowance, or as employees on the normal negotiated rates.

7 The MPO are discussing with MSC setting up schemes in the listed locations, and the trade unions are being consulted. Scheme approvals will be handled in the normal way by MSC. It is not yet possible to say how many places will be offered in the Civil Service.

8 MPO and MSC are discussing the training place to be offered in the Prime Minister's office.

9 The Prime Minister agreed to the inclusion of MOD civilian establishments being included in the list so long as there were no security difficulties. We understand that Mr Heseltine is being advised that security considerations should not rule out schemes in principle in these locations, and MOD hope to move swiftly to make the necessary arrangements.

ARRANGED PQ FOR ANSWER BY MPO ON TUESDAY 12 APRIL /APPROVED BY BARONESS YOUNG/

Q. "To ask the Lord Privy Seal what are the Government's plans for Civil Service participation in the Youth Training Scheme and whether she will make a statement".

A. "The following organisations are considering offering places under the Youth Training Scheme:

Royal Mint
Her Majesty's Stationery Office
Ordnance Survey
Export Credit Guarantees Department
Ministry of Agriculture, Commodities Division
Offshore Supplies Office, Glasgow
Forestry Commission
Customs and Excise (particularly at Southend)
Some office/common service areas (including computers)
Government research activities
Manpower Services Commission
/MOD civilian establishments, including Royal Ordnance Factories, Royal Dockyards and the Defence Procurement Executive/*

* The inclusion of MOD civilian establishments is still to be cleared by Secretary of State for Defence. It is hoped that agreement will be reached on Monday.

cc D. Duchett Mr Scholar

1 Mrs Wakeham
2 D. Stephens

Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 5020
Switchboard 01-213 3000

B Ingham Esq
Press Secretary
Prime Minister's Office
10 Downing Street
London
SW1

8 April 1983

Dear Bernard,

Thank you for your letter about forthcoming YTS announcements.

Your views accord with ours and it is most helpful to know how you see it. I had some doubt about the intended role of the Prime Minister.

It seems to us that by putting the Civil Service and Armed Forces announcements together we would be in danger as you suggest of losing the "good" story of the Civil Service involvement in the rush of publicity - not so easy to handle - that will inevitably surround the Armed Forces announcement.

The way we see it at the moment is that MPO will have an arranged PQ on Tuesday to cover the Civil Service aspects and this will be anticipated by a planted supplementary question during our own question time that same day. The Armed Forces aspects can be left for another day as you mention. It has yet to be sorted out quite how this one will be announced. Our Secretary of State and Mr Heseltine have yet to organise this between them.

The third bite of the cherry you clearly see as the Prime Minister's speech to the CBI and perhaps this is the forum for a first mention of the No 10 YTS contribution.

Given that the Prime Minister is quite likely to get follow up questions during her question time on Tuesday, briefing will be provided.

I am copying this letter to Neville Taylor(MoD), John Stubbs (MPO) and Michael Scholar (No 10).

Yours sincerely

HUGH COLVER
Chief Press Officer

Manpower

10 DOWNING STREET

From the Press Secretary

7 April 1983

Dear Hugh,

I gather that in my absence you have been pressing for views on the YTS announcement.

I am sure the news about the Army will overshadow the Civil Service aspects.

We should therefore aim for two bites at the cherry - or three.

Why not do the Civil Service aspects when, as I understand it, you are first for Questions on Tuesday? The Prime Minister could reinforce that at her Question Time if the opportunity arose. The Defence Secretary could announce the Army aspect on Wednesday or Thursday (and Romola is investigating this possibility).

Finally, the Prime Minister could bring all the threads together in a passage in her CBI speech, if that proved convenient. I hope this is helpful.

I am copying to Neville Taylor (MoD) and Michael Scholar (here).

Yours ever
Bernard

BERNARD INGHAM

Hugh Colver Esq
Department of Employment

cc NO

NBPM

MCS 11/4

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

EARNINGS LIMITS UNDER THE YOUNG WORKERS SCHEME

In his minute to you of 31 March Norman Tebbit proposes that the earnings limits under the Young Workers Scheme should be increased from next July.

2. This is an issue on which it is not easy to strike the right balance. On the one hand, there is the need to avoid any presumption that earnings must always go up, regardless of economic circumstances, and also to underline the link between the employment prospects of young people and the level of minimum wages set by Wages Councils and employers more generally. But on the other hand, there does seem to be a danger that the influence of the Young Workers Scheme could tail off unless the earnings limits are close enough to prevailing rates to exert some leverage over them.

3. I think that the increased limits proposed by Norman are a realistic attempt to reconcile these considerations. They would represent a squeeze in real terms; and, as they would not come into effect until the scheme has been operating for 18 months, they could be presented as consistent both with the public sector pay factor for 1983-84, and with the need to ensure that no precedent for annual increases is established. I would not therefore

/object to what

object to what is proposed, provided that Norman can absorb the estimated cost within his Department's existing expenditure provision.

4. I am copying this to other members of E Committee and to Sir Robert Armstrong.

G.H.
7 April 1983

MR. FLESHER

Will you please refer to your minute dated 29 March about the possible employment at No. 10 of a young person under the youth training scheme.

Any candidate will need to be successfully positively vetted before he/she joins the staff. As the successful candidate will be about 16 years of age, I should perhaps draw your attention to one of the provisions of the "Manual of Personnel Security Measures" which states "unless there is no practicable alternative, persons under 17 years of age should not occupy PV posts". Clearly in this instance, there is no alternative if the project is to go ahead.

Although you state that the appointment will not be made before September, I hope that a possible appointee will be selected long before then. In this case many of the PV enquiries will have to be made of school teachers etc. and experience shows that such individuals are difficult to contact after the end of the summer term. Furthermore, they often do not have access to school records during the holiday period.

As I told you I am concerned that so young an individual should be exposed to the rigours of the Press. The successful candidate will almost certainly become a "target" for the Press when the appointment becomes known. However well-intentioned the individual may be, his/her inexperience could lead to unfortunate results. I am sure this point has already been considered, but I feel I must draw attention to the inherent risk in such an appointment. This risk becomes much less if the individual's work is confined to internal clerical duties.

If the appointment is approved, the successful candidate will need to be very fully briefed by the Press Office and by the Security Co-ordinator.

P.S. Joce

P.S. Joce

5 April 1983

MR FLESHER o/e

YTS RECRUIT TO PRESS OFFICE

Bernard Ingham has had sight of the attached and asked me to pass it on to you for consideration.

Romola Christopherson

ROMOLA CHRISTOPHERSON
Deputy Press Secretary

5 April 1983

CONFIDENTIAL

VC

c. CO TRADE
FCO DES D/IND
HO NIO
HMT MOD
TRANSPORT
CS, HMT MAFF
CDL DOE
D/N LPSO

10 DOWNING STREET

From the Private Secretary

5 April 1983

cc AW

Dear Barnaby,

Earnings Limits Under the Young Workers Scheme

The Prime Minister has seen your Secretary of State's minute of 31 March. Subject to the views of the other members of E Committee, the Prime Minister agrees with Mr. Tebbit's proposals for increasing the earning limits under the Young Workers Scheme.

I am copying this letter to the Private Secretaries to members of E Committee and Sir Robert Armstrong.

Yours ever

John Coles.

J. Barnaby Shaw, Esq.,
Department of Employment.

CONFIDENTIAL

VC

MC

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

John Coles Esq
Private Secretary
10 Downing Street
LONDON SW1

5 April 1983

Dear John

GERMANY: TRAINING SCHEMES FOR YOUNG PEOPLE

Thank you for your letter of 5 April.

The figure of 49% in the enclosure, as you so acutely observed, was a typing mistake. It should have been 68%, as in the accompanying letter. Sorry for any inconvenience caused.

Yours

Brett Bonner

BRETT BONNER
Private Secretary

10 DOWNING STREET

From the Private Secretary

5 April 1983

GERMANY : TRAINING SCHEMES FOR YOUNG PEOPLE

Thank you for your letter of 31 March which I have shown to the Prime Minister.

I wonder if the figure of 49% in the enclosure is accurate? It does not seem to relate to the two other figures therein quoted for Germany.

A. J. COLES

Ms F.M. Everiss,
Department of Employment.

Prime Minister

Please see Alan Walter's minute (flag A) supporting these proposals.

Agree, subject to colleagues?

MCS 31/3

PRIME MINISTER

Yes

EARNINGS LIMITS UNDER THE YOUNG WORKERS SCHEME

I was invited by E Committee on 14 October (E(82)21st Meeting) to consider further the question of increasing these earnings limits, on the basis that any change might be implemented this summer.

At present employers receive £15 a week if the young worker earns less than £40 a week and £7.50 if earnings are £40 or more but less than £45. The £40 limit was set when you announced the scheme in July 1981 and these limits have applied since the scheme began in January 1982. Since the aim of the scheme is to offer employers an incentive to take on more young people at lower wage rates, it would be quite wrong to increase the limits in line with the movement in earnings. But some increase is now called for if the impact of the scheme is to be maintained.

From this autumn the scheme will be complementary with the Youth Training Scheme, which is itself designed to exert a downward pressure on youth wages. Those 16 year olds who are in jobs covered by the YTS will no longer be eligible for the YWS subsidy; and the YWS will be used by more 17 year olds as they come off YTS (which will not count as the first year of employment).

That link with the YTS is likely in any case to lower take up but if the earnings limits remain unchanged I fear that the scheme will lose greatly in influence. Take-up will fall

considerably - now about 110,000, it is likely to fall to 80,000 by March 1984 and to 65,000 a year later. There are a large number of employers at present paying juvenile wages just above the current earnings limits who may well be holding wages down in the hope of qualifying for YWS when the earnings limits rise. The scheme will lose its impact on them and more generally as the earnings limits become too divorced from prevailing rates (as may already have happened in some Wages Councils).

A full uprating in line with earnings movements since January 1982 would take the limits to £45.50 and £50.50 by this summer. That would be too high and I propose an increase to £42 and £47 to be implemented from 1 July. This would be much less than inflation since January 1982 and would maintain the squeeze on juvenile wages while keeping a reasonable proportion of young people in scope. There would be no increase in the current levels of subsidy and the increases in the limits should increase the take-up at March 1984 from 80,000 to 100,000 (only slightly below the current level). This would add £4m to the 1983-84 estimates of £75m but since that figure is highly uncertain I see no need to alter the estimate on this account.

Unless you or other E Committee colleagues see any objection to these proposals, I would wish to announce

them at an appropriate time in April. Setting the implementation date at 1 July will meet the objective of ensuring that we set no precedent for annual increases in the limits and will be in good time to encourage recruitment of summer school leavers and to influence Wages Council discussions beginning in the autumn.

I am sending copies of this minute (the terms of which have been shown to the Treasury) to other members of E Committee; and to Sir Robert Armstrong.

Approved by the Secretary of State
and signed in his absence

31 March 1983

MB

(2)

Prime Minister

A.S.C. 31/3.

Caxton House Tothill Street London SW1H 9NAF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

31 MAR 1985

Dear Mr Coles

GERMANY: TRAINING SCHEMES FOR YOUNG PEOPLE

Thank you for your letter of 28 March.

In the United Kingdom the Youth Training Scheme allowance of £25 a week is 57% of the average wage rate for first year apprentices. In Germany, the allowance for Bundesanstalt courses is 68% of first year apprentice rates. Apprenticeships in Germany cover a much wider range of occupations, including many at the lower end of the earnings scale. I attach a note showing how the figures are derived.

As I explained in my letter of 22 March, Bundesanstalt courses provide for comparatively small numbers of young people.

Yours Sincerely

Felicity Everiss

MS F M EVERISS
Private Secretary

Manpower: SEM's
Pt 9

		UK	GERMANY
A.	Allowance	£25 per week	275 DM a month
B.	Wage rates for first year apprentices	£43.70 (average, for key selected industries)	400 DM a month (average, all industries)
C.	A as a % of B	57%	~~49%~~ 68% ? misprint

CONFIDENTIAL

cc NO

2

Prime Minister

MCS 30/3

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

I fear this will have already been distributed & copied.

Far too widely circulated soon-leaked! MCS

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
London SW1

30 March 1983

Dear Geoffrey,

I have read with interest Norman Tebbit's letter to you of 24 March suggesting a possible White Paper on Employment Policy. I very much welcome the idea, since it could be the vehicle for emphasising the crucial importance of unit labour costs and profitability as central features in the profitable competitiveness on which employment rests.

I hope that it might also emphasise the relationship between employment in the public non-trading sector and the health of the trading base on which such employment rests and which pays for most of it.

But I write particularly to emphasise the hope that if you and colleagues agree with the idea, it could be used also to stress the essential role of entrepreneurs in job creation, and the need for a bigger and bigger crop of them.

I am sending copies to all those to whom Norman copied.

Yours,

Keith

Manpower: Special Emp Measures
Pt 9

CONFIDENTIAL

cc NO

2

Prime Minister

A very negative letter (but I have written round indicating your support for Mr Tebbit's proposal).

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

30 March 1983

The Rt. Hon. Norman Tebbit MP
Secretary of State for Employment

Dear Norman

I disagree with the Treasury

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

MCS 30/3

In your letter of 24th March you suggested that officials be asked to draft, within about a month, a White Paper setting out the Government's policies for employment.

I am very doubtful about this. We published a White Paper last year (Cmnd 8745) in reply to the House of Lords Select Committee Report on Unemployment. We have also recently published a document on the New Training Initiative and a White Paper on Youth Training. As you yourself say, a further White paper would have nothing very new to say. At best, it could bring together our various policies relating to employment and seek to show how they fit coherently into a logical framework.

It would certainly be compared with the 1944 White Paper on Employment Policy, as you say. I very much doubt whether this is the right juncture for us to invite such a comparison, in political or economic terms. Instead of proclaiming "full employment" as a priority objective, the message would have to be that the only way to secure sustainable non-inflationary growth in the economy, at a pace which will eventually feed through into new jobs, is to maintain our medium-term financial strategy. But although this is the right line to take in the context of our overall economic policy, it cannot be presented very positively as a "policy for employment". It will carry more conviction when the trend in unemployment flattens out and begins to turn down, which we all hope to see happening as the recovery proceeds. But paragraph 3.39 of this month's Red Book, and its public reception, show how difficult it is to say anything now about unemployment prospects which avoids criticism.

In a major White Paper we would be vulnerable if we failed to go beyond this and say something about the impact of new technology and high productivity in major industries. Then we could not avoid the standard question: "Where will the new jobs come from?" - and answers in terms of small firms and private-sector services would not be easy to support with plausible statistics. Talk of measures to improve the working of the labour market would also lead straight into the question whether the Government believes that the right way to increase the demand for labour is to lower its price, in terms of real wages. There are also very large questions about how to adapt society and work habits to the "continuing unemployment at high historic levels" which you foresee as the international prospect.

I have no doubt that a serious discussion of these matters would be possible in the right context. But whether it can be done satisfactorily in a "short, non-technical document" on a limited time-scale and in a pre-election atmosphere seems to me highly questionable.

Hence I think it very important that as you say there should be no hint in public about the possibility of publishing a wide-ranging White Paper. We could of course leave the issue undecided, as you suggest, until officials have produced a draft. But the more widely the work is disseminated in Whitehall, the greater the risk of leaks and embarrassment. The outline circulated at official level suggests, I am sure rightly, that a large part would be drafted by the Treasury. I am reluctant to ask my officials to take this on until we are clearer whether or not the work is likely to be wasted. Perhaps we could have a word about this before the main body of the work is undertaken.

I am sending copies of this letter to the other recipients of yours.

GEOFFREY HOWE

Manpower: Special Emp Measures
A9

ECNO

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Norman Tebbit MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

30 March 1983

Dear Norman,

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

I welcome the proposal contained in your letter of 24 March to Geoffrey Howe that we should provide an early positive statement of the Governments strategies towards employment, possibly in the form of a White Paper, and agree that our officials should begin to draft such a document for Ministerial consideration in May.

Copies go to the recipients of your letter.

Yours ever,

George

CONFIDENTIAL

CFM

PA

Caxton House Tothill Street London SW1H 9NAF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

30 March 1983

Dear Michael

UNEMPLOYMENT MEASURES: WORKFARE

Thank you for your letter of 28 March. We will work up the Scheme as the Prime Minister asks. Mr Tebbit has asked me to stress that the fact that we are doing this work is extremely sensitive. I should be grateful therefore if the other recipients of your letter would restrict circulation to the bare minimum, preferably by taking no copies.

I am sending copies of this letter to Tony Rawsthorne (Home Office), Margaret O'Mara (HM Treasury), Jonathan Spencer (Department of Industry), David Clark (Department of Health and Social Security), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

Yours sincerely

Brian Shaw

J B SHAW
Principal Private Secretary

CONFIDENTIAL

Date: 30 March 1983

Politics

MSC Manpower Services Commission

Employment Service Division

Moorfoot
Sheffield S1 4PQ

Tel: 0742 753275
Direct Line: 0742 70 4373
Telex: 547885

From The Chief Executive

Rt Hon Margaret Thatcher MP
House of Commons
LONDON
SW1A OAA

CH/13

Dear Mrs Thatcher

SATURDAY MORNING OPENING OF JOBCENTRES

As part of our efforts to improve our services to the public we shall be opening a number of jobcentres on Saturday mornings for an experimental 16 week period starting on 16 April. We think this extension which we shall monitor closely will be particularly valuable to employed people who find it difficult to visit jobcentres during normal weekly hours opening. Finchley Jobcentre which, I understand, is in your constituency is one of those which is included in the experiment.

Jobcentres not only have their traditional broking function between jobseekers and employers but have developed a wider role as the main gateway to a wide range of MSC services including training, services for disabled employees and information and advice on employment matters. Many of these services are appropriate to employed as well as unemployed people.

On Saturdays we shall provide a reasonably comprehensive service but with the emphasis on providing information and advice to the public as this is where we expect the demand to be. The staff working on Saturdays will all be volunteers and will receive additional payments in accordance with normal Civil Service rules. The number of staff involved will be controlled to match the demands made on the service.

You may see something about the experiment in the press and we shall be advertising locally to let people know the office will be opening on Saturday mornings. I thought you would like to know about this initiative so that you can, where appropriate, draw it to the attention of constituents who attend your surgeries or seek your help in other ways.

If you would like any more information of the local arrangements or more generally about the work of the Jobcentre at 60 Ballards Lane the Jobcentre Manager, Mr B Trevette, would be very pleased to provide it. Needless to say I will gladly answer any more general questions you may have.

Yours sincerely

Margaret A Thatcher

pp B D EMMETT

Employment Service Division
MSC Manpower Services Commission

Community Programme
District Manager's Office Brent/Harrow/Barnet/Camden

292 Kilburn High Road
London NW6 2DB.

District Manager: P G Rees

Tel: 01-328 6543

Rt Hon Mrs M Thatcher, MP
10, Downing Street
London
SW1.

29 March 1983

Dear Mrs Thatcher,

Thank you for your reply to my letter about Community Programme developments in Finchley. At present most of the information I have to hand is on a Borough basis, but as the programme develops I will let you have details of schemes being set up which will assist people living in your constituency.

Currently the number of people registered as unemployed in Finchley is 2,887 of whom 685 are eligible to participate in the Community Programme. The following analysis gives a picture of the long term unemployment problem in Finchley:-

M		F		T		Total Eligible for CP.	Total Unemployed in area.
Age 18-24	Age 25-64	Age 18-24	Age 25-64	Age 18-24	Age 25-64		
188	311	79	107	267	418	685	2,887

From these figures you will no doubt be concerned to note that 267 young people are included in the eligible group. This group qualifies after 6 months unemployment, whereas the older group qualifies after 12 months unemployment. Unfortunately, some of these young people have never enjoyed settled employment and we are therefore particularly anxious to encourage the establishment of programmes which will respond to their needs.

Since October we have been seeking the assistance of the Local Authority and other potential sponsors and so far, within the London Borough of Barnet, we have received proposals for schemes offering over 60 places from the Local Authority and for 6 from other sponsors.

Schemes proposed by the Local Authority include:-

(i) Social Services Department,

Urban Farm Project in connection with Friern Barnet Hospital.

Avenue House, restoration of a historic house to its former state.

(ii) The Education Department,

Cleaning up grounds in 2 spinneys to provide a social amenity to local people when completed.

Improvement of playing fields (not part of L.A. cuts) and

To build an indoor running track at Copthall Stadium.

Employment
Service Division

MSC Manpower
Services Commission

District Manager's
Office

The Local Authority has also agreed to be a Community Programme Agent and in doing so will be able to assist smaller organisations in setting up and running schemes. Apart from the Local Authority most interest is being expressed by Barnet Borough Voluntary Service Council, but at present we are unable to give details of the extent of the Council's commitment.

As you see there is still much to do to create a satisfactory response to the needs of the long term unemployed in the London Borough of Barnet and to this end we are fully committed to market Schemes to all likely sponsors.

Yours sincerely,

P G Rees.

Manpower employment measures

Mr Coles

PA

MCS 31/3

Prime Minister

For inclusion in the CBI or Sheffield speech?

MCS 30/3

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 24

29th March 1983

I think it will have to be announced in the Budget

Norman

Pt 8

When John Nott wrote to you on 1st November 1982, in reply to your letter of 14th October, about the participation of the Armed Forces in the Youth Training Scheme, he said that he was setting a study in hand to see what the extent of our participation might be. We have now completed this, and our officials have discussed the possibilities in some detail.

The Services have expressed serious reservations about participating in the scheme, and I have given a good deal of weight to their understandable reluctance to shoulder burdens involving the diversion of defence resources for tasks which do not directly serve the purposes of Defence. Nevertheless I have come to the conclusion that in the wider national interest of dealing with youth unemployment the Services should participate. The Chiefs of Staff have assured me that if a political decision of this nature is taken, they will do all in their power to make the scheme a success.

On this basis, I believe that we can offer up to some 5,200 YTS places in the Armed Forces in 1983/84 to unemployed 16-18 year olds. Because of the structure and loading of our training, however, only about 1500 places could be offered to 16 year olds. For the same reasons, there will be about 150 places for girls confined to the RN and RAF.

The Rt Hon Norman Tebbit MP

Trainees will be volunteers and recruited through single Service recruiting machinery and sent wherever there are vacancies in the Training Organisation. As a result it will not be possible to provide much choice of unit or location. The majority, after general basic recruit training lasting up to 6 weeks, will be posted to units. Up to about one-third of the trainees will be posted to technical units, and will continue to receive skill training of a type which is perhaps more relevant to employment in civilian life. We do not intend to restrict them from serving abroad or in ships but the scope for this will not be great.

They will not be posted to Northern Ireland because of the rule that soldiers under 18 should not serve in the Province. We should also try to avoid postings to Units due for operational tours in the Falklands. However, there would remain a possibility that, for example, a ship with some trainees on board might suddenly be directed to the South Atlantic for operational reasons. I would not wish this possibility to be ruled out altogether as our general policy will be that the trainees should be treated, so far as possible, on the same basis as their regular colleagues and not as 2nd class citizens. Our aim will be to convey the flavour in our publicity that, while it is by and large unlikely that trainees will serve abroad or in the Falklands, this is a possibility which cannot entirely be ruled out.

Trainees will be subject, by statute, to military law and military discipline. They will in all but a few respects be servicemen and their way of life will be very different, and more restricted, than those who may have joined other YTS in the civil world. We are, however, planning for them to be able to leave after a period of notice not exceeding 14 days. It is not intended to make effective any liability for reserve service, but YTS will be encouraged to volunteer for this, either during or at the end of their engagement.

Provision for a new 12 month engagement will require the laying of Statutory Instruments amending various Service Regulations, and they will be subject to a negative resolution of either House. We must, therefore, prepare ourselves for some debate during that stage, if not earlier. Assuming that an announcement is made shortly, we would hope to bring the scheme into effect sometime before September this year.

We estimate that, with the subvention from MSC in the terms described the direct outgoings of the Department will be more or less balanced. We are looking however at the question of the charges to be raised for food and accommodation in view of the need to ensure that the disparity between the take-home pay of trainees and their regular counterparts is not so wide as to lead to problems of discipline and morale. I should add that our plans and capacity do, of course, vary from year to year, and we cannot at this stage give firm undertakings to provide the same number of places in subsequent years. We are also looking at the longer term financial consequences.

The publicity for these proposals will need to be handled very carefully. In particular, we will need to dispose of the charge that this is conscription in another form. My general approach would be that we have thought very carefully about the scheme, that we are aware of the difficulties but that we cannot ignore the real imperative of 3 million people out of work and the positive contribution the Services can make to alleviate the problem. We would make it clear that we have got rid of conscription and we are not going to re-introduce it. We have decided to go for a smaller, highly trained, volunteer regular force, and any Service scheme for YTS is to be consistent with this objective. This will be achieved by making YTS applicants volunteers and I think I must be able to say publicly that failure to take up a YTS opportunity in the Services, leaving early, or dismissal will not, as in other schemes, count towards any possible suspension of benefits. We would

make it clear that the scheme is experimental. We discussed public handling of the Armed Forces scheme this morning. You told me that you were not planning to make any announcement before Easter and we agreed that we would talk after Easter about the line to be adopted and, in particular, the question of whether an oral Parliamentary statement is necessary.

As regards the MOD's participation in YTS on the civil side I understand that the way for some civil service involvement has now been cleared. Subject to satisfactory further discussions on ways and means I can agree that MOD civil establishments should make a contribution at least as considerable as under the YOP arrangements. This must depend however upon early settlement between MSC and MPO as to the ground rules for this participation. In this connection I am anxious that the valuable schemes we run overseas for the teenagers of Service families - important for dealing, especially in British Forces Germany, with a difficult problem - should continue. I hope you can let me know that YTS will subsume the YOP scheme in this respect, without interruption.

Perhaps you would let me know if the proposals set out above are consistent with your view of the YTS as a whole.

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer and to Barney Heyhoe, and Sir Robert Armstrong.

Yours ever

Michael Heseltine

MR INGHAM

YTS RECRUIT TO PRESS OFFICE

You asked me to draw up a full-time job description for a potential YTS recruit to Press Office. Bearing in mind Mike Foulds' suggestions and impressive minutes from Beth and Linda (attached), I offer the following for consideration.

1. Prepare and type up weekly list of forthcoming broadcasts (at present done by secondee) and set up TV/radio recordings on instruction.

2. Open Press Office mail, direct as appropriate, and clear out-trays.

3. Routine filing and information retrieval - Press Office bulletins/lobby notes/press digests/press notices/newspapers.

4. General clerical support including

   (a) taking material for typing/bulk photocopying to and from Cabinet Office eg MIO diary, minutes and speeches;

   (b) taking material across to the House for the Lobby;

   (c) directing circulation folders and checking that they do circulate quickly including Cabinet documents, second carbons, information and reading;

   (d) looking after the Press Office tea club.

5. Checking the PA tape and drawing attention to items of interest.

6. Keeping an eye on Press Office equipment, including tape recorder, video recorder, word processors, bleepers to see they are kept in working order.

7. Assisting at photocalls/TV and filming set ups in the Street and within No 10.

8. Routine liaison with Parliamentary Clerk's Office, including picking up Questions, copying notes on supplementaries as they come in and before they are whisked away by Mr Ingham.

9. Assisting with the production and distribution of Press Notices.

Supervision

Being at everyone's beck and call to an extent is inevitable but I am prepared to act as "mother" and do my best to ensure that the recruit is not just doing the things no one else wants to do.

Job Satisfaction

It is important for us all to be sensitive to the need for the recruit to feel that he/she is making a meaningful contribution to

the Press Office.

Accommodation

I suggest that he/she be accommodated in Linda and Beth's room. It will be a squeeze but they are content with this arrangement.

Romola Christopherson

ROMOLA CHRISTOPHERSON
Deputy Press Secretary

29 March 1983

VC

MR. JOCE

During a recent discussion with David Young, the Chairman of the Manpower Services Commission, the Prime Minister expressed an interest in taking on to the staff of No. 10 a young person under the youth training scheme. We have been making tentative enquiries and we anticipate that we could occupy someone on the scheme more or less full time in the Press Office. The Prime Minister would like to announce this in a speech to the CBI on 19 April.

Before we proceed, however, I should like to be sure that you are content. In particular, I imagine that we will need to ensure the suitability of the candidate and that for example, he or she will need to be positively vetted. The appointment, however, will not be made before September.

TF

29 March 1983

10 DOWNING STREET

From the Private Secretary

28 March 1983

Dear Barnaby,

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

The Prime Minister has seen a copy of your Secretary of State's letter of 24 March to the Chancellor of the Exchequer proposing a new White Paper on employment policy.

The Prime Minister thinks this would be a good idea, and has expressed the hope that a draft can be produced as soon as possible.

I am sending copies of this letter to Imogen Wilde (Department of Education and Science), John Lyon (Northern Ireland Office), David Edmonds (Department of the Environment), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Jonathan Spencer (Department of Industry), David Clark (Department of Health and Social Security), John Rhodes (Department of Trade), Gerry Spence (CPRS), and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Barnaby Shaw, Esq.,
Department of Employment.

CONFIDENTIAL

File

bc: Mr. Mount

10 DOWNING STREET

From the Private Secretary

28 March 1983

UNEMPLOYMENT MEASURES: WORKFARE

There was no time at the Prime Minister's meeting on unemployment policy on 2 March to deal with your Secretary of State's proposals for a possible workfare scheme, as set out in his minute to the Prime Minister of 9 February.

The Prime Minister agrees that no such scheme should be introduced before the Community Programme has run its guaranteed two years in 1984; but she thinks it would be worthwhile for officials to work up a scheme into a final practical form so that it would be ready if the Government decided to go ahead with it at that stage.

I am sending copies of this letter to Tony Rawsthorne (Home Office), Margaret O'Mara (HM Treasury), Jonathan Spencer (Department of Industry), David Clark (Department of Health and Social Security), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

M.C. SCHOLAR

Barnaby Shaw, Esq.,
Department of Employment.

File

bc: Mr. Mount

10 DOWNING STREET

From the Private Secretary

28 March 1983

UNEMPLOYMENT MEASURES AND FAMILY SUPPORT ISSUES

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 18 February, about possible changes in child benefit and family income supplement.

The Prime Minister does not intend to pursue these child support proposals or the extension of FIS at the present time.

I am sending copies of this letter to Tony Rawsthorne (Home Office), Margaret O'Mara (HM Treasury), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

David Clark, Esq.,
Department of Health and Social Security.

DSG

File

bc: Mr. Mount

10 DOWNING STREET

From the Private Secretary

28 March 1983

UNEMPLOYMENT MEASURES: RULES ABOUT SUITABLE EMPLOYMENT

There was no time at the Prime Minister's meeting on unemployment policy on 2 March to discuss your Secretary of State's ideas about the definition of suitable employment, as set out in his minute to the Prime Minister of 18 February.

The Prime Minister has considered this matter further, and agrees that the DHSS should pursue the possibility of adopting an American style criterion of suitability - i.e. that work should be regarded as unsuitable if the wages are "substantially less favourable to the individual than those prevailing for similar work in the locality". The Prime Minister also agrees that your Department should carry out its own suggestion of an experimental exercise in one or two areas - in interviewing under-25 year olds who have been out of work for six months and seeking out lower paid vacancies for them, as suggested in paragraph 12 of the note attached to your Secretary of State's minute.

I am copying this letter to Tony Rawsthorne (Home Office), Margaret O'Mara (HM Treasury), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

David Clark, Esq.,
Department of Health and Social Security.

File

10 DOWNING STREET

From the Private Secretary

28 March 1983

YOUTH TRAINING SCHEME AND THE CIVIL SERVICE

The Prime Minister has agreed to the limited participation of the Civil Service within the Youth Training Scheme. She has also agreed, subject to your Secretary of State's views about the security implications of the proposal, to the extension of the Youth Training Scheme to certain establishments within the Ministry of Defence: Royal Ordnance Factories, Royal Dockyards, the Defence Procurement Executive, Repair and Maintenance, and Stores and Depots.

B/F

I should be grateful if you would let me know whether your Secretary of State sees any difficulties in this proposal.

I am sending a copy of this letter to Barnaby Shaw (Department of Employment).

M. C. SCHOLAR

Richard Mottram, Esq.,
Ministry of Defence.

FLE SW

10 DOWNING STREET

From the Private Secretary

28 March, 1983

BT

Germany: Training Schemes for Young People

The Prime Minister has seen your letter of 22 March. She would be grateful if you could provide figures to illustrate the statement, in your final paragraph, that "the ratio between training allowances and apprentice wages in the two countries is, however, more nearly comparable, since apprentice wages are relatively much lower in Germany than here.

I am copying this letter to Richard Hatfield (Cabinet Office).

A. J. COLES

Ms. F. M. Everiss,
Department of Employment

NR

1

Prime Minister

If Mr Heseltine is happy with the security implications, and if Mr Tebbit is also content, agree to (a)-(e) being included within YTS?

MCS 25/3

S/C NO.

MSC Manpower Services Commission

Selkirk House
166 High Holborn
London WC1V 6PF
Telephone: 01-836 6126

Chairman: David Young

Your ref:

Our ref:

Date: 25 March, 1983

PRIME MINISTER

Yes

YOUTH TRAINING SCHEME AND THE CIVIL SERVICE

When we met on 1st March and agreed the limited participation of the Civil Service within the Youth Training Scheme, I did say that there might be certain specialised activities falling broadly within the Civil Service which would be suitable for trainees under the Scheme and we agreed that I might put these to you at a later time.

I have now investigated the position and I feel that there are certain establishments within MoD which would be suitable. These would be:

(a) Royal Ordnance Factories

(b) Dockyards

(c) Defence Procurement Executive

(d) Repair and maintenance

(e) Stores, depots.

I appreciate that in some of these installations there may well be security implications which would immediately rule them out but, on the assumption that there are no special circumstances, I would be grateful for your agreement that we could add these establishments to the list.

I might add that I have visited some of the Royal Ordnance Factories and apart from the nature of their product, they are in fact normal industrial concerns and would be very suitable to provide the work experience element of the Youth Training Scheme.

I am copying this to Norman Tebbit.

MCS

Manpower 119

Special Employment Measures

MANAGEMENT: IN CONFIDENCE

MR FLESHER

Your note below about "employing" someone from the Youth Training Scheme.

I have discussed this with Mr Catford and Appointments Section, but we have been unable to think of any tasks which a school-leaver could do and which would be useful training for the future.

JP.

25 March 1983

MR. FLESHER

I have given careful thought to your note of 17 March about accommodating one person from the Youth Training Scheme either in the Garden Rooms or Correspondence Section.

As I mentioned to you yesterday, since the introduction of the micro-computers in Correspondence Section there is not enough work to keep the present complement of staff fully occupied.

As for the Garden Rooms, first one must consider the confidential nature of at least a part of the work. Secondly I cannot see this being a starter from the secretarial point of view because of the special nature of the work and the system and, of course, the 'person' would need to be a Grade I shorthand-typist.

Given that it is acceptable on security grounds to permit an outsider into the Garden Rooms I suppose a trainee could be employed in sorting the post, assisting me in the daily routine of the Bring Up system and opening files but, as you will appreciate, this would only take up a couple of hours per day.

Have you thought that Sue Goodchild might be a contender?

Kay Dover

25 March 1983

010

SP

CONFIDENTIAL

CC NO 2

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Prime Minister

Mr Tebbit proposes a new Employment White Paper (on the lines he mentioned to you).

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

I hope the Chancellor will welcome this.

24 March 1983

MCS 24/3

Dear Geoffrey,

POSSIBLE WHITE PAPER ON EMPLOYMENT POLICY

I have been considering what more might be done to communicate our policies for employment as a positive and practical strategy. I believe that our policies are generally recognised to be sensible and realistic, and our refusal to promise what cannot be delivered is applauded. But I think it would be useful to underpin what we have been saying individually with a formal Government policy statement, perhaps in the form of a White Paper.

This document would not announce any major new initiative - though it might prove a convenient vehicle for one or two similar items. Its main purpose would be to bring together in one place a coherent presentation of existing and interlocking policies affecting employment. The aim would be a short, non-technical, document including a number of simple charts to illustrate the main points.

I have in mind that it might rehearse the Government's basic economic strategy, in the way that the 1944 White Paper on Employment Policy did at that time. It might review the world scene and our position in it, and set out our policies for improving competitiveness and encouraging innovation in industry. It would review trends in employment and unemployment and set out the whole range of our policies for improving the working of the labour market, including our policies on industrial relations and employee participation as well as for vocational education and training and the special employment measures.

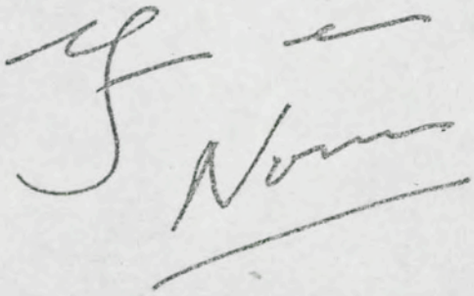
I think there should be considerable emphasis throughout on international comparisons and the lessons to be drawn from them.

CONFIDENTIAL

The conclusion might be that all Western countries are facing particular difficulty at the present time and the likelihood of continuing unemployment at high historic levels, that we in Britain had been singularly ill-prepared for this but are now on course for gradual but sustainable recovery, and that the Government's policies are both realistic and humane.

Such a document would, of course, require collaboration between a number of Departments. If you agree I would suggest that my officials should take the lead, inviting contributions and comments from the Treasury and others concerned. I would hope they could have a draft ready for our collective consideration by early May. In the meantime I very much hope we can avoid any inconsidered public references to the possibility of this document being published.

I am copying this to the Prime Minister, Keith Joseph, Jim Prior, Tom King, George Younger, Nicholas Edwards, Patrick Jenkin, Norman Fowler and Arthur Cockfield, John Sparrow at CPRS, Ferdy Mount at the No 10 Policy Unit, and Sir Robert Armstrong.



1. MISS CHRISTOPHERSON

2. MR INGHAM

YOUTH TRAINING SCHEME RECRUIT FOR PRESS OFFICE

The Scheme

"The Youth Training Scheme is a year long programme of planned work experience integrated with work related training or further education. It is designed to cater for young people of all abilities to help them acquire the skills and experience necessary for their working lives." (MSC leaflet YTS L2).

I'm not sure your minute of March 18 takes into account the above. What would the office "manager's" job consist of if the YT takes over all the dross bits, bearing in mind that the office "manager" is not a press officer? Every one has to do tasks which they don't particularly enjoy and it doesn't seem fair to give a YT person the majority of them.

We need to take account of public/press attention and therefore need to show that the aims of the Scheme are more than being met. The last thing we want is a disaffected youth selling stories of "hell hole in No 10" and "I was nothing but a slave" etc, to D/Star at end of stint.

More thought needs to be put into the actual job the YT will be doing. The person will have to feel that he/she is making a worthwhile contribution to the office. The YT must be capable of:

- typing (whatever the sex of the person);
- doing routine tasks (and be warned about the boring side of any job before starting);
- taking on his/her own special responsibility (see Beth's minute).

Someone is going to have the job of supervising the YT. I suggest only one person should have the responsibility.

Most important: we must not use the person as a dogsbody (which is not as easy as it sounds). The majority of people seem to think that if a person is 16 and in their first job, no matter what qualifications they have, they are going to be satisfied with just running about pohtocopying, collecting papers, etc. This will that person's first ever chance of seeing how an office works. We have a great responsibility in helping the YT take his/her first steps into the "outside" world.

LB.

LINDA BOND
23 March 1983

1. MISS CHRISTOPHERSON

2. MR INGHAM

YOUTH TRAINING SCHEME RECRUIT FOR PRESS OFFICE

I have seen the proposal to bring someone into Press Office under the Youth Training Scheme. I am also aware of Michael's submission via Romola and would like to take the opportunity of presenting a few ideas of my own.

I assume that we will be dealing with a youngster facing his/her first job and I think we should all try to remember the pretty daunting prospect that is, coupled with the "No 10" aspect. The list Michael provides does sum up relatively simply tasks but I think that, given the size of it, YT would be left with a feeling of confusion rather than contribution. Real work experience should be something more than a list of the things no one else wants to do. My proposal is, therefore, to look for a clerk/typist and give YT the opportunity to follow a job through to a meaningful and satisfactory conclusion eg consult the diary and note current events, prepare press notices on them, run copies off, distribute to Lobby members/COI; set up TV/radio recordings and prepare POBs as a result of follow-up press reaction; type forthcoming events and be encouraged to note their press appearance and how we pinpoint them in the press digest - YT could prepare the annex for the digest (work going direct to PM!).

I think this approach provides the elements YTS aims for - a work experience which gives the opportunity to apply and acquire skills and job satisfaction. It also helps Press Office. Isn't that what it's all about!

Beth Frier

BETH FRIER
PRESS OFFICE

23 March 1983

10 DOWNING STREET

Prime Minister

Your unemployment meetings

There are some loose ends:

1. Workfare. Please see Mr. Tebbit's minute of 9 February (flag A). Agree to Ferdie's suggestion at X (flag B)? Yes MT

2. Rules about suitable employment. Please see Mr Fowler's minute of 18 February (flag C). Agree to Ferdie's suggestion at Y (flag B)? Yes

3. Extending FIS and introducing

PTO.

a new CTA or family responsibility allowance.

Please see Mr Fowler's minute of 18 February (flag D). Yes

Agree to allow this to rest for the time being?

MCS 23/3

(2)

Prime Minister

A.J.C. 23/3.

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

22 March 1983

Dear Mr Coles

I understand that the Prime Minister has asked urgently for information on the current allowances paid to young people on Government training schemes in Britain and Germany, and how these compare with average wages.

Allowances under the Youth Opportunities Programme are currently £25 per week. The same allowance will, subject to a review this summer, be paid under the Youth Training Scheme which will replace YOP progressively from 1 April. £25 is 21% of the latest (October 1982) figure of average earnings for manual employees in manufacturing industry (£119.50).

In Germany, the Federal Employment Institute (Bundesanstalt) run a range of somewhat similar courses, but catering for much smaller numbers. The current (means tested) allowance is 275 DM a month (at the current exchange rate, about £18.30 per week). This is 11% of the average earnings for manual employees in manufacturing.

Figures please MT

The ratio between training allowances and apprentice wages in the two countries is, however, more nearly comparable, since apprentice wages are relatively much lower in Germany than here.

I am sending a copy of this letter to Sir Robert Armstrong's office.

Yours Sincerely

Felicity Everiss

MS F M EVERISS
Private Secretary

22 March 1983 B
Policy Unit

PRIME MINISTER

Prime Minister

MCS 23/3

UNEMPLOYMENT MEASURES

Your meeting on 2 March dealt with the schemes which were announced in the Budget. There remained four longer-term matters left over from the original meeting on 23 December. Since the only action demanded is for further work by officials, I don't think you need another meeting (except on the related issue arising out of iv.).

i. Workfare. This could not realistically be introduced until the Community Programme was fully under way. As Norman Tebbit points out, to be sure of finding enough jobs, it would have to be restricted to the 18-24 age group. Even then, it would need considerable preparation.

This is what Mr Tebbit himself proposes MCS

We suggest that officials should be asked to work the scheme up into practicable form to be ready if it were decided to go ahead after the Community Programme has run its guaranteed 2 years. X

ii. The rules about suitable employment. The DHSS admits that the present rules are not what they would have chosen.

The difficulty is to produce an alternative criterion of "suitability" which does not imply some kind of national minimum wage. As the DHSS indicates, the most promising answer lies along the American definition of work as unsuitable if the wages offered are "substantially less favourable to the individual than those prevailing for similar work in the locality" - ie any kind of work must be considered, but only if the wages offered are not too far below the local going rate for the job.

We suggest:

(a) that the DHSS should be asked to pursue the possibility of an American-style criterion of suitability;

(b) the DHSS should carry out its own suggestion of an experimental exercise in interviewing under-25s who have been out of work six months and seeking out lower-paid vacancies for them. Y

iii. Labour market information and analysis. You approved Norman Tebbit's proposals in correspondence.

iv. Future policy on Child Benefit and Family Income Supplement. The immediate priority of lifting Child Benefit up beyond its May 1979 level has been satisfied. But the longer-term difficulty remains. Treasury Ministers do not wish to re-inject child support back into the tax system. Their goal is to strip the system of all allowances, except the personal allowance, in preparation for a long-term switch to ITTA. There are some in the Inland Revenue and the DHSS who do see some merit in a Child Tax Allowance or Family Responsibility Allowance. But the prevailing view favours the status quo. Even the more modest (though still expensive) option of improving the FIS taper runs into considerable opposition from the Chancellor. If we go for ITTA, the pressure to increase Child Benefit out of the proceeds of the married man's allowance would become intense. We therefore have to consider together the two questions of husband-and-wife taxation and child support. If we are to accept Child Benefit as the principal form of child support, then I believe we must redefine it more clearly.

When the Government surrendered in 1972 and paid Child Benefit through the Post Office and not the pay packet, the Government also tamely accepted the definition of it as a "benefit". Yet it was a merger of two things, neither of which had ever been either a National Insurance benefit or a means-tested form of assistance to the poor. We intended it to be a tax credit. Why don't we call it a Child Credit - and mention it on the pay slip (perhaps even offering the option of payment with the pay packet)?

Now that the Budget is out of the way, the Chancellor would like to discuss ITTA with you. The Guardian leaks of his original paper and of the discussion in the Family Policy Group might increase the pressure to resolve this issue, one way or the other.

FERDINAND MOUNT FM

Cf –
pse file +
Bf in
2 weeks
DT.
28/3

Management in Confidence

Mr Flesher

Your minute of 17 March about the possibility of accommodating one person from the Youth Training Scheme within the staff at No 10.

We should welcome such a person in the Honours Section. We consider that we could provide scope for training and should be very ready to do so, assuming that we are not considered to be too sensitive an area.

AC

17 March 1983

BOE

file
Mappower

MR. INGHAM

Two weeks ago we had some brief discussions about the possibility that we might accommodate one person on the Youth Training Scheme within the staff at No. 10. You expressed some enthusiasm about the idea and I wonder whether we could now go a little further. In particular I think we need to spell out in some detail a job description for a potential YTS recruit together with an approximation of the amount of time which they might expect to spend in the Press Office. If you could employ someone full time, so much the better; if not, I imagine that we will be able to find additional duties elsewhere in No. 10.

Would the best way of proceeding be for one of your staff to draw up such a job description with a view to discussion between you and me at some convenient stage?

T. FLESHER

17 March 1983

MISS PORTER
MISS EDMUNDS
MISS DOVER

During a recent discussion with Mr. David Young of the Manpower Services Commission, the Prime Minister expressed interest in the possibility of accommodating one person from the Youth Training Scheme within the staff at No.10. She recognised that there will be a number of practical difficulties about this but asked that we should seek to arrange it. The objective would be to use a school-leaver in such a way as would provide good training but without, I imagine, giving access to very sensitive material. The Press Office is probably the principal contender in this respect.

I should, however, be grateful to know whether you see any possibility of accommodating, for however short a period of the working week, someone on the YTS. Such a person would, of course, be entirely additional to our present complement and would not in any sense be taking over the duties of existing staff. He/she might therefore best be employed on tasks which are not performed at present or performed less well than we should like.

Perhaps you could let me know whether you see any scope in the Section for which you are responsible.

TF

17 March 1983

SP

P. O. pps

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Caroline Stephens
Private Secretary
10 Downing Street
LONDON SW1

16 March 1983

Dear Caroline

Thank you for your letter of 14 March.

Mr Tebbit did indeed write on 18 February to all Members of the House of Commons inviting them to visit a Community Programme Exhibition in the Upper Waiting Hall between 28 February and 4 March.

... I enclose for your information a copy of Mr Tebbit's letter.

Yours Sincerely

Felicity Everiss

MS F M EVERISS
Private Secretary

Manpower

Mr Rickett

Nah. No sweat.

NOTE FOR THE RECORD

cc Mr Scholar

No objection to see the colour of their stuff. Huh?

MCS 16/3

MR RICKETT

MSC

Norman Stone, Head of Information at the MSC, telephoned me today to say the Prime Minister, in her recent meeting with his chairman, had mentioned the need to keep her briefed on Youth Training for speeches and Question Time.

He asked what we required.

I suggested he should provide the following service (which he might put through me):

- a 1 or 2 page digest of essential points about the YTS;
- good news points about the YTS which they would like the Prime Minister to put over, whether in Questions or speeches, and about which the MSC is confident; and
- the essential facts about running news stories which may or may not be helpful to the YTS, or which did not do it justice, so that the Prime Minister might be closely informed, especially for Questions.

I appreciate that this may cut across your arrangements with D/Employment. But Mr Young is clearly anxious to follow up his links with the Prime Minister to ensure she is fully briefed. I hope you are content with the arrangements.

B. INGHAM

16 March 1983

FILE

10 DOWNING STREET

From the Private Secretary

14 March, 1983

I enclose a copy of a letter the Prime Minister has received from the Manpower Services Commission. I should be grateful if you could confirm that the Secretary of State for Employment has invited Members of Parliament to visit the Community Programme Display at the House of Commons as we have no trace of the invitation here.

CAROLINE STEPHENS

Ms. F.M. Everiss,
Department of Employment

SECRET

2

cc JV

Prime Minister (2)

Good.

MCS 9/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1H 9NA

9 March 1983

Dear Secretary of State

PM's Box

Thank you for your letter of 7 March about the proposed modifications to the Job Release Scheme, and the extension of the Enterprise Allowance on the basis agreed at the Prime Minister's meeting last Wednesday.

I am grateful for your offer to make offsetting savings of £4 million in 1983-84 and £4.5 million in 1984-85. And I welcome your assurance that the eligibility age for full-time job release will revert to 64 in March 1984, as planned, and remain at that age thereafter.

As you know, I think it is important that only the net public expenditure cost of the measures should be scored in the Budget arithmetic. This means, in effect, that Norman Fowler's programme will have to be adjusted in line with the savings on benefit payment implicit in your estimates of net cost. I understand that these estimates have been fully discussed with Norman's officials. On this basis, I propose to incorporate the reductions in unemployment associated with the new schemes in the revised economic assumptions which we have to provide for the Government Actuary. These assumptions will be adopted for the adjustment of programme expenditure early this summer.

I should be grateful if Norman - to whom a copy of this letter goes - could confirm that he is content with these arrangements. Assuming that he is, I can agree to the part-time job release scheme as proposed.

I am also copying this letter to the Prime Minister.

Yours sincerely

J St. Giles

for LEON BRITTAN

[Approved by the Chief Secretary]

SECRET

Manpower, Employment Measures, 1979.

JO

SECRET

Manpower (2)

cc JV.

Prime Minister

Net cost of the Part-time Job Release for 62-65 year olds now agreed at £-2m in 1983-84, £4m in 1984-5 and £12m in 1985-6.

MCS 7/3

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
LONDON
SW1

7 March 1983

D Leon.

JOB RELEASE AND ENTERPRISE ALLOWANCE SCHEMES

I undertook at our meeting with the Prime Minister on Wednesday to work out the costs of the modifications to the Job Release Scheme that she suggested; and also to see what contribution I might be able to make towards those costs.

I set out on the attached sheet the additional costs of the JRS Scheme over and above the existing PES provision. The figures of net additional expenditure represent the gross cost less the savings in social security benefits which flow from the reduction in the unemployment count as an effect of the operation of the Scheme. These figures relate to the proposal that a part time JRS Scheme should be introduced from 1 October this year with an eligibility age of 62 for men (59 for women and 60 for the disabled) and would accompany the present full-time JRS Scheme with its main eligibility age of 62 until 31 March 1984. From 1 April 1984 until 31 March 1985 the full-time Job Release Scheme would have its main eligibility age cut back to 64 (the ages for women and the disabled remaining unchanged) and the part-time scheme would continue from age 62.

The attached sheet also contains the estimates prepared interdepartmentally for the cost of running a cash limited national Enterprise Allowance Scheme from 1 August this year (1 July is operationally impossible) until 31 March 1984 on the basis agreed at the Prime Minister's meeting.

In both cases the figures both of gross and net additional expenditure have now been agreed by our officials.

I am happy to say that I have been able to identify some contributions that I can make towards offsetting the additional costs of these schemes. In the case of the Enterprise Allowance there is an additional cost for extending the present five pilot schemes from

SECRET

1 March until the national scheme starts on 1 August this year; and I propose that that cost should be met from within the figures that we are setting for the national scheme as shown on the attached sheet. Secondly, I am prepared to undertake that the additional £4m gross expenditure in 1983-84 required for introduction this year of the part-time JRS Scheme will be contained with the existing estimate - though the vote is not cash limited and the final outturn must depend on the size of the case load. Finally, I am prepared to make a policy change on the timing of our commitment to increase the maternity pay allowance to take account of the removal of the earnings related supplement. £4½m is at present included in PES for the cost of the movement towards this in 1984-85. I am prepared to cut out the movement towards restoring the full value of the allowance in that year and to move in one step to the full restoration in 1985-86.

nil net or a minus figure! MCS

I hope that you will on this basis be able to accept the JRS proposal as it emerged from the Prime Minister's meeting.

I am sending copies of this letter to the Prime Minister and to Norman Fowler.

Yours
Norman

EXPENDITURE ESTIMATES FOR JRS AND ENTERPRISE ALLOWANCE SCHEMES

A. PART-TIME JOB RELEASE SCHEME

The following estimates provide for

(a) introduction of part-time JRS for men aged 62 (as well as women aged 59 and disabled men aged 60) from 1 October 1983 to 31 March 1984 and from 1 April 1984 to 31 March 1985; and

(b) reversion to full-time JRS for men aged 64 (as well as women aged 59 and disabled men aged 60) from 1 April 1984 to 31 March 1985.

			£ Million
	1983/84	1984/85	1985/86
Additional gross expenditure	4	39	58
Net Additional expenditure	-2	4	12
Additional unemployment effect (end-year)	14,000	40,000	25,000

B. ENTERPRISE ALLOWANCE SCHEME

The Following estimates provide for cash limited national scheme open for applications from 1 August 1983 to 31 March 1984

		£ million
	1983/84	1984/85
Gross expenditure	25	29
Net additional expenditure	17	20
Unemployment effect (end year)	8,500	-

Manpower: Special Emp. Measures

Atg

SUBJECT

file

BM/MJ

cc: DM
DHSS
CS, HMT
CPRS
Mr Gregson, CO

Mr Hatfield, CO
Manpower
Mr Vereker

cc Master

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

3 March 1983

Unemployment Measures

The Prime Minister held a meeting yesterday afternoon to discuss various matters arising from the reports on unemployment by the CPRS and the No. 10 Policy Unit which had been the subject of discussion at her meeting on 23 December 1982. The Chancellor of the Exchequer, the Secretary of State for Employment, the Secretary of State for Social Services, the Chief Secretary, Treasury, Mr. Sparrow (CPRS) and Mr. Gregson (Cabinet Office) were present. The papers before the meeting were a minute from the Secretary of State for Employment dated 9 February and a minute from the Secretary of State for Social Services dated 18 February, together with a CPRS paper dated 28 February.

Temporary Short-time Working Compensation Scheme

It was argued that this had been a popular and helpful scheme, and might usefully be extended for a further year. Against this it was suggested that within the likely resources available for measures to assist employment this was not the best option. It was implausible that a job which had once been in jeopardy for six months, and had since been preserved for three years, should again be genuinely in jeopardy for six months. The proposal was, therefore, a concealed general operating subsidy to employers and had a greater cost than that given in the Secretary of State for Employment's minute. Summing up this part of the discussion, the Prime Minister said it was agreed that the scheme should not be extended to cover "second comers" from April 1983; nor should the life of the scheme be extended to March 1985.

Enterprise Allowance

It was argued that the enterprise allowance was, unlike the Temporary Short-time Working Compensation Scheme, fully consistent with the thrust of the Government's economic policies. It was widely popular (both the Institute of Directors and the TUC had expressed support). The cost per job was often overstated, since

/ the costing

the costing was frequently based on the assumption that no enterprise thus funded lasted beyond the first year. On the modest assumption that only one in four jobs survived and enjoyed an average life of three years, the cost per job was no more than £700. The five pilot schemes currently under way were showing some encouraging results, and suggested that the deadweight and displacement effects were less serious than had been feared: average benefit level of 2,000 successful applicants had been £37 per week, and after twelve months each new firm had generated 0.35 additional jobs, the majority in construction and in services. All these considerations pointed towards extending the scheme on a national bssis. But there was no provision in the Public Expenditure White Paper for such an extension. The Prime Minister said that it was agreed that the present Enterprise Allowance Scheme be extended on a nationwide basis, for 1983/84 only, and under a firm cash limit of £25m gross additional expenditure in 1983/84, which was equivalent to £16.66m net after taking account of savings on the social security programme (but not taking account of any additional tax flowbacks). This represented 50 per cent of the cost of a full nationwide scheme. The funds should be allocated on a regional basis, taking account of the level of unemployment in each region, on a first come, first served basis. It was recognised that the additional expenditure in 1983/84 would generate additional expenditure, too, in 1984/85, since the twelve month allowance in respect of new entrants towards the end of 1983/84 would extend into 1984/85. But there should be no commitment to take on new entrants in 1984/85, and it would be desirable to keep the scheme under close review during 1983/84, in order to reach a judgment about whether the level of provision which should be agreed was justified.

Measures relating to the over-60's

After discussion, the Prime Minister said it was agreed that there should no longer be a requirement for unemployed men over 60 to register purely to secure contribution credits. It was expected that this would remove 75,000 from the register from April 1983, at a cost of £2m. It was also agreed that the long-term rate of supplementary benefit should be awarded to men on supplementary benefit over 60 straight away instead of requiring them to qualify by year on benefit at a lower rate. This was expected to remove 42,000 from the register by June 1983 at a cost of £27m. The Prime Minister said that she hoped that these two measures could be combined with a decision on the job release scheme so as to create a coherent retirement package for the employed and unemployed over the age of 60. The part-time job release scheme was attractive in that it offered the dignity of interim retirement status. After discussion, the Prime Minister said that she favoured the conclusion that there would be no change to the decision that eligibility for the full-time job release scheme would fall back to age 64 in April 1984; but that the option of part-time job release for those in the age range 62 - 65 should be introduced from the autumn of this year and retained next year. The costs of such a decision, however, were not clear. The Chief Secretary and the Secretary of State for Employment should, therefore, agree the costs of this

/proposal,

proposal, so that the group could reach a final decision on the matter.

I am sending copies of this letter the Private Secretaries to those present at the meeting and to Richard Hatfield (Cabinet Office).

Miss Margaret O'Mara,
HM Treasury

Employment Service Division
MSC Manpower Services Commission

Community Programme
District Manager's Office
Brent/Harrow, Barnet & Camden
292 Kilburn High Road
London NW6 2DB.

District Manager: P G Rees

Tel: 01-328 6543

Rt Hon Mrs Margaret Thatcher, MP
10, Downing Street
London
SW1.

2 March 1983

Dear Mrs Thatcher,

I understand that the Secretary of State for Employment has invited Members of Parliament to visit the Community Programme Display at the House of Commons.

As the M.S.C. is now engaged in Marketing the Programme to Local Communities I am writing to M.P.s in North West London offering to supply them with information about the Programme in their constituencies.

If you wish to hear about developments in Finchley I would be very happy to let you have a report.

Yours sincerely,

P G Rees

P G Rees.

Manpower.

CONFIDENTIAL

Mem Ack
2-6 AH
cc Mr Joce

10 DOWNING STREET

From the Principal Private Secretary

2 March 1983

Dear John,

I attach a copy of a letter which Michael Scholar has written to Barnaby Shaw which includes, as you will see, the suggestion that No 10 might offer a place for someone on the Youth Training Scheme. The letter has been copied to Mary Brown and may reach you by that route, but I wanted to make sure that you saw it on the establishments side.

We are thinking about areas of No 10 in which we could use a school leaver in a way which would provide good training for them without giving them access to very sensitive material. The press office or the correspondence section may be possibilities: I will keep you in touch with the development of this idea.

Yours ever,

Robin Butler

J W Stevens Esq.,
Cabinet Office.

AH

CONFIDENTIAL

FILE CONFIDENTIAL

bcc: Mr. Butler
Mr. Fresher
Mr. Ingham

da

10 DOWNING STREET

From the Private Secretary

1 March 1983

Dear Barnaby,

YOUTH TRAINING SCHEME

The Prime Minister had a discussion this morning with Mr. David Young about the Youth Training Scheme.

The Prime Minister agreed to the addition of the Manpower Services Commission to the list of Government bodies which could participate in the Scheme. Mr. Young explained the role which Managing Agencies might perform, as outside bodies taking full responsibility to provide the training and the work experience under the Scheme. This would be a method of combining the private and public sectors to the advantage of both, since the Managing Agencies would approach the Government with a view to providing the work experience in particular locations. The Prime Minister said she accepted that the Government should play its part in the Scheme. But she preferred the Government bodies to be confined to the list attached to my letter of 15 February, together with the MSC; and other such non-main stream areas in the Civil Service as Museums and Galleries.

The Prime Minister also expressed interest in the idea of accommodating one person on the Youth Training Scheme within the staff at No.10 Downing Street. She recognised that there would be certain practical difficulties about this, but nevertheless, asked that we should try to arrange this. We will be in touch with you (and the MPO) about this in due course.

BF

I am sending copies of this letter to Margaret O'Mara (HM Treasury), Mary Brown (Lord Privy Seal's Office), David Young (MSC) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Barnaby Shaw, Esq.,
Department of Employment.

CONFIDENTIAL

da

PA

Prime Minister.

Youth Training Scheme.

1. It would be difficult, if not impossible, for us to launch the YTS without being seen to play our part in the scheme. We also have to learn at first hand how the scheme operates, if only to improve it, and the private sector will expect us to play our part.

2. I would not propose that Government plays a full role in the scheme, but merely that we add to the list enclosed with Michael Scholars' letter,

✓ MSC, DE and

Any Department which has already contributed to the Youth Opportunities Scheme (e.g. the Inland Revenue) Cultural Bodies.

3. **Managing Agencies** are outside bodies which take full responsibility for the full year under the Scheme, and have to provide the training and the work experience. One method of combining the private and public sectors to the advantage of both

Museums & Galleries

is to allow outside Managing Agencies to approach Government to provide the work experience in a particular locality, within the constraints already agreed. This would enable Government to play its part whilst the young people would be based in the private sector and managed by the private sector.

4. If the Prime Minister were to agree to these points, it would be helpful to have them conveyed to the Chancellor of the Exchequer, the Lord Privy Seal and the Secretary of State for Employment.

D I Y

28 February 1983

Prime Minister

MCS 1/3

Covering CONFIDENTIAL

Qa 06276

To: MR SCHOLAR

From: G B SPENCE

28 February 1983

Unemployment Measures

1. The attached paper has been circulated to the Private Secretaries to the Chancellor, Secretaries of State for Employment, Health and Social Security, Chief Secretary, and to Mr Mount and Mr Gregson.

2. Would recipients please ensure its circulation is restricted to the minimum possible.

Att

UNEMPLOYMENT MEASURES

Note by the Central Policy Review Staff

The Secretaries of State for Employment and for Social Services have proposed measures to reduce the unemployment register quickly by useful amounts and quite cheaply.

2. The CPRS suggests that the measures should also be tested against other objectives of Government policy, e.g. do they do anything to provide new job opportunities; do they fit with the Government's developing ideas for pensions and the elderly?

3. The CPRS assessment of each of the measures is summarised below :-

a) Temporary Short Time Working Compensation Scheme -

- register effect and cost per unit sensitive to estimates of deadweight (i.e. jobs which would have been retained in any case); assumption of only 10% deadweight probably over optimistic.
- economic benefits dubious; more likely at this stage of the cycle to slow down overdue restructuring than keep in being experienced labour forces required for the upturn.
- Conclusion: not a strong candidate

b) Enterprise Allowance Scheme

- The costs are exaggerated and the benefits under-estimated. Some businesses will survive and take on staff. On DEm's

cautious assumptions about deadweight and displacement the cost per person off the register falls to £1,105 and the register effect rises to 29,000 if 25% of the businesses survive 3 years.

- it is worth paying more for a scheme like this which gets unemployed people into new businesses creating new output and jobs in the normal labour market than for schemes which just reduce the register.
- some extension of experiment would give chance of proving these benefits.
- Conclusion: would welcome time-limited nationwide scheme

c) Automatic credits for unemployed men over 60

- very cost effective for getting people off register
- no adverse side effects on other policies e.g. remains very cheap even if it induces some men to choose to leave paid employment ahead of normal pension date
- Conclusion: scheme acceptable

d) No registration and higher rate of supplementary benefit for men over 60

- in theory could induce voluntary early retirement on to supplementary benefit (which would be undesirable) but very few men in this age group have high enough "replacement rates" to find this attractive.
- not particularly cheap means of getting people off register, given absence of other economic benefits.
- has social value of raising incomes of people permanently dependent on benefit
- Conclusion: acceptable, despite cost.

e) Job Release Scheme

- like all early retirement schemes less useful than schemes which create output and employment but has merit of aiming at people whose jobs will be filled by others, thus encouraging new blood.
- the proposed new part-time option is very cheap and has merit of helping new people into work while retaining people who still have something to contribute.

- it would be unfortunate if choice of 60/63 variant (for men only) were seen as response to Social Services Committee report because that urges 63 pension age for women as well as for men (and in any event do Ministers want to support pension age of 63 bearing in mind potential long term cost?).
- Conclusion: We favour adding the part time option to job release. The 62/62 variant is preferable to avoid implied acceptance of Social Services Committee report.

Presentation

4. The CPRS suggests that the measures (c-e) should not be presented as an early retirement package since the full implications (including the pensions implications) of early retirement have yet to be assessed. Instead they could be presented as measures easing the plight of those who have lost their jobs or who might be willing to see their jobs filled by younger people and who are approaching retirement.

28 February 1983

25 February 1983

Policy Unit

PRIME MINISTER

UNEMPLOYMENT ISSUES

At Wednesday's meeting, we shall return to the issues raised on 23 December. I think it is important to concentrate our efforts on the most promising proposals. (I follow the numbers in Peter Gregson's note.)

1. Matters requiring early decision (pre-Budget)

i. Temporary Short-Time Working Compensation Scheme. There is a case for continuing it for a further year, so long as unemployment continues to rise, since the cost is modest.

ii. Enterprise Allowance Scheme. The figures of £3,000 per job are somewhat misleading (well, they misled me). They assume that no enterprise thus funded lasts beyond the first year. If you take the modest assumption that only 1 in 4 survives and enjoys an average life of 3 years, then the figure comes down to under £700 per job. We believe that the scheme should be started up nationally.

iii. Measures relating to the over-60s. There are three proposals: 2

75,000. (a) removal of the requirement for unemployed men over 60 to register purely to secure contributory credits; £27

(b) awarding the long-term rate of supplementary benefit to unemployed men over 60 without a year's wait; 42,000. 40,000.

(c) Mr Tebbit's job release proposals.

They are all defensible.

But the real goal must surely be that outlined by Norman Tebbit: "a coherent retirement package for the employed and unemployed over age 60". To adapt our line on the YTS: "In future, unemployment will not be an option for people over 60 who have not yet reached retiring age. Either you will be in full-time work, or in part-time work with part-time job release, or you will be entitled to Interim Retirement Pension/Benefit - either because you cannot find work or because you have given up your job to an unemployed person".

To offer the dignity of interim retirement status would be worthwhile. Even if we have not yet agreed the details of a coherent package of

this sort, we could at least hold out the prospect in the Budget without prejudging PES. The difference between an interim and a full retirement pension would, of course, be that the interim pension would cease to be payable if the pensioner found work again.

2. Post-Budget Issues

i. The Workfare proposal could not realistically be introduced until the Community Programme was fully under way. As Norman Tebbit suggests, it would have to be restricted to the 18-24 age group to be sure of finding enough jobs. Even then, it would need considerable preparation. We agree that officials should work the scheme up into final practical form to be ready if it is decided to go ahead after the Community Programme has run its guaranteed two years.

ii. The rules about suitable employment. The DHSS makes out a bizarre case: yes, they say, "if we were starting with a clean sheet, we would not adopt such a rule. But since we do have these rules, any change would require contentious primary legislation which would be seen as 'an attack on the unemployed'". But would this be the popular reaction? On the whole, any tightening of rules is popularly regarded as a good thing; and it could easily be included in an Employment or Social Security Bill which contained other undeniably attractive measures. There is absolutely no reason in logic why benefit should be paid to someone simply because he is unable to gain a job at trade union rates.

The difficulty is to produce an alternative criterion of "suitability" which does not imply some kind of national minimum wage. As the DHSS indicates, the most promising answer lies along the American definition of work as unsuitable if the wages offered are "substantially less favourable to the individual than those prevailing for similar work in the locality" - ie any kind of work must be considered, but only if the wages offered are not too far below the local going rate for the job.

But the real disagreement remains between the DHSS claim that "vacancies of all kinds are filled quickly"; and the belief of many other people that low-paid vacancies are not filled - or not even advertised, because employers know from experience that they will get no replies. We all have anecdotal evidence of this sort or read it in the newspapers; yet officially, it does not happen. The argument

will progress no further until we have some kind of independent enquiry set up.

We recommend:

(i) the DHSS should pursue the possibility of an American-style criterion of suitability;

(ii) the MSC should commission an independent survey of the effect of suitability rules on the availability and take-up of low-paid jobs;

(iii) the DHSS should carry out its own suggestion of an experimental exercise in interviewing under-25s who have been out of work six months and seeking out lower-paid vacancies for them.

iii. Labour Market information and analysis. Mr Tebbit's suggested arrangements will greatly improve the quality of our information, and will prevent us from "losing" hundreds of thousands of workers again. They will also make it easier for us to inculcate a positive view about future job prospects, as the Americans do.

The Chancellor is content with the proposals, although he wants the modest extra costs to be met out of Norman's existing Budget. This matter could perhaps be settled bilaterally between them.

iv. Child Benefit and Family Income Supplement. The immediate priority is to make sure that we do enough for child support in the Budget. I gather the Chancellor has this very much in mind. The nearer we can get child benefit back to the real levels of May 1979, the better.

The longer-term question is much cloudier. Treasury Ministers do not wish to re-inject child support back into the tax system. Their goal is to strip the system of all allowances, except the personal allowance, in preparation for a long-term switch to ITTA. There are some in the Inland Revenue and the DHSS who do see some merit in a Child Tax Allowance or Family Responsibility Allowance. But the prevailing view favours the status quo. Even the more modest (though still expensive) option of improving the FIS taper runs into considerable opposition from the Chancellor.

You have, I think, two possible choices:

1. To pursue the possibility of tax allowances for family support despite Treasury opposition.

2. To accept Child Benefit as the prime form of child support, but to improve its presentation.

When the Government surrendered in 1972 and paid Child Benefit through the Post Office and not the pay packet, the Government also tamely accepted the definition of it as a "benefit". Yet it was a merger of two things, neither of which had ever been either a National Insurance benefit or a means-tested form of assistance to the poor. We intended it to be a tax credit. Why don't we call it a Child Credit - and mention it on the pay slip (perhaps even offering the option of payment with the pay packet)?

Whichever line you pursue, I suggest that soon after the Budget, you will need a major meeting with Treasury Ministers on the future of the tax system. At present, their long-term ideas do not seem to be fully co-ordinated with yours. And if we are to have a coherent tax policy for the next Parliament, we shall need to agree on some general guidelines well in advance.

FERDINAND MOUNT fm

CONFIDENTIAL

EG JL

2 pp's

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

CF/PI add to the papers (in my tray)

Done
23/2

Tim Flesher Esq
10 Downing Street

22 February 1983 MS 23/2

Dear Tim,

MINISTERIAL GROUP ON UNEMPLOYMENT AND FAMILY SUPPORT ISSUES

My Secretary of State minuted the Prime Minister on 18 February with three sets of notes. Unfortunately one of the sets was incomplete - that relating to child benefit and Family Income Supplement (FIS) did not have the FIS notes or summary table attached. I now enclose those two items, which should simply be added to the end of the child benefit papers, after the summary of the Canadian Child Tax Credit Scheme.

Copies go as before to the Home Secretary, Chancellor, Secretaries of State for Industry and Employment, Mr Sparrow, Mr Mount, Sir Robert Armstrong and Mr P L Gregson.

Yours, with apologies,

Eddie Phillips

C A H PHILLIPS
Private Secretary

CONFIDENTIAL

P.0967

PRIME MINISTER

Unemployment measures: matters requiring early decision

Your meeting on 23 December commissioned work on various matters arising from the reports on unemployment by the CPRS and the No 10 Policy Unit. Some of these matters require early decision in the context of possible Budget announcements. These are dealt with in a minute to you from the Secretary of State for Employment dated 9 February and a minute to you from the Secretary of State for Social Services dated 18 February, ie:

i. Temporary Short Time Working Compensation Scheme
Should it be opened to "second comers" from April this year and extended from March 1984 to March 1985?

ii. Enterprise Allowance Scheme
Should a national scheme be introduced from July to replace the existing pilot schemes?

iii. Measures relating to the over 60s
Should the benefit rules for the over 60s be changed to take 75,000 off the register from April and 42,000 from June?

Should the Government announce at the same time an extension of the Job Release Scheme beyond 1984 with the addition of a partial retirement option from age 60?

2. It would be possible to deal separately and later with the following:

i. the workfare proposal
(also included in the Secretary of State for Employment's minute of 9 February)

ii. the rules about suitable employment
(separate minute from Secretary of State for Social Services of 18 February)

CONFIDENTIAL

iii. labour market information and analysis
(separate minute from Secretary of State for Employment of 11 February)

Flag E

iv. future policy on Child Benefit and Family Income Supplement
(separate minute from Secretary of State for Social Services of 18 February).

Flag F

Flag A + Annex 1

Temporary Short Time Working Compensation Scheme

3. It was agreed at your meeting on 23 December that this Scheme should not be extended permanently but that it might be worth modifying the Scheme and continuing it further on a temporary basis after March 1984. Under the present Scheme an employer is encouraged to put workers on short time rather than to make them redundant by giving him the money to pay them 50 per cent of their normal earnings for 6 months. The Secretary of State for Employment proposes that from this April employers should be allowed a second six month tranche of support three years after their first application, but the Government's contribution would be reduced to 40 per cent of normal earnings and the employer would have to pay his employee the remaining 10 per cent. He also proposes that the Scheme should be extended on this modified basis from the present expiry date of March 1984 to March 1985.

4. We understand that Treasury Ministers are likely to resist this proposal. It is thought implausible that a job which was once in jeopardy for 6 months and has since been preserved for 3 years should again be genuinely in jeopardy for 6 months. If so, the proposal is a concealed general operating subsidy to employers and has a greater cost than that assumed by the Secretary of State for Employment because there would not be genuine offsetting savings in unemployment benefit.

5. The questions for decision are therefore:

- should the Scheme be extended to cover "second comers" on the lines proposed from April?

- should it be extended beyond the present expiry date of March 1984 to March 1985?

Enterprise Allowance Scheme

6. At present there are five Enterprise Allowance Pilot Schemes (three in England, one in Scotland and one in Wales). They started in March 1982 and applications are due to close in March 1983. An applicant who has been unemployed or under notice of redundancy for at least 13 weeks and has £1,000 to invest in a full-time business, is eligible for an allowance of £40 a week for 12 months.

7. At your meeting on 23 December it was noted that it was difficult to assess the costs and benefits of such a Scheme because of uncertain assumptions about deadweight (how many would set up business in this way without the allowance) and displacement (how many new jobs created in this way are at the expense of existing jobs). It was however expected that there might be advantages not just in net additional employment but in encouraging the development of small businesses. It was therefore agreed to look again at the proposal for a national scheme when the full evaluation of the pilot schemes became available later this year.

8. In response to pressure from some other Ministers the Secretary of State for Employment has now revived the proposal for a national scheme, to take effect from July. We understand that Treasury Ministers think that it would be premature to contemplate a national scheme but are prepared to consider more pilot schemes.

9. The questions for decision are therefore:

- should the Enterprise Allowance Scheme be put on a national basis from July?

- if not, should more pilot schemes be introduced?

Measures relating to the over-60s

10. At your meeting on 23 December it was agreed to examine a package of

proposals concerned both with encouraging more of the over-60s to withdraw from employment and with taking more of the unemployed over-60s off the register.

11. In his minute of 18 February the Secretary of State for Social Services proposes two changes in benefit rules designed to take some of the unemployed over-60s off the register, ie:

i. removal of the requirement for unemployed men over 60 to register purely to secure contribution credits
(this would remove 75,000 from the register from April at a cost of £2 million)

ii. awarding the long term (ie higher) rate of supplementary benefit to men on supplementary benefit over 60 straightway instead of requiring them to qualify by a year on benefit at a lower rate
(this would remove 42,000 from the register from June at a cost of £27 million).

12. The problem about i. is that it might appear to be a device merely to take numbers off the register. It is therefore thought essential to combine it with other measures. The problem about ii. is that it is much less ambitious than the ideas discussed at your meeting on 23 December for a new "interim retirement benefit". The various options are examined in the attachment to Mr Fowler's minute. In particular there is the difficulty that the present "capital disregard" rule of £2,500 excludes many of the more thrifty elderly from Supplementary Benefit. It is however argued that any increase in the capital disregard would have to apply to all pensioners. In order to cover some 20,000 in the age range 60-64, some 200,000 pensioners would be brought within the ambit of Supplementary Benefit at a high staff cost. It is therefore proposed to keep the capital disregard unchanged.

13. The Secretary of State for Social Services envisages that these two proposals should be combined in a single announcement with the Secretary of State for Employment's proposal relating to the Job Release Scheme. It is

proposed that the present Scheme relating to full-time job release should be extended beyond April 1984 and that from that date the age of eligibility should be moved back from 62 to 63 (except for the disabled) but the option of partial retirement should be introduced from age 60.

14. We understand that Treasury Ministers are disposed to favour the changes in benefit rules proposed by the Secretary of State for Social Services for announcement at Budget time. They are however likely to resist an early announcement about changes to the Job Release Scheme on the grounds that since these would not take effect until April 1984, it would be better to defer decisions until the autumn in the context of this year's Public Expenditure Survey.

15. The questions for decision are therefore:

- should the benefit rules for the over-60s be changed in the two ways proposed by the Secretary of State for Social Services for announcement at Budget time?

- if so, should this be combined with an announcement about changes in the Job Release Scheme from April 1984, or should decisions about the future of the Scheme be deferred until the autumn in the context of this year's Public Expenditure Survey?

PG

P L GREGSON

22 February 1983

HANSARD
22/2/83
Col 800

Mr. Hardy: Will the Prime Minister consider the fact that in this year of grace, we are spending more on locking up young people than on providing for their further training and employment?

The Prime Minister: We are spending a large amount on providng for their further training and employment. As the hon. Gentleman knows, a new scheme will be introduced in September, which will cost about £2 billion, for training young people. We would hope that by the age of 16 young people will either stay on in education, have a job, or have some training, so that unemployment is not an option.

Mr. Fry: Is my right hon. Friend aware that it pays some 16-year-olds who have left school, and for whom places are available at workcentres, to stay at home because the cost of transport to the centres has to be taken from their supplementary benefit payments? Will she ask her right hon. Friends to consider removing this disincentive so that more of our 16-year-olds may spend their time on worthwhile employment rather than sit at home doing nothing?

The Prime Minister: Yes, I shall do that, but I believe that special travelling allowances are provided for journeys to some skillcentres.

Col 801

Mr. Foot: Will the right hon. Lady be kind enough to confirm to us that it is a £2 billion scheme? We are gratified to learn that she is moving in the direction that we have been advocating. I hope that she will confirm the figure here and now. We shall certainly welcome it and show our usual generosity in doing so.

The Prime Minister: The amount has not been increased. The scheme will cost a great deal over a long period.

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

TO ALL MEMBERS OF THE HOUSE OF COMMONS 18 February 1983

Dear Colleague,

HOUSE OF COMMONS EXHIBITION - THE COMMUNITY PROGRAMME

I would like to draw your attention to a special exhibition which is being mounted in the upper waiting room from Monday 28 February to Friday 4 March. Its theme will be Special Employment Measures for adults, and information relating to both the Community Programme and the Voluntary Projects Programme will be displayed.

One of the principle attractions of this exhibition will be the facility for individual members to obtain computer printouts showing Community Programme activity in their constituencies. A computer terminal has been specially installed for this purpose. General information packs on both the Community Programme and the Voluntary Project Programme will also be available and MSC staff will be on hand to answer any queries.

In addition officials from the MSC will be willing to discuss the work of the MSC in general and the Employment Service in particular.

I do hope that you will be able to attend the Exhibition and that you find it both informative and stimulating.

Yours
Norman Tebbit

JW

C

CC JV

CONFIDENTIAL

Prime Minister

MINISTERIAL GROUP ON UNEMPLOYMENT AND FAMILY SUPPORT ISSUES
THE RULES ABOUT SUITABLE EMPLOYMENT

I attach a note by officials which examines further the question we discussed at our last meeting whether we should change the present legislative definition of suitable employment.

It is clear that this definition is not something we would adopt if we were starting afresh, but there are problems which the note explains in adopting another one, not least in requiring primary legislation to amend the present test. A more speedy and effective approach may be to develop the existing controls through Unemployment Review Officers. Because that would require more staff, I think we should mount quickly some experiments in one or two areas to give us hard information on which to assess the practical effect of strengthening present control procedures in relation to the under-25s.

A copy of this minute goes to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry and for Employment, Mr Sparrow, Sir Robert Armstrong and Mr P L Gregson. Both the Treasury and the Department of Employment have been consulted in the preparation of the note by officials.

18 February 1983

NF

RULES REGARDING SUITABILITY OF EMPLOYMENT, AND RELATED ADMINISTRATIVE PROCEDURES

A. WAGE LEVELS

The Present Law

1. The rule that employment is not to be regarded as "suitable" for claimants to unemployment benefit if the wages which it would pay are lower than "those generally observed by agreement between associations of employers and employees" or "those generally recognised by good employers" is embodied in primary legislation (Section 20(4) of the Social Security Act 1975). The rule applies indirectly to unemployed claimants for supplementary benefit where regulations require benefit to be reduced if unemployment benefit is disallowed under Section 20 - this continued the previous discretionary practice of the Supplementary Benefits Commission (and the National Assistance Board before it). The direct application of the rule is to cases where a claimant refuses an offer of a job, rather than to general considerations of availability. The rule applies in this form to claimants after they have been unemployed for such time as it is reasonable in their case, which means in practice a range from immediately to within about three months depending upon the skill and experience of the individual concerned. Until then the rule is applied in terms of the claimant's usual occupation and of the rates of wages paid in the district.

Operation of the Rule in Practice

2. The practical effect of the rule is not what one might expect from reading the legislation. The MSC accept vacancies which offer lower wages than are normal in the area, and they submit people to them. In present conditions all work is sought after so that vacancies of all kinds are filled quickly. The evidence from the MSC is that this applies equally to even the low paid vacancies. The experience is that people very rarely refuse jobs for any reason and this is borne out by the statistics on benefit disallowance. In 1981 there were 10,134 cases where employment was refused (for all reasons - wage levels cases cannot be separately identified) and these led to 4,779 disallowances of benefit. In the first three quarters of 1982 the totals were 5,344 and 2,212 respectively. General experience is said to be that claimants rarely refuse work on grounds

only of wages - where this is mentioned it tends to be one of a number of factors - though there are no hard statistics to demonstrate this.

3. There is an argument that change is necessary on economic grounds, rather than for benefit control reasons, because employers would make more low-paid jobs available if it were not for this rule. But we know that some employers already pay lower wages and that these jobs are taken. The extent to which more might do so cannot be known but, in view of what has been said about the effects of the rule in practice, the outcome of any change might well be smaller than was first thought.

Ways in which the Rule might be changed

4. It is quite clear that if we were starting with a clean sheet, we would not adopt such a rule. We have considered four possibilities which might replace it. The first would be to make no mention of wage levels, leaving the suitability of employment to be decided in the light of the circumstances of the individual concerned; but this would leave judgements to the adjudicating authority. The second would be to say that wages should be compared with benefit rates; but this could well turn out to be more generous than the current rule for people with high benefit rates. The third would be to change the rule to refer to wages being not less than, say, 80 per cent of those generally paid in the area; but some jobs would inevitably pay lower wages than this "floor" yet be suitable for some people. The fourth would be to adopt the US approach of saying that work should be regarded as unsuitable if the wages were "substantially less favourable to the individual than those prevailing for similar work in the locality"; this kind of approach might be suitable but it would need closer study.

Experience Abroad

5. In the course of examining possible changes we have looked at experience abroad to see whether that could help us to find a better formula. As indicated above, the USA has a different criterion and it is worthy of consideration in our context. We have found nothing further that could be helpful. The European approach seems to be to keep silent, in law, on the question of wage levels and instead to judge suitability in the light of the individual. We understand that this has caused problems in Belgium and Holland where some benefit claimants have been able to refuse jobs that have not met their high wage expectations. We have not been

able to find anything about practical effects elsewhere.

Possible Solutions

6. Any of the options for change would require primary legislation which would be contentious because many would see it as an attack on the unemployed and on the low-paid together. Given the considerations outlined above we do not think that a case has been made out for immediate legislation, though a change should not be ruled out for the future. We have therefore considered other possibilities.

Change for Supplementary Benefit Cases Only

7. Our first thought was whether it would be either practicable or desirable to have different rules in this respect for supplementary benefit - again following the US practice. One advantage of this approach would be that change could be by secondary rather than primary legislation. Nevertheless, on balance we think this undesirable. In the US the means-tested benefits for the unemployed are fragmented and vary from area to area. Here, we have a national scheme which is widely understood (in principle if not in detail) and accepted, and of which there are general expectations. Many people receive both benefits, and for them the application of different rules would be difficult and incomprehensible. Many claimants who receive only supplementary benefit have good work records and we should be accused of lack of sympathy if we apparently penalised them. It has been our aim to bring the rules for the two benefit into line as far as possible, for ease of administration as well as for public understanding, and we would prefer - in the long run - to change the rule for both benefits, rather than for supplementary benefit alone.

B. RELATED ADMINISTRATIVE PROCEDURES

8. We have gone on to examine the administrative procedures by which the rules are applied directly, as well as those that are indirectly related, to see what changes could be made so that the effects would at least move in the same direction as specific changes in the rules.

Directly Related Procedures

9. Whenever a benefit claimant refuses a job the MSC send details to the DE Unemployment Benefit Office (UBO). The UBO gets the claimant's explanation, if any, and then puts the case to the Insurance Officer (IO) who decides whether the employment was suitable for the claimant and whether he had good cause for refusal. Some cases come to the notice of the UBO other than through the MSC, most often through information from an employer; occasionally, though infrequently, from an Unemployment Review Officer (URO) of DHSS, when the same procedures apply. All cases are submitted to the IO so that there is no obvious way in which the procedures could be tightened up. One approach would be to ask MSC to ensure that all potential cases are referred in case any are slipping through the net there, though we would not expect this to lead to any big increase in submissions, firstly because experience is that people rarely refuse any kind of job nowadays, and, secondly, because voluntary registration means that the minority of claimants who want to avoid work, or to be over selective about jobs, will not go to a Jobcentre anyway.

Indirectly Related Procedures

10. The back-up procedure for control is unemployment review, performed by UROs in DHSS. They review the cases of all claimants (between 18 and 50) who remain unemployed for six months, initially by questionnaire at that point, then by interviewing people selected on the basis of their response, and non replies. Those not seen then are interviewed later, at about 15 months. The URO has to try to diagnose why the claimant has stayed out of work - simply lack of jobs; need for advice or other help (which the URO should give or arrange); or lack of offers (when the URO should apply pressure). The present complement of UROs is fully stretched on providing the minimum controls seen as acceptable as a concomitant to voluntary registration.

Administration Tightening Up

11. Any moves to administer the scheme more vigorously would probably be best made through the UR system, but this, or any alternative, would be expensive in manpower because it involves individual casework and the exercise of judgement, and can

lead to IO submissions and appeals. This means that it is not practicable to increase the attention applied to all the long-term unemployed and any extra effort would have to be focussed on some particular group (or groups) which causes us most concern. This might well be younger claimants, for two reasons. First, among younger claimants there are some people who can manage quite comfortably on benefit - those non-householders whose parents do not ask them to pay a due share to household costs while they are unemployed. Second, it is young people at the threshhold of their working lives among whom it is particularly important to inculate good habits and a sense of responsibility, and to whom careers guidance needs particularly to be given. The young unemployed are a mixed group overall - some find work very quickly (being young and generally healthy), some have problems because of lack of experience or skills (YTS should bring on improvement in the future), while some "stick" on benefit, being choosy about jobs and causing concern to UROs. Most of this last group have low benefit rate, so that they would be better off in work, low-paid or not. What is needed therefore is some sustained official pressure.

12. Even limited action of this sort would be expensive in staff. Simply to interview the under 25s who had been out of work six months, and at six monthly intervals thereafter except for those cases where the URO thought this unnecessary, would need about 450 extra UROs (and a few in DE). On experience of present UR work there would be a saving on public expenditure overall, because the benefit savings flowing from the work (after allowing for displacement) would exceed the financial cost of the staff. Nevertheless the increase in manpower makes such a scheme impracticable - at least unless it was proven that there were other benefits to make it a worthwhile and defensible investment. A possibility might therefore be to mount an experimental exercise in one or two areas to concentrate on this group of claimants, with perhaps special emphasis on the unregistered, and with the UROs given a wider brief to seek out any lower paid vacancies, suitable for low benefit claimants, which are not now notified to MSC. This would need careful evaluation but it would enable us to judge the value of the procedure without commitment for the future.

Department of Health and
Social Security
London SE1

February 1983

JW

D

cc DX

CONFIDENTIAL

Prime Minister

MINISTERIAL GROUP ON UNEMPLOYMENT AND FAMILY SUPPORT ISSUES

I attach two notes by officials examining possible changes in child benefit and Family Income Supplement (FIS), in response to your private secretary's letters of 15 and 22 October. A prefacing table summarises the main options for our consideration.

2. My officials have co-operated closely with those of the Inland Revenue and I think that these issues need to be considered by us alongside those which the Chancellor sent you on 14 February examining Mr Mount's propositions for the re-introduction into the tax system of some form of family or child allowance and of lower than standard rates of tax. They are all relevant to our decisions on the best way forward on family support.

3. We are all concerned about the unsatisfactory situation which has arisen on the unemployment and poverty traps from changes in the tax and social security systems over the years. The problem is that we are not starting with a clean sheet and, as the attached notes and the Chancellor's show, there is no easy way forward which does not involve either substantial increases in public expenditure (or tax forgone) or in staff or both.

4. For example, increases in tax thresholds and reductions in the basic rate of tax, together with increases in child benefit and appropriate adjustment in FIS, remain the most effective way of relieving poverty and of reducing the effects of the unemployment and poverty traps. But all are expensive (even though the administrative costs of increasing child benefit are negligible, because it is already computerised and it has the advantage of helping the poorest families, which tax allowances do not).

5. It is these costs which had led us to seek ways of targetting family support money more precisely on poorer families in work. The first of the attached notes examines various ways of taxing or means-testing child benefit or future increases in it back from richer families. Paying the extra benefit out to all families through the existing DHSS computers could be done easily and with negligible staff costs. The problems arise in taxing or means-testing some of it back.

6. The notes show that the main problems are:-

a. the costs of any worthwhile scheme that made a significant impact would be substantial - well in excess of £1 billion a year;

b. taxing back through the Inland Revenue system and employers would be expensive in staff and/or more work for employers; so would be taxing back or means-testing through the DHSS. It does not seem sensible to increase civil service manpower or impose extra burdens on employers in this way;

c. the severity of the poverty trap could be alleviated but only at the expense of spreading it much more widely;

d. the transfer from handbag to wallet would be very contentious politically, as the Chancellor has indicated. It may be that our predecessors should not have reversed their plans to pay child benefit to the father in 1972. The fact is that they were forced to do that under strong political pressure;

e. with most of the options, the additional staff would simply be engaged in recycling large sums of money to and from the same people to leave a relatively small amount with a minority. That does not rule them out, but it would be wasteful.

7. Some of the options in the first note for some form of tax credit may be worth further study, especially in less expensive forms, but I do not see anything immediately feasible in the short term, at least until PAYE is computerised in the late 1980s. My officials have gone on, therefore, in the second note to examine a range of possible options for us in the short-term, by changing FIS and marketing it better, because this is a benefit which is already targetted precisely on the group we want to help, of poorer families in work. They show that some of these options look promising (eg, modification of the qualifying hours, making the taper less steep and better marketing) and could be achieved more quickly and cheaply in terms of money and staff then almost all of the child benefit and tax options. But the costs would still be substantial; from £220 million to £330 million, and some 1,350 staff. We also need to consider carefully whether we would be right to extend FIS into such a large benefit giving means-tested support to people in work. It would become a benefit which, instead of going to 160,000 families at a cost of about £90 million a year, as at present, would go to up to 1,200,000 families and cost between £310 million and £420 million a year. There are two quite serious problems about turning FIS into a large-scale benefit like this -

a. it is unlike any other benefit in being awarded for a year at a time; this has great advantages in simplicity of operation and in mitigating the poverty trap (by slowing up withdrawal of benefit), but it would be questionable whether such a relaxed approach could be tolerated for a benefit going to over 1 million families. To introduce more fine-tuning, however, would increase staff costs still further;

b. it allows scope for exploitation, possibly in collusion between employees and employers, to maximise benefit so as to subsidise wages (since it operates to top low wages up to a determined level).

If we did decide to explore the FIS possibilities further, we should have to give a lot more thought to these problems and ask for further work to be done.

8. I understand the Chancellor, whom I have consulted, sees considerable objections to the child support proposals. He also has considerable reservations about the FIS option and would wish to have the proposal studied in depth before any decision on it were taken.

9. Copies of this minute go to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry and for Employment, Mr Sparrow, Mr Mount, Sir Robert Armstrong and Mr P L Gregson.

18 February 1983

N F

CONFIDENTIAL

CHILD SUPPORT

1. This note considers in broad terms the merits and practicalities of providing higher child support than the universal tax free £5.85 a week for each child in a family at present paid through child benefit.

The objectives

2. We understand that the objectives which Ministers wish to make progress towards are as follows:-

(i) mitigating the effects of the unemployment trap. Increasing child benefit would help because it raises the income of families in work more than the incomes of the unemployed, for whom an increase in child benefit simply means a reduction in child dependency additions to social security benefits;

(ii) easing the effects of the poverty trap through being able to reduce or abolish family income supplement. Increasing child benefit would help by raising the incomes of all working families with children, and thereby reduce or eliminate the need for means-tested benefits for poorer working families;

(iii) reducing pressure on wage demands. A sufficiently large increase in child benefit would help if pay negotiations no longer had to take into account the need for a "family wage";

(iv) easing the way towards a comprehensive tax credit system in the longer term.

The scale and cost of a substantial increase in child benefit

3. The most obvious way of meeting these objectives would be to increase child benefit substantially across the board, but the cost would be very large, even though there would be no problems of administration or a need for additional staff, because the system is computerised. To abolish the national insurance child dependency addition of £7.95 would mean increasing child benefit to £13.85 a week and cost about £4.4 billion a year. To abolish family income supplement at its

present level, child benefit would have to be increased by £21 for the first child and £2.15 for each subsequent child, at a cost of over £7.3 billion a year. Because of these prohibitive costs, this paper examines other possible ways of achieving Ministers' objectives more cheaply.

Taxation of child benefit

4. One possibility would be to increase child benefit, but to tax the benefit so as to reduce the gross cost and concentrate the increase on poorer families. Taxation of itself, however, would not take one far towards Ministers' objectives. If standard rate taxpayers were to be no worse off, as seems essential politically, straightforward taxation would have only a marginal effect in terms of either alleviating family poverty or mitigating the unemployment trap, because the great majority of people now pay tax at the standard rate and any advantage would accrue only to the relatively small number of the very poorest families who were working.

5. Ministers have moreover expressed their opposition to the taxation of child benefit and the 1979 Manifesto recognised the benefit as a form of tax credit. If child benefit were to be taxed, there would be pressure for the reintroduction of child tax allowances, and the take-home pay of many workers would be reduced.

6. If this type of option is to be pursued, additional resources would have to be made available, for redeployment to selected groups. One possibility would be to use the extra resources to add a second tier of child benefit, making that second tier or some part of it taxable for those with a substantial income. The tax on the second tier (and on the basic child benefit) could be imposed either:-

(a) on the husband through the PAYE system, by some device such as deducting a fixed sum from his personal allowances;

or (b) on the mother through the PAYE system if she were in work;

or (c) on the child benefit at source, at the Child Benefit Centre, Washington.

7. Each of these three possibilities has disadvantages:

(i) taxing child benefit through the PAYE system to recover a proportion of expenditure selectively was in operation for family allowances (for higher rate taxpayers) until 1979. The reintroduction of such a system would need substantial extra manpower within Inland Revenue;

(ii) the staffing consequences would be more modest if the taxation were confined to mothers with incomes in their own right (ie option (b)). But this would severely reduce the resources available for redistribution and it would produce anomalies, such as the position of the one parent family;

(iii) if child benefit were to be taxed at source (ie option (c)), a satellite tax unit would have to be set up at the DHSS Child Benefit Centre to take into account both the father's income and any income the mother might have. It would not make sense to ignore the father's income and tax the mother's child benefit if she had no other income. In addition to the normal changes in family circumstances during a tax year which the child benefit system already has to record, such problems as self-employment and movements in and out of employment would complicate the system much more. Some 1,000 extra staff might be needed in DHSS for option (c).

An in-work credit tied to the award of child benefit

8. An alternative approach might be to introduce a family/child credit which would be available only to employed persons. It would be paid to them by their employers as an addition to the pay packet and employers would offset their disbursements against their payment of PAYE to the Inland Revenue. The credit could be administered in the form of a voucher to be issued to all families (perhaps included in the child benefit order book) but usable only if the family breadwinner were in employment. The credit could be adjusted independently of the rate of child benefit and the advantage would be that increased support for families would be channelled into the pay packet and would go only to families in work. If this

credit were means-tested there would be problems of administration. If it were not means-tested the cost of providing a credit for each child in working families would come to about £500 million a year for each £1 of credit. The problems would seem to be:-

(a) like child tax allowances, the scheme would involve concentrating the additional family support on the father instead of the mother in all those cases where the father was the breadwinner;

(b) it would be expensive to apply across the board, but a more selective approach would raise some practical problems to be solved both for employers and the Government machine.

A Canadian system?

9. One possibility which has been suggested is to introduce a child tax credit on the lines of the system that operates in Canada. A detailed note on the Canadian system is in the Annex to this paper. It shows that the income tax system in Canada is fundamentally different from that in the United Kingdom. In Canada there is self-assessment; income tax unlike PAYE is not calculated on a cumulative basis; and in general everyone who has any income must make an individual and separate tax return (eg in particular husbands and wives who each have incomes must file separate returns). The basic family allowance in Canada is itself taxable, and the tax system there is fully computerised. Moreover, the Canadian child credit is related to income earned in the previous tax year and thus does not reflect current need. On all these fundamental points it differs completely from that in the United Kingdom, and the Canadian child tax credit could not be grafted on to the UK system until at least some of the main features of the UK system have been changed, in particular the computerisation of PAYE and the taxation of husband and wife.

Two other possible schemes

10. In view of the cost of increasing child benefit for all and the problems of introducing a taxable second tier of child support, officials have gone on to examine two other possible schemes which, at some benefit and administrative costs, might meet some of Ministers' objectives, by setting the levels of benefits and tax at certain points which were designed to achieve just that.

(1) The first option would provide for a second tier child benefit of £20 a week for the first child, plus £5 a week for each additional child, to be clawed back through the tax system at the rate of £0.25 for every £1 of income above the Married Man's Tax Allowance level.

(2) The second option would combine a child tax allowance with a child tax credit. There would be a tax allowance of, say, £2,250 for the first child plus £500 a child for all additional children, to be added to the Married Man's Tax Allowance. The additional allowances would be reduced by £0.67 for every £1 of income above the new thresholds. Families whose income fell below the new tax thresholds would receive credits set so that all such families would receive the full after-tax value of the new allowance (that is £675 a year for a one child family, equals £2,250 x 0.30 standard rate of tax).

11. The advantages of scheme (1) would be:-

(i) at the very bottom of the earnings scale (up to about £50 a week) it would fully buy out family income supplement (FIS);

(ii) above this minimum level, net family income for a two-child family would be higher than it is at present on earnings up to £150 a week. The gains would be greatest - £10 a week or more - for families with incomes at around £100 a week;

(iii) above the cut-off points the new benefits or allowances would be fully clawed back and improvement would be largely concentrated on families with incomes at or below the current level of average male earnings (£160 a week);

(iv) over 2.5 million families would be better off than at present, at a total net cost of £1.3 to £1.5 billion a year;

(v) the scheme would significantly improve the poverty trap between £40 and £100 a week;

(vi) the scheme would improve the unemployment trap, on the assumption that the new benefits or credits were offset against supplementary benefit entitlement.

12. The disadvantages of scheme (1) would be:-

(i) it would be administratively more complex than scheme (2), because it would involve two administrative channels (paying out child benefit through post offices and recovering some of it through taxes); the Chancellor has argued against this administrative complication in his paper on child support;

(ii) the increased child benefit would normally be paid to the wife, but the tax on it would normally be deducted from her husband's pay. This transfer from wallet to handbag would not be popular with husbands and might adversely affect wage negotiations;

(iii) increasing child benefit counts as public expenditure, whereas tax allowances/credits do not;

(iv) fewer families (2.5 million) would be better off than in scheme (2) (3.5 million).

13. The advantages of scheme (2) would be:-

(i) at the very bottom of the earnings scale (up to about £50 a week) it would largely buy out FIS, with some small losses in net income;

(ii) above this minimum level net family income for a two child family would be higher than it is at present on earnings up

to £180 a week. The gains would be greatest - £10 a week or more - for families with incomes at around £100 a week;

(iii) above the cut-off points the new benefits or allowances would be fully clawed back and improvement would be largely concentrated on families with incomes at or below the current level of average male earnings (£160 a week);

(iv) over 3.5 million families would be better off than at present, at a total net cost of £1.5 to £1.7 billion a year;

(v) the scheme would significantly improve the poverty trap between £40 and £100 a week. It would have particularly favourable effects as no income tax would be paid on earnings up to £100 a week, although national insurance contributions and reduced housing rebates would still affect take home pay;

(vi) the scheme would improve the unemployment trap, on the assumption that the new credits were offset against supplementary benefit entitlement.

The major disadvantage of scheme (2) is that it entails reinstating child tax allowances, with all the disadvantages (including significant staff costs in Inland Revenue) which the Chancellor of the Exchquer has pointed out. It would, again involve two different channels for getting child support to families. Otherwise, it has the disadvantage by comparison with scheme (1), that its cost is higher (because it covers more families).

Conclusion

14. Because of the prohibitive cost of increasing child benefit substantially enough to achieve Ministers' objectives, the only feasible route seems to be through introducing a second tier of child benefit support, with a measure of recovery from those who are better off. The unemployment and poverty traps would be eased, but it is uncertain whether the new system would have a telling effect on work incentives because:-

(a) there is no good evidence on the degree to which, in wage negotiations, men and their trade unions have regard to the totality of family income from all sources, however derived rather than simply to gross and take-home pay; and

(b) family men with children are in a minority among the unemployed, and the research evidence shows that they seek work at least as actively as younger men who receive less in benefit.

15. Of the two schemes discussed in paragraphs 10-13 above, the second seems better because it benefits more families. But there is a large cost to both schemes (from £1.5 billion to £1.7 billion); and both entail reintroducing complexity into the administration of child support by involving Inland Revenue, with a significant staff cost (about 1,000) for them.

Department of Health and Social Security
February 1983

The Canadian Child Tax Credit

Income tax system. The child tax credit must be viewed against the Canadian Income tax system as a whole - this differs from that in Britain -

(i) self-assessment - tax returns are submitted by all individuals in the tax system

(ii) non-cumulation

(iii) computerisation - greatly reduces administrative costs of tax credits

(iv) tax unit - individual, unless there is a dependent relative with no earnings

- where both have income, husband and wife both have to file a return

(v) tax year - calendar year, 1 January-31 December.

Nature of credit. A credit for each dependent child under 18 on December 31 of tax year for whom "family allowance" is paid. A child is dependent if not paying income tax. Credit given on top of family allowance which is taxable.

Credit is income-related and basic credit is reduced as income rises. Income is taken from the line marked "net income" on the income tax form and is "family" income, defined as that of parent eligible for credit (virtually always the mother) plus that of spouse (defined as person to whom legally married and residing with on 31 December of tax year). Tax department have the right to disclose the income of her husband to the mother if, for some reason, he will not disclose direct. For person married during the year, the income of the spouse is limited to the portion of his income earned after the marriage.

Level of credit. Introduced in 1978 at $ 200 where family income is not more than $ 18,000 (1978 average income about $ 19,500). Then reduced by 5 cents for each dollar. The following table gives examples of family size, income and level of credit.

	Number of children in the family			
Family income	1	2	3	4
$ 18,000 or less	$ 200	$ 400	$ 600	$ 800
20,000	100	300	500	700
22,000	0	200	400	600
25,000	0	50	250	450
28,000	0	0	100	300
30,000	0	0	0	200

The basic credit was increased to $ 342.24 in the June 1982 budget. It is, of course, an annual credit.

Procedure. A one-page claim form included with January's family allowance cheque - receiving parent claims credit. Tax is paid currently during year but value of credit not finally known until 31 December. Presumably offsetting of tax credit against tax due on basis of income in previous year, adjusted as necessary and especially at tax year end. If tax credit exceeds tax due, positive payment made but believed to be available only from April of year after relevant tax year.

Leaflet. A 1978 explanatory leaflet is attached for information.

CONFIDENTIAL

IMPROVED INCOME SUPPORT FOR LOW-INCOME FAMILIES THROUGH FAMILY INCOME SUPPLEMENT

Introduction

1. A number of specific proposals about Family Income Supplement (FIS) have been identified by the Family Policy Group arising from preliminary consideration of the CPRS Report on Unemployment. This note examines these proposals individually, but against the background of a more general examination of improving income-support for the low paid by means of a selective scheme.

2. This note is supported by a separate paper examining options for the amendment of the Child Benefit scheme and by other papers, prepared by the Inland Revenue, analysing the possibility of re-introducing Child Tax Allowances, either on their historical basis or as a flat-rate 'family responsibility' allowance for those having the care of children.

3. A description of the present Family Income Supplement scheme is at Appendix 1.

The case for income-support on a selective basis

4. The low-paid are a relatively small and relatively well-defined group. There may be about 0.72 million to 1.25 million families for whom improved income support is desirable and 160,000 of them are already receiving FIS. Providing benefit for the low-paid alone will clearly be less expensive than providing an equivalent level of support for all families with children either through the Child Benefit system or by means of Child Tax Allowances. The separate papers dealing with Child Benefit and Child Tax Allowances indicate the magnitude of the figures required for effective support: they run into £ billions. Costs of that size seem unlikely to be acceptable even within the next Parliament. By contrast, and of course depending on the extent of the improvement offered, a selective scheme is likely to cost no more than £500 million and would also have a smaller staffing requirement.

5. The second strand of argument in favour of a selective approach is that the criticised aspects of the present benefit in relation to work incentives and to wage rigidity apply only to relatively low-paid workers. The unemployment trap is mainly related to the smallness of the gap, and sometimes to the absence of

any gap at all, between the total out-of-work income of those who qualify for Supplementary Benefit and their total in-work income. The poverty trap, whereby because they are receiving means-tested benefits workers are subject to very high marginal tax rates, is also a consequence of low-pay. If softening the poverty and unemployment traps is a major objective, and if significant increase in benefits for all families for children has to be ruled out on cost grounds, then the only available course is to improve the structure of the FIS scheme, or to construct a replacement which would also have to be means-tested in character.

6. As regards wage rigidity caused by the 'benefit-floor' effect (employers not wishing to pay less than benefit rates for family men), this too is a problem affecting directly only low-paid employment, though action to counteract it might reasonably be expected to have an effect extending beyond the low-paid alone. But it should be said that while wage-subsidy, of which FIS is a variant, may be expected to increase labour supply at any particular wage-rate and thus to place downward pressure on wages, this effect may be modified in practice. If employees and employers hold strongly to the view that wage rates should be above benefit qualifying levels, including wage-support qualifying levels, then an expansion of selective wage-support may provide a stimulus for higher wage-claims particularly in highly unionised sectors. It would be prudent therefore not to expand selective wage support too much until the consequences of fairly small improvement can be observed in practice.

Is Family Income Supplement the best route to improvement?

7. There are some obvious advantages of using the present FIS scheme as a basis for an improved scheme of income support. The administrative machinery is already in place and, within limits, could be expanded fairly quickly. However, the FIS scheme was introduced as an interim measure and is administratively fragile. It is very open to abuse and specific features of it would require careful consideration before embarking on its large-scale expansion.

8. As appendix 1 describes, FIS is at present awarded for a 12 month forward period. Entitlement is established on the basis of earnings in the 5 weeks preceding the claim (normally). The benefit is paid at a fixed rate for the whole 12 months regardless of any change in the family's circumstances, whether for the better or for the worse.

9. This insensitivity to changes in circumstances is a virtue insofar as it gives certainty of income and removes, or at least defers, the bite of the poverty trap. But the dangers are also apparent. Earnings may be manipulated, with or without the collusion of employers, to increase benefit entitlement artificially. Claims can be advanced, or deferred, to avoid high earnings periods perhaps when overtime is worked. Wives may defer taking up full-time work, or even any work at all. On the other hand family circumstances may worsen because, for example, of short-time working, loss of opportunities to work overtime, or because of the birth of a child, without there being any increase in the FIS rate. A study is shortly to be carried out by the DHSS social security policy inspectorate to find out just what changes do occur during the currency of FIS awards and to discover if there is a trend toward improvement, or otherwise.

10. Any move away from a 12 month entitlement period would be expensive in staff. A six-month entitlement period requires a doubling of staff, a three-month one a quadrupling, and so on. Any such change, especially combined with initiatives which would themselves greatly expand the number of FIS beneficiaries (see later), could place in jeopardy the continued administration of FIS on a centralised basis.

11. These administrative issues will require further consideration in the light of any decisions made about the specific improvements in in-work benefit support dealt with in the following paragraphs.

THE SPECIFIC PROPOSALS MADE BY THE FAMILY POLICY GROUP

Proposal 1: Market FIS better (placing emphasis on its role as income support)

12. This could be done easily and speedily. It would not however be desirable to carry out a revised marketing strategy without real improvements in the benefit. Thus revised publicity should be seen only as part of a larger package. The effect on take-up of revised publicity is uncertain: and FIS has up to now suffered from a very poor level of take-up (around 50%). Take-up of around 70% is the most that could be reasonably hoped for and even that may prove optimisitic. (Illustrations of benefit cost later in the paper are based on 75% take-up to avoid risk of cost under-estimation at this preliminary stage.)

13. A sum of £0.65 million is allocated for FIS advertising in 1983/84 and an effective advertising campaign could probably be sustantially accomplished within that sum.

Proposal 2: Extend FIS to cover part-time work

14. This could be done reasonably quickly given that the additional benefit cost can be met and additional staff supplied to deal with an increased volume of claims. The effects of allowing FIS qualification on the basis of part-time work are however uncertain in terms of work behaviour. Some individuals who are at present unemployed may be encouraged to take-up part-time work. There may also be a significant incentive provided for some individuals to remain in part-time work rather than move to full-time work. Some individuals, particularly lone-parents, may move from full-time to part-time work, though this may not be a wholly undesirable effect in terms of child-caring.

15. Because the effects of the change on work patterns is uncertain it would be best to make only a modest change in the qualifying hours tests until better data can be obtained. These might be two appropriate steps.

a. Allow couples to fulfil the present 30 hours test by aggregation of the working hours of the partners. (At present the 30 hours must be worked by the man alone, though from November 1983 equal treatment provisions will mean that the woman will also be able to satisfy the test on the basis of her own working hours.) AND

b. Reduce the hours qualification for lone-parents from the present 24 hours to 20 hours.

16. The best estimate which can be made is that these two changes combined would cost about £5 million and would require 15 extra staff to deal with an extra 12,000 beneficiaries.

Proposal 3: Provide a more gradual FIS taper

17. Reducing the taper from its present 50% rate with compensating change in the prescribed amount allows improvement in both the poverty and unemployment traps. If that is the central objective of change, then taper adjustment is the best of the options available. It is not practicable simply to amend the taper and to do nothing more since the effect of that would be that 90% of beneficiaries lose substantially: about £4.20 a week if the

change is to 30% and about £5.50 if the change is to 25%. To counter balance this loss the prescribed income limits have to be increased. But this, for any significant change in the taper rate, pulls very large numbers of people into FIS qualification and therefore to higher marginal tax rates than they at present experience. The overall effect of the taper change combined with adjustment in prescribed amounts is therefore to improve the unemployment trap (because more people qualify for income supplement and thus improve their in-work income relative to their out-of-work income); to reduce the severity of the poverty trap (by reducing the size of the FIS component of the marginal tax rate) but to increase the numbers affected by the poverty trap; to increase benefit costs because of larger numbers of beneficiaries; and to increase staffing requirements.

18. The effect and cost of a change in the FIS taper rate depends on the balance to be drawn between all thse things, and that must be a matter of judgement. A reduction resulting in a higher taper rate than 30% would probably be too small to make the benefit significantly more attractive. A reduction below 25%, on the other hand, would probably allow entitlement to be established too near to average earnings rates and pull in too many beneficiaries. The practical choices therefore lie probably in the 25 - 30% range. The former provides higher benefit rates, because of higher prescribed amounts, and lowers the highest marginal tax rates to about 90%. But it draws about 1 million families, assuming 75% take-up, into the 60 - 80%+ range. A 30% taper does not have such a large effect on marginal rates, though it still allows between a 13/14 point reduction. The benefit and staffing costs of a 30% and a 25% taper are set out below. A 75% take-up is assumed in each case.

30% Taper

Additional benefit cost.....£210 million (Total £300m)
Additional beneficiaries.....520,000 (Total 680,000)
Additional staff needed.....690 (Total 930)

25% Taper

Additional benefit cost.....£320 million (Total £410m)
Additional beneficiaries.....1.02 million (Total 1.18m)
Additional staff needed.....1,350 (Total 1,600)

Proposal 4: Calculate FIS on a net income basis

19. The effect of a change to a net income basis of calculation instead of gross income, as at present, is to reduce the effect of the unemployment trap (it increases in-work income). If the calculation is a true net income one, taking exact account of tax and national insurance, or if it is a notional calculation on the basis of an allowance weighted according to income, it causes a softening of the poverty trap. A notional flat-rate deduction helps with the unemployment trap, but has no effect on the poverty trap.

20. It would be possible to introduce a net income based calculation, but only by means of a flat-rate deduction. Anything else would be a major complication to the scheme administration and would require large extra numbers of staff. Since a flat-rate deduction has exactly the same effect on the benefit as a straightforward increase in the prescribed income limits (and that can be achieved more easily) there seems no good reason to introduce an artificial net income calculation. Doing so would simply open the door to pressure to move to a true, and administratively expensive, net income calculation.

21. A change to a notional net income scheme is not recommended, but the following table illustrates the effect of a notional deduction of £18 from gross pay. (£18 is chosen because it is the figure used within the Housing Benefit scheme.) The table assumes a take-up rate of 75%.

Additional benefit cost.....£170 million (Total £260 m)
Additional beneficiaries.....410,000 (Total 570,000)
Additional staff needed.....560 (Total 800)

Proposal 5: Withdraw FIS passport benefits

22. The passport benefits are entitlement to free NHS charges and to hospital fares, entitlement to free school meals, and entitlement to welfare foods.

22. Because NHS charges are usually incurred only at intervals, it is not practicable to convert that passport entitlement into a weekly cash equivalent. Hence it is impracticable to compensate for loss of entitlement by enhancing weekly benefit rates. Trying to do so would undoubtedly provoke major criticism. This is also the case with entitlement to hospital fares.

23. It would be technically possible to convert welfare foods entitlement and school meals entitlement into a weekly cash supplement tothe FIS rate. However, there would

be formidable opposition to such a move. The medical and nutrition lobby, and the poverty lobby as well, could be expected to be implacably opposed to such a conversion from benefit in-kind to cash payments. Primary legislation would be required to achieve the change. There would also be a substantial extra cost. This is because adding the value of the passport benefits to weekly cash benefit can only be practicably done by increasing the FIS limits. This means large numbers of individuals would qualify for, in effect, part of the in-kind benefit. This is in contrast to the all-or-nothing qualification of the present scheme: families either qualify for FIS, and therefore for full passport benefits, or else they do not. Also, passport benefits do not attach only to FIS. Supplementary Benefit also confers passport entitlements and it would be difficult, if not impossible, to convert the FIS passport to cash entitlement to a cash sum without doing likewise within the Supplementary Benefit scheme. It is very difficult to estimate the total cost of the change. The best estimate that can be made is that it would cost of the order of £120 million to make the change and that may well be an underestimate.

Proposal 6: Devise a replacement scheme for FIS to be paid via the wage packet

24. This proposal was put forward as one to be achieved in the longer-term.

25. The advantage of paying through the wage-packet is that it makes income-support highly visible both to the employee and to the employer. It would encourage the employee to see his total income, and not just his wages, as the reward for his labour. It would therefore maximise the effect of income-support on wages.

26. It would be technically possible to pay an income-supplement through the wage packet, but a number of substantial difficulties would have to be overcome first.

a. Taking money out of the purse

FIS, although the man has to work a minimum of 30 hours to qualify, is in fact paid to the wife. In this respect FIS is exactly similar to Child Benefit. The man is identified as a subsidiary payee on the payment book, but in the vast majority of cases the book is cashed by the woman. Constructing a benefit which transferred payment to the wage packet would therefore be likely to be very unpopular amongst existing beneficiaries. It would certainly provoke strong, well-orchestrated opposition from the poverty lobby. They argued successfully during a previous Government that Child Benefit should be paid to the woman, and FIS is very similar. It is, in effect, a means-tested child benefit since qualification depends on the family having the

care of children (though it is never publicly presented in this way).

b. Placing a new duty upon employers

Small employers especially would be unlikely to welcome responsibility for paying a wage-supplement, even though they were funded to do so. They would be likely to be even more reluctant if the new responsibility followed hard on the heels of the introduction of the Statutory Sick Pay scheme. Getting them to accept such a new responsibility would probably require considerable, and protracted, persuasion. Primary legislation would be needed. Technical problems would have to be overcome in order to fund employers - conversion of tax and/or national insurance deductions seems likely to cause reconciliation problems - but it appears possible to construct arrangements, though at some staff cost.

c. Who should receive payment when both members of a couple work?

If only the husband works, then payment can only be through his wage packet. If both husband and wife work (or from November 1983 entitlement to income supplement is established on the basis of the wife's working hours), should the woman be enabled to receive payment through her employer? Failure to allow this may run contrary to equal opportunity legislation, whereas allowing it will cause administrative complication, preclude any possibility of a taxable credit scheme at least on the basis of current PAYE operation, and would almost certainly diminish the sought for increase in wage-flexibility among male-earners.

d. Confidentiality

Some beneficiaries at least would be concerned about details of their personal circumstances becoming known to their employers as a result of supplement entitlement. Most obviously this could happen in the case of lone-parents, and un-married mothers in particular.

27. Wage-packet payment would howevergive the considerable advantage that the supplement would become an exclusively in-work benefit. This is not the case at present. FIS is payable for a 12 month period regardless of changes in circumstances, including becoming unemployed. This does not greatly matter if Supplementary Benefit is payable since the FIS is simply deducted in that assessment, though it is a messy arrangement. It does matter in other cases because FIS then loses much

of its work-incentive effect.

28. The simplest means of achieving wage-packet payment would be to issue beneficiaries with a book of vouchers which would be encashed by the employer and the money placed in the wage packet, or included in the wage cheque. The voucher book would have to be lodged with DHSS during any period of unemployment. Such a procedure would mean employers acting in effect as paying-agents in just the same way as the Post Office does now. Many would no doubt ask, rhetorically, why it was necessary to make the change and burden employers with additional administrative costs. An alternative to the voucher book, with its very close similarity to existing payment books, might be some sort of payment authority, possibly a plastic card, to be lodged with the DHSS during any spell in which another benefit was claimed, but otherwise usable either by the husband or the wife via their employer.

29. Precise payment arrangements need considerable further consideration, not least to ensure that abuse can be adequately prevented. However, it is already clear that wage-packet payment would be considerably more expensive that existing Post Office payment. More complicated systems would be required to deal with non-payment by employers and with payment authorities not being released on job-transfer or being accepted by new employers. Much more rigorous policing of the payment system would also probably be necessary to reduce to a minimum the possibility of collusive fraud between employer and employee especially in fringe businesses.

30. Precise figure cannot yet be put to the additional staffing employer payment might require, but it may be of the order of 100 posts. There would also be a substitution cost in running separate payment arrangements for self-employed people.

Summary

31. The selective basis of FIS (or a FIS successor) make it a much more cost-effective route to improved income support than either Child Benefit or Child Tax Allowances. The most effective means of improvement would be to amend the FIS taper rate from its present 50% level to either 30% or 25% and to make in addition a small modification to the qualifying hours tests. Couples could be allowed to fulfil the test by aggregating their working hours and lone-parents could be allowed to qualify on the basis of 20 hours of work instead of 24 as at

present. Assuming 75% take up of the improved benefit and a 30%/25% taper rate instead of the present 50%, this would cost an extra £215/£325 million, increase beneficiaries by 0.53/1.03 million, and need 705/1365 extra staff. These figures are broad estimates and need further refinement, particularly because of knock-on effects in the Housing Benefits and Supplementary Benefit scheme (the former are likely to be 'savings'). It would be possible to publicise FIS as an income-support benefit, but this would best be done in tandem with real improvements to the benefit structure. Changing to a true 'net income' basis for FIS computation would require large increases in staff and for little gain. A notional system of 'net income' computation based on flat-rate deduction is immediately possible, but offers no advantage over a more straightforward increase in the income limits for FIS qualification. It is not practicable to convert passport entitlement to exemption from NHS charges and to hospital fare refunds into weekly cash benefit. It is technically possible to convert passport entitlement to welfare foods and to free school meals into weekly cash benefit, but doing so would be highly controversial, require primary legislation, and involve a minimum of £120 million in benefit expenditure. This cost arises because of knock-on effects in the main. Wage packet payment of income-supplement could be achieved subject to employers accepting payment responsibility and to the necessary primary legislation being secured.

Timetable for implementation of change

32. The speed with which changes can be implemented depends to a large extent on the complexity of the package of changes. If primary legislation is required, and for most important changes it would be, its timetable must be an uncertain one. Changes which require a large increase in numbers of beneficiaries require substantial additional staff and recruitment and training will take time. A reasonable programme might be as follows.

Preparatory work.....begin immediately
Legislation required.....secure by mid-1984
Full operation of new arrangements.....late 1984.

February 1983

Department of Health and Social Security
Elephant and Castle
London SE1.

THE EXISTING FAMILY INCOME SUPPLEMENT (FIS) SCHEME

General

(a) The man (or sole parent) must be in full-time work. This is currently defined as 30 hours in cases involving a couple, and as 24 hours for one-parent families.

(b) There must be at least one dependent child. Normally a child counts until it is aged 16, but may count until age 19 if it remains at school.

(c) Since FIS is a means-tested benefit, gross income must be within prescribed limits.

2. FIS is paid by order book encashable weekly at the Post Office. In the case of a couple, the order book identifies the woman as the main payee, though the man may also sign the counterfoils and receive the benefit. Almost invariably, however, the woman cashes the order book. The benefit is much more a contribution to the purse than to the wage packet. It is paid for a 12-month period from the qualifying date and is not affected by changes of circumstances, whether these operate in favour of, or against, the beneficiary.

3. It is not a pre-condition of FIS entitlement that the family should be entitled to Child Benefit. However, for practical purposes, all FIS families are also receiving Child Benefit. To that extent, FIS fulfils the role of a means-tested Child Benefit, but it has never been presented as such. It is always publicised as a family benefit.

Costs and numbers

4. FIS is currently:-

(a) paid to 160,000 families, 72,000 of them one-parent families. Take-up is however estimated only to be about 50 per cent. Therefore approximately 320,000 families could be beneficiaries;

(b) costs £93 million a year (and would cost approximately £160 million a year if there were full take-up);

(c) requires 236 permanent staff (at a cost of £3 million a year) for administration. If there were full take-up, the staff requirement would be about 450 (at an approximate cost of £6 million a year). But a full 100 per cent take-up of FIS is in practice impossible to achieve under present rules; and this has always been acknowledged. The benefit is administered centrally from the DHSS's North Fylde Central Office.

ASSESSMENT

The amount of FIS due is calculated by assessing the family's normal gross income at the date of claim, taking this away from a prescribed amount (which varies with the number of children in the family) and halving the difference. Arbitrary maxima are imposed upon this calculation to limit the total amount of benefit paid.

The prescribed amounts at November 1982 levels are £82.50 for a one-child family, increased by £9 for every additional child; the maxima are £21 for a one-child family, increased by £2 for every additional child.

SUMMARY OF FAMILY SUPPORT OPTIONS

SCHEME	COSTS		EFFECTS ON			
	BENEFIT	STAFF & ADMIN	FAMILY INCOME	POVERTY TRAP	UNEMPLOYMENT TRAP	OTHER ASPECTS
1. FIS package Reduce taper to 30%/ 25% plus compensating changes to prescribed amounts and modify qualifying hours rule (assuming 75% take-up)	+ £210m/ £330m.	+ 700/ 1350 DHSS Staff + [£4½m/ £9m] P.O. charges	Benefit up to 0.5m/ 1.2m low income families by about £3/£5.50 a week on average	Reduction in FIS taper lowers marginal tax rates from 100%+ to about 90% but number facing tax rates of 60%+ substantially increased. Larger numbers are brought into the 60%+ band by a 25% taper than by a 30% taper	Gap between net income in work and on supplementary benefit increased from £6.50 a week at present to about £9.50/£12 (for family with 2 children on half average earnings)	Net income of low-wage families increased, but extra money payable to wife.
2. Substantial increase of CHB a. Universal increase of £8 per child p.w. b. Increase of £21 for first child, £2.15 for each subsequent child	a. + £4.4 billion b. + £7.3 billion	Nil Negligible	a. and b. Benefit all families in work	a. and b. Improved, by raising in-work incomes and reducing/ eliminating need for means-tested benefits for poorer working families	a. and b. Alleviated, because CHB offset against Supplementary benefit, therefore families in work better off	a. Buys out long-term CDAs. b. Buys out FIS. Increase paid wife.
3. Increase CHB and tax it either:- a. At source	Depends on figures chosen (2 above and 5 below are illustrative)	+ perhaps 1,000 at CBC	Depends on new level of CHB and level of taxation chosen. A clawback of £1 for insignificant effect. at 40%+, increase in and both poverty and	£1 at or near tax threshold would have an If applied to those with income taxable income for all standard-rate taxpayers, unemployment traps alleviated. An adjustment to FIS would be necessary.		Increase paid to wife

SCHEME	COSTS		EFFECTS ON			
	BENEFIT	STAFF & ADMIN.	FAMILY INCOME	POVERTY TRAP	UNEMPLOYMENT TRAP	OTHER ASPECTS
3. Through PAYE i.e. by clawback	Depends on level at which claw-back applies - could be very high.	+£500 at I.R.		- SEE ABOVE -		Increase paid to wife and clawed back from husband
4. In-Work Credit Paid to those in work through the wage packet a. Non-means-tested b. Means-tested	a. +£500 m. p.a. per £1 of credit b. Depends on cut-off point	a. Probably substantial b. 750+ in DHSS	a. Increases income of all families in work b. Increases income of poorer working families	a. No effect unless accompanied by changes in FIS.	Beneficial - increase paid only to those in work	Increase paid to husband. Probable resentment of employers (administrative burden)
5. Second-tier CHB £20 p.w. first child, £5 p.w. subsequent children Clawed back through tax system at 25p per £1 of income over the MMTA level.	+ £1.3 to £1.5 billion	+£500 at I.R.	Benefits over 2½ million families at or below average earnings by £10 p.w. average	Depth of trap reduced and breadth increased. Lowers maximum tax rates from 100%+ to about 90%, but numbers facing tax rates of 60%+ very substantially increased.	Gap between in and out of work income widened.	FIS abolished. Increase paid to wife and clawed back from husband.

SCHEME	COSTS		EFFECTS ON			
	BENEFIT	STAFF & ADMIN.	FAMILY INCOME	POVERTY TRAP	UNEMPLOYMENT TRAP	OTHER ASPECTS
6. Child Tax Allowance and Child Tax Credit Tax allowance of £2,250 first child, £500 subsequent children. Additional allowances clawed back at effective tax rate of 20% above new thresholds. After-tax value of allowances payable as credits to low-income families.	+ £1.5 to £1.7 billion	+/500/ at I.R	Benefits over 3½ m. families with earnings up to £180 a week, by £8 per week on average. Small losses in net income for those currently on FIS	Depth of trap reduced and breadth increased. On earnings up to £100 a week, reduces maximum rates to less than 40% from current maximum of 100%+ but increases tax rate by 20% on earnings between £100 and £180 a week.	Gap between in and out of work income widened.	FIS abolished. Increase paid to husband.

NOTES: 1. Although there is no proven evidence all the options could have a beneficial effect on wage bargaining, according to the level of income support provided.

JW

3 pps

CONFIDENTIAL

Prime Minister

MINISTERIAL GROUP ON UNEMPLOYMENT AND FAMILY SUPPORT ISSUES
EARLY RETIREMENT

I attach a further note by officials, following on from the notes I sent you on 3 December, on various aspects of possible early retirement provision for men over 60. It has been prepared in collaboration with officials at the Treasury and Employment.

2. The note discusses briefly the wide range of options which officials have examined and which are considered in more detail in the Annex. I think some clear conclusions emerge which offer us the possibility of an attractive package of reforms, especially if they are combined with some of the proposals which Norman Tebbit sent you on 9 February. At fairly modest cost we could present an imaginative and sensible approach to current unemployment problems which would also reduce the figures on the unemployment register significantly and quickly. To have maximum political impact the total package should be announced at the time of the Budget and implemented as quickly as possible thereafter.

3. The proposals on which I think we should concentrate in these papers are:-

1. removing the requirement for unemployed men over the age of 60 to register at an unemployment benefit office if all they want is contribution credits to protect their entitlement to basic retirement pension when they reach 65. This would remove 75,000 men from the register, many of them occupational pensioners. There would be a loss of £2 million in contribution revenue, because some 9,000 men now paying voluntary contributions to maintain their insurance records would no longer have to do so; this could be done almost immediately - from the start of the next tax year in April;

2. awarding the long-term (ie higher) rate to men on supplementary benefit over the age of 60 straightaway instead of requiring them to qualify by a year on benefit at a lower rate first, as happens at present. This would in effect treat them as if they had reached pension age and would take 42,000 off the register. It will also benefit the same number of sick and disabled over 60, and so solve what is known as the "invalidity trap" for that age group. The cost would be £27 million and some 200 staff if it were introduced as part of the November benefit uprating, or some 300 if done earlier, as would be feasible and in my view preferable politically;

3. Norman Tebbit's proposals for early retirement on JRS conditions on a part-time basis from age 60 and on a full-time basis from age 63.

4. I think the case for the first proposal is overwhelming and that we should announce the change in the Budget and proceed to implement it immediately. But if we are to minimise criticism that we are simply manipulating the register,we shall need to present this as part of a total early retirement package.

5. The second proposal is a vital element of the package if it is to carry conviction as a set of early retirement measures. It has one difficulty, which I regard as awkward but not insuperable, in that it would focus even more attention than at present on the capital cut-off rule for supplementary benefit. Those who were unemployed over the age of 60 but had capital of over £2,500 (eg from a redundancy payment or the surrender value of life insurance policies) would not be able to qualify for supplementary benefit and would have to live on their other resources, including their capital and any occupational pension, until they reached 65. This would contrast with the position of those with less than £2,500 who would in effect be able to receive a supplementary pension from age 60, and might aggravate the criticism we already face for penalising thrift. This is an inescapable criticism, however, of

supplementary benefit in general and of the capital cut-off rule in particular. We could not meet it by easing the cut-off rule for those between 60 and 65 (because of the impossibility of re-imposing a tighter rule at age 65) but only by a further easement in the rule generally. Even if this were not possible at this stage, however, the proposal could be firmly defended on the grounds that it helps many, hurts none, and concentrates any available resources to best effect on the poorest.

6. The three propositions in paragraph 3 would together mean that at age 60 people could either

a. remain in full-time work, or

b. partially retire or

c. automatically have their basic pension rights protected without having to register just for this purpose; and,

d. if they are the least well off of all and on supplementary benefit, in effect be treated as if they were retired.

7. Thus at an initial net total cost to public expenditure of some £50 million in 1984/85 and some 200 (or 300) staff we could provide part-time work or early retirement as appropriate for those over 60 and remove about 200,000 from the register, in a way which, unlike changes in retirement pension age, might be reversible if circumstances changed.

8. If we adopt this three-part package and announce it at Budget time, we could bring in the credits easement in April (75,000 off the register), the supplementary pension change in June (another 42,000 off the register) and start the JRS changes in the autumn (a further 70,000 off the register).

9. I am dealing in a separate and briefer minute with the other issue left over from our discussion on 23 December - the rules about suitable employment.

10. Copies of this minute go to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry and for Employment, Mr Sparrow, Mr Mount, Sir Robert Armstrong and Mr P L Gregson.

18 February 1983

N F

MINISTERIAL GROUP ON UNEMPLOYMENT

EARLY RETIREMENT

1. The attached Annex examines in detail possibilities discussed at the meeting of Ministers on 23 December for early retirement to encourage more of the unemployed to withdraw from the register. There are possibilities through -

(A) changing NI contribution rules so that men over 60 do not have to register to get credits to safeguard their state pension entitlement until they reach 65;

(B) changing retirement benefit provision to encourage early retirement by lowering the age for benefit, either universally or selectively;

(C) changing supplementary benefit rules to encourage the poorer unemployed between 60 and 65 to leave the register.

A. CONTRIBUTION CREDITS (PARAS 4-15)

2. At present 75,000 men between 60 and 65 register to get credits for their retirement pension. If regulations were amended to guarantee automatic award of credits to men who were not paying contributions beyond age 60, these numbers would come off the register. There would be no net increase in benefit expenditure, but a loss of £2m in contribution revenue from those not in employment paying voluntary contributions (class 3) to fill gaps in their insurance records no longer having to do so.

3. Though open to criticism as a device to reduce the register, this is a relatively cheap option raising no difficult issue of principle. Its cost could be reduced by limiting it to people unemployed for 6 months or more, but the introduction of this element of complication hardly seems justified, and it would reduce the numbers going off the register.

B. EARLY RETIREMENT (PARAS 16-33)

4. The cost of a straight reduction in the age of retirement for men to 60, at £2.5bn net, is prohibitive: and this could also put up the contribution costs for occupational pension schemes by as much as 50%. This is not a practicable option.

5. A more limited selective early retirement benefit (SERB) would reduce the costs. Three options are explored -

Option 1: paying the standard basic rate of retirement pension to men over 60 unemployed for at least 6 months.

Option 2: as option 1, but limiting it by off-setting occupational pensions above £35 and earnings above £12.

Option 3: paying the standard basic rate of retirement pension to men over 60 unemployed for at least 12 months, and off-setting occupational pensions above £20, with cut-off (ie no benefit at all) if weekly earnings exceed £4 for man and £12 for his wife.

6. The costs of these options rise over time because they will attract some people at present retired and not registering. They will come on to the register for the requisite qualifying period, to be able to claim the new benefit; their numbers have to be set against those immediately leaving the register; and their benefit costs will be an additional expense reducing the cost-effectiveness of these options.

7. When these options settle down, after 18 months or 2 years, their costs are quite high, and the numbers off the register are relatively moderate:

	Option 1	Option 2	Option 3
Number off register	155,000	140,000	65,000
Net cost to Government	£450m	£255m	£180m
Net cost per person off register	£2880 pa	£1830 pa	£2720 pa

8. Primary legislation would be required.

C. SUPPLEMENTARY BENEFIT SOLUTIONS (PARAS 34-45)

9. Already men over 60 who are unemployed over 12 months can cease to register and claim the long term rate (LTR) of supplementary benefit - which otherwise becomes available at retirement age. This has put them on equal footing with the long-term sick. Some 30,000 men have come off the register already, as a result.

10. Possibilities are explored of extending these "early retirement" rules. But any improvement in the rules for the unemployed over 60 would put them at an advantage over the long-term sick, and this is thought to be too difficult to justify. So the memorandum assumes that other supplementary beneficiaries over 60 (chiefly the sick) would have to be treated equally. This increases the costs.

11. The possibilities considered are:

Option (a) - reduce the qualifying period for the LTR to 6 or 3 months. This, though cheap per person off the register, is anomalous chiefly because it would not cover people receiving unemployment benefit.

Option (b) - to overcome this anomaly, periods on unemployment benefit or credits, as well as on supplementary benefit, could count towards the qualifying period for the LTR. This has one considerable attraction: it cures the invalidity trap for the over 60s. The length of the qualifying period could be varied - the shorter it was, the more people would benefit. Costs in benefit and staff would mount up, but about 35% of those gaining would be other groups, not the unemployed. Most important, this option is not consistent with the idea of awarding credits automatically (paras 2-3 above). If that proposal is adopted, this option does not run.

Option (c) - this is the simplest option - to give all supplementary benefit claimants over 60 the long term rate and relieve them of signing on. This would be automatic early retirement for people over 60 on supplementary benefit.

12. The relative costs of these supplementary benefit options are as follows:

	Option (a)	Option (b)	Option (c)
Number off register (3 month qualifying period)	27,000	38,000	42,000
Costs			
money	£14.5m	£25m	£27m
staff	(small)	200	228
Cost per person off register	£637	£657	£642

Given the objections to (a) and (b) (see para 11), option (c) is the most effective option here with the largest effect on the register. It would require amending regulations, but not primary legislation. (If other steps were taken to cure the invalidity trap, the cost of option (c) would reduce to £21m and 100 staff. If not, option (c) would solve the trap for the over 60s.)

13. The idea is explored of a higher capital disregard for men between 60 and 65, to enable more to qualify for supplementary benefit.

But since it would hardly be feasible to fix a more generous limit at 60 and reduce it again at 65, this really entails a raising of the limit for everyone over 65 which would benefit retired people generally much more than the unemployed between 60 and 65. It would have a high staff cost, and would not be a cost-effective way of reducing the register.

CONFIDENTIAL

EARLY RETIREMENT PROVISION FOR MEN AGED BETWEEN 60 AND 64

INTRODUCTION

1. This Note sets out a range of possible ways of making early retirement provision for men over 60 who have left employment. The proposals are set within the context of the following objectives:-

> i. reduction in the numbers approaching retirement who need to register as unemployed either for benefit or credits purposes, preferably in ways which reduce the dependence of long term unemployed people over 60 on supplementary benefit;
>
> ii. encouragement of early retirement among those prepared and able to leave the employment field, bearing in mind the possible need to replace or supplement existing temporary schemes, such as Job Release, with more permanent early retirement provisions.

The working assumption is that the schemes would be limited to unemployed men over 60 but below pension age and that women over 60 would not be eligible other, perhaps, than as dependants of their husbands, since they are free from age 60 to draw any retirement pension which they have earned on their own contributions.

2. The Note deals in Section A with the possibility of extending the provision of national insurance contribution "credits" to men over 60 so that registration for employment or the receipt of benefit was no longer a pre-condition for the award of such credits; in Section B with a possible lowering of men's minimum pension age; and in Section C with the possibilities of extending the present supplementary benefit scheme provisions for early retirement.

3. The current numbers of the various groups of men aged 60-64 who might benefit by the different proposals are as follows:

IVITY AND BENEFIT STATUS OF MEN 60-64 IN 1983

	Duration of unemployment				
	Up to 6 months	Over 6, up to 12 months	Over 12 months	All men	Of whom, Numbers of men with an occupational pension
A. UNEMPLOYED MEN					
UB only	41	42	2	85	
UB + SA	3	6	-	9	
SA only	4	5	18	27	
No benefit	21	13	70	104	
Total unemployed	70	65	90	225	120
B. OTHERS					
Full time employed				680	
Part time employed				75	105
IVB recipients				195	105
JRS				60	30
Long term SA who have ceased registering				40	-
Inactive occupational pensioners not included above				140	140
Others (Includes other supp ben and unregistered unemployed people)				40	-
Total population				1,455	500

a given

for those

A. POSSIBLE CHANGES IN NATIONAL INSURANCE CONTRIBUTION CREDIT PROVISIONS FOR MEN OVER 60

4. A fairly simple and inexpensive option for reducing the number of people registering as unemployed would be to remove for men over 60 the present requirement to register in order to get contribution credits for the purposes of safeguarding their entitlement to basic retirement pension when they reach 65. This would most straightforwardly be done by automatically awarding retirement pension credits to fill any gaps in the contribution record of men between the ages of 60 and 65 whether the gaps were due to unemployment or low earnings. About 75,000 men over the age of 60 currently register solely for the purpose of gaining credits. Alternatively, credits could be awarded to men in the 60 to 65 age group who had been unemployed for a specific period of time - say six months or more.

Presentation

5. The proposal need not be seen as a radical departure from credits policy or a serious dilution of the contributory principle. Already, men over 60 who register as sick or unemployed receive credits; and those unemployed men who have been on supplementary benefit for twelve months or longer are awarded the long-term rate of that benefit and credits and are no longer required to sign on at an Unemployment Benefit Office. As far as credits for the unemployed were concerned, the change would merely abolish the qualifying period. If a qualifying period is adopted it might be sensible to align it with that for long-term supplementary benefit recipients. Alternatively, "pre-retirement" credits could be presented as a means of helping men over 60 who really would prefer not to work to ease their way into retirement without loss of basic pension rights; the credits would mean that, if they took up lower-paid, or even occasional part-time, work, or participated in job-sharing, and their earnings fell below the lower earnings limit for contributions, their pension entitlement would still be safeguarded. This would be the logical counterpart of the starting credits awarded to school leavers; and the rationale would seem particulary apt if

a scheme without an unemployment qualifying period were adopted, since this would presumably induce some employed or self-employed men to retire early.

Legislation

6. Section 13(4) of the Social Security Act 1975 provides for the making of regulations to allow credits in respect of particular benefits. Primary legislation would not therefore be required.

Compliance

7. "No-Card" notices would no longer be issued from the DHSS Newcastle Central Office computer to any over-60 contributor who left self-employment and told the Department that he had opted for early retirement instead. If, for whatever reason, he later decided to become self-employed again without telling the Department, and without paying self-employed contributions, he would give a boost to the Black Economy. His failure to pay contributions would stand a reasonable chance of remaining undetected for the rest of his working life.

Staffing Implications

8. If no unemployment qualifying period was specified, the credits could be awarded automatically by the Records computer at the DHSS Newcastle Central Office, so the staff costs would be negligible. If there was a qualifying period, it would be necessary for a notification to be sent to the Records computer that unemployment had lasted for six months (by the unemployment benefit computer or clerically). It is estimated that the staff cost to unemployment benefit offices would be in the region of six staff.

Benefit costs/contribution revenue effects

9. The award of credits to everyone over the age of 60 would presumably persuade some employed or self-employed men whose main reason for working was to protect future title to full basic retirement pension to retire before the age of 65. The National Insurance Fund would be

deprived of their contributions, but in most cases the employed men, at least, would be replaced, at similar earnings levels, by younger, currently unemployed, men. The net amount of contributions foregone would therefore be small and offset by savings in unemployment supplementary benefit payments to the "replacements". In terms of public expenditure there would be a further saving through reduced payments of supplementary benefit.

10. The automatic award of credits could also have two effects as far as Class 3 (voluntary) contributions were concerned:-

(i) Pension entitlement could be increased in a very small number of cases where the insured person had a deficient record and had been making no attempt to qualify for full basic pension by paying Class 3 contributions. The number of cases in question might be of the order of 10,000.

(ii) Where contributors were paying Class 3 contributions to compensate for gaps in their records, they would no longer have any need to do so. On the basis of 1980-81 data, the loss of contribution income in 1983-84 could be between £1 million and £2 million from some 9,000 contributors who might cease paying.

Timing

11. Pre-retirement credits could be introduced by fairly straightforward regulations under Section 13(4) of the Social Security Act 1975. These would have to go before the Social Security Advisory Committee but as they would be wholly beneficial to contributors they would not be likely to prove contentious. Any decision to introduce pre-retirement credits could be implemented by early summer unless they were part of a wider package requiring legislation.

Summary

12. The credits proposal would not involve any insuperable problems of policy, presentation or compliance; the staffing implications would be acceptable and the scheme could be introduced fairly quickly.

13. The scheme would have no net additional public expenditure costs. It could be assumed that the cost of the small number of new entitlements (see paragraph (i)) would be balanced by the savings in unemployment benefit and supplementary benefit mentioned in paragraph . There would however be a modest loss of contribution income - revenue foregone - of up to £2 million a year in Class 3 contributions. The staffing implications within DHSS would be negligible but, if a scheme with a qualifying period of unemployment were adopted, about six additional staff would be required in the Department of Employment.

14. If a pre-retirement credits scheme were to be adopted, a single scheme without a qualifying period would seem, on grounds of simplicity and staff numbers, to be the best option, and would reduce by about 75,000 the number of men registering as unemployed.

15. Moreover, the absence of a qualifying and arbitrary period of unemployment would demonstrate more clearly that the option was not intended simply as a means to reduce the count, but was intended to encourage early retirement. Application to a wide range of men over 60 - including the sick, low paid, people in part-time or job-sharing work, and those in employment and self-employment who gave up work - would justify the absence of a requirement to sign on and to be included in the count. But the consequent reduction in the count can be expected to attract substantial political and press criticism, especially if it were to be introduced soon after the change in unemployment statistics in November, 1982. Presentation would need to be careful, dealing in particular with why the change was introduced now and not before and perhaps the only way in which a major controversy over "fiddling" the unemployment statistics could be avoided would be if this option were associated with other measures towards early retirement.

B. LOWERING MEN'S MINIMUM PENSION AGE

16. The most obvious way of making early retirement provision from age 60 is to allow full pension to be paid from that date, ie to lower men's minimum pension age to 60. The report of the Social Services Select Committee on the Age of Retirement is relevant to this. The gross pension cost of a change to a male minimum pension age of 60 would, at 1981/82 benefit levels, be of the order of £3 billion, plus a further £0.4 billion in lost contribution and tax revenue. The gross cost would be offset by savings of £0.9 billion in other social security benefits, giving a net cost to public funds of around £2.5 billion. These estimates assume that 1.34 million extra men would receive retirement pensio

17. Of these about one quarter to one-fifth of the total would currently be receiving another social security benefit. Similarly only about one-third would actually make way for someone currently unemployed to fill their job, and even then this might not always yield savings in unemployment benefit. It is further estimated that a change to age 60 for men would put up the cost of contributions to occupational pension schemes by as much as 50 per cent if equivalent benefits to those currently applying were provided. Clearly, therefore, the kinds of cost involved in a straight lowering of the pension age in the short term would be quite unacceptable.

SELECTIVE EARLY RETIREMENT BENEFITS

18. There would however be various possible ways of limiting the cost of an early retirement benefit payable to men aged 60 to 64:-

(i) restriction to those who had already been proving unemployment for a specified period (one year; six months, etc) and by the application of a restrictive earnings rule (eg for Job Release, unemployment benefit or supplementary benefit);

(ii) restriction of the rate payable below the full or standard basic pension rate (eg to the standard unemployment benefit rate; or the standard rate of non-contributory (over 80s) retirement pension)

(iii) restriction of entitlement where occupational pension above a given amount is in payment (a £35 limit as for unemployment benefit for those over 60; or some modest level - say £20);

(iv) restriction of entitlement by reference to capital or other income so as to provide more generous rules than for supplementary benefit, to help those excluded from the latter;

(v) Increasing the lower age of entitlement above age 60.

19. Of the possibilities outlined above, Option (v) would be a fall back reserve to reduce the cost of all alternative options. Options (iv) ~~and (v)~~ would be likely to give rise to difficulty in application, though any restriction on benefit entitlement would inevitably increase the administrative costs involved in monitoring and enforcement. The present non-means-tested maintenance benefits all have some form of earnings rule, and people over 60 are now used to the application of an occupational pension rule governing claims to unemployment benefit. But if a capital rule were introduced, or a test related to other forms of income, the benefit would effectively become a means-tested scheme. This would involve costly duplication of administrative effort unless the rules in each case were identical, and it would seem better simply to refine the existing supplementary benefit scheme to meet the needs of early retirers. But if the rules were made more generous, it would be necessary to extend the generosity to all people over age 60, including supplementary pensioners, to avoid a cut in benefit income on reaching pension age.

20. There are a wide range of possible options covered by the restrictions referred to at 18(i) to (iii) above. In order to avoid undue confusion, three main variants of early retirement benefit have been costed, which indicate the range of effects of each restriction.

OPTION 1. A FLAT-RATE RETIREMENT BENEFIT FOR THOSE UNEMPLOYED OVER 6 MONTHS

21. Under the first variant a flat-rate, non-contributory benefit of £32.85 a week (the standard basic rate of retirement pension) would be payable to men over 60 who had been registered as unemployed for at least six months. Where the claimant had a dependent wife, he would be able to claim a married rate of £52.55. Initially 160,000 men already on the register would be able to claim benefit, of whom 75,000 would have previously been receiving unemployment benefit and/or supplementary allowance and 85,000 would have been registering for credits only. The initial cost would be around £245 million in terms of net increased public expenditure, but additional tax revenue could bring the net cost to central government down to around £180 million.

22. However, it would be open to people no longer economically active and not registered as unemployed (mostly occupational pensioners) to register simply in order to qualify for the new benefit. Initially, by, say, six months from the scheme's start, about half of these inactive people might have joined the register for this purpose, and they would offset the favourable register effects brought about by reducing the number on unemployment and supplementary benefit. In this situation, the net effect on the register would be a reduction of 80,000 at a net cost per person off the register of £2,230 per annum.

23. Gradually, the number of inactive people added to the register would diminish as more of them qualified for benefit, and after, say, eighteen months the total number of people receiving benefit would have settled at about 360,000, of whom about half would previously have been inactive occupational pensioners. The net benefit cost at this stage would be £630 million per annum, and the cost to public funds net of tax would be £450 million per annum. The unemployment register would then be reduced by about 155,000, , the cost per person so removed being raised £2,880 per annum.

24. These costings make no allowance for behaviourial changes amongst those in employment, particularly part time workers, who might be attracted into benefit at extra cost. If the early retirement benefit was presented as a long term or permanent measure it could be expected to accelerate the decline in activity rates

experienced since the mid 1970s. How far or fast employment would fall in this age group is difficult to judge, but it is quite possible that under this option employment could fall by 20 per cent or more within 5 years. Even if the fall was only 10 per cent (75,000) the net cost to public funds of the new benefit scheme would be an additional £ 110 million per annum, taking the total net cost to £ 560 million.

OPTION 2: A GRADUATED BENEFIT FOR THOSE UNEMPLOYED OVER 6 MONTHS

25. On the assumption that costs of this order would be unacceptable, alternative variants have been looked at which would place tighter restrictions on entitlement. Under the first of these alternatives, the benefit would remain open to those men over 60 who had proved unemployment for at least six months, but costs would be limited by:-

a. reducing entitlement on a pound for pound basis for each £1 of occupational pension above £35 (as for unemployment benefit);

b. setting a low earnings rule limit of £12 a week (broadly corresponding to the effect of the supplementary benefit rule for single parent families) and reducing benefit by £1 for each £1 of either the man's or his dependent wife's earnings above that level.

26. Initially this would involve a net public expenditure cost of about £150 million and a net cost to central government of around £ 110 million, but as more inactive people qualified for benefit these costs would rise to £ 355million and £255 million respectively.

About half of this money would go on a sliding scale basis to people in receipt of occupational pensions of up to £90 a week who were not previously receiving unemployment benefit or supplementary benefit. It might give some limited help, too, to cases where the wife's earnings preclude the payment of supplementary benefit. There would also be a gain in income for the 45,000 in this age group who were receiving unemployment benefit only. A large number of the 30,000 recipients of supplementary allowance would gain little though they would be floated off supplementary benefit and would probably remain entitled to housing benefit. The cost per person removed from the unemployment register would be £ 1270 per annum initially rising to £ 1830. As with the first option the costing does not allow for men in employment to be attracted to the new benefit: costs could rise substantially because of this, though less than in the first option considered.

27. In all, an estimated 265,000 men and their dependants would receive additional income as a result of a scheme on these lines. Costs would only be a little over half of those arising under the previous option - but still high.

OPTION 3: A GRADUATED BENEFIT FOR THOSE UNEMPLOYED OVER 12 MONTHS

28. Further restriction of the benefit costs could be achieved by imposing tighter occupational pension and earnings rules and limiting entitlement to those out of employment for at least 12 months on or after the age of 60. For illustrative purposes an occupational pension limit of £20 a week has been used, with benefit progressively tapered above that limit and an all-or-nothing earnings rule limit set (as for the Job Release Scheme) of £4 a week for the claimant and £12 a week for his wife. If the earnings limit were tapered, it would make little difference to the costings.

29. This would have much the same effect as the previous variant, but would reduce the gain for those with reasonable occupational pensions and increase the waiting time for benefit. The initial public expenditure cost would be reduced to about £105 million (£80 million net cost to central government), but as more inactive people qualified for benefit costs would increase: after, say, two years the net public expenditure cost would be £250 million (£180 million net cost to central government) and in all some 170,000 men could be expected to derive additional benefit. This option would exclude most cases now receiving unemployment benefit only, and increase the cost per person removed from the unemployed count to £2,720 per annum. This option would thus be less costly, but also less target-efficient.

30. As before, these estimates take no account of men in work who might be attracted to benefit, but their number would be smaller than in the previous option because of the stiffer qualifying conditions.

31. An analysis of the costs, and numbers affected, under each variant scheme of selective early retirement benefit is set out in the Annex. It is based on the standard retirement pension rate, and applied from age 60. The costings assume continuation of the Job Release Scheme; if that scheme were to be wound up the costs would be higher than those shown (retirement pension rates are less generous than the Job Release allowances). In broad terms the cost of all three variants could be reduced by one-quarter if payment were made at the standard single and married rates of unemployment benefit, rather than at the basic retirement pension rates; or by 40 per cent if payment were made at the non-contributory rate of retirement pension (which is 60 per cent of the standard basic contributory rate). Costs could also be reduced significantly by increasing the lower age limite of entitlement above the age of 60. (For example with an age of 62 the costs might fall by perhaps 40 per cent.)

Summary

32. In brief outline, the costs (which vary over time) are:

	Option 1	Option 2	Option 3
Net reduction in numbers on register:			
initially -	80,000	85,000	30,000
rising to -	155,000	140,000	65,000
Net cost to central government (net additional PE minus tax):			
initially -	£180m	£110m	£80m
rising to -	£450m	£255m	£180m
Cost net of tax per person off register:			
initially -	£2,230 pa	£1,270 pa	£2,410 pa
rising to -	£2,880 pa	£1,830 pa	£2,720 pa

33. Even the cheapest of the various possible options outlined above would still involve a high cost; moreover, most of the additional money would go to people already living above supplementary benefit level, and not currently receiving benefit. There would also be a risk of attracting increased costs by stimulating early retirement among those who are now in part-time or low-paid employment. In current economic circumstances it is probable that only half of these would be replaced by people off the register. A new social security benefit would require both primary legislation and the creation of the necessary administrative machinery. It could not therefore be operative very quickly. Such a benefit might fit in

awkwardly with the longer term possiblities for development of the pension scheme outlined by the Social Services Committee although this can be minimised by careful presentation. More difficult is the very limited immediate effect of such a benefit on reducing the numbers registering as unemployed. The requirement to register for a period to prove unemployment would, at least initially, tend to attract unoccupied people in order to qualify for benefit.

C. EARLY RETIREMENT UNDER THE SUPPLEMENTARY BENEFIT SCHEME

34. A possible alternative approach would be to focus improved arrangements f "early retirement" on the poorer groups among the unemployed by building on arrangements which already exist in the supplementary benefit scheme. Unemploye men aged 60 or over who have received supplementary benefit for one year become entitled to the long term scale rate (LTSR) and are no longer required to be available for work or sign on at a UBO. At present about 30,000 men benefit under this provision and are no longer counted among the unemployed.

35. This scheme could be extended so as to increase the numbers no longer required to sign on. This could be done either by shortening the qualifying pe or by counting periods on unemployment benefit as well as on supplementary benefit or by abolishing the qualifying period altogether for over 60s. These options, and the possibility of increasing the numbers able to benefit by easing the capital rule, are considered below.

36. The present scheme treats unemployed men over 60 in the same way as other supplementary allowance cases, eg the sick. Any of the possible forms of extension of the long term rate arrangements would involve treating them more favourably. There seems no way in which this could be justified, and any change would thus have to apply to other claimants in the over 60 age group. Costs are therefore shown for other groups of claimants over 60 as well.

(a) Reduction of the qualifying period

37. The proposal is that the qualifying period on supplementary benefit should be reduced from twelve months to six or three months. Table 1 below shows numbers affected and costs:-

TABLE 1[1]

Period	Unemployed		Others (mainly sick)		TOTAL[2]			
	Number	Costs	Number	Costs	Number	Costs	Staff cost	Cost per pe off registe
6 months	16,000	£8m	2500	£1m	18,500	£9m	Small	£562
3 months	27,000	£13m	3500	£1.5m	30,500	£14.5m		£537

[1] Likely numbers for 1983/84 at 1982 benefit rates

[2] There would be some small offsetting savings in DE in this and the other options, but the introduction of equal treatment will increase costs.

small amount, require very few extra staff, and is the most cost-effective option terms of cost per person off the register.

39. The main disadvantage would be that it would be extremely difficult to prese the arrangements in a way which would avoid the accusation that it was simply a device to reduce the numbers counted as unemployed. Those benefitting from the LTSR would not be long-term unemployed, nor those who had spent long periods on a low income ie on supplementary benefit. It would be difficult to explain why people drawing supplementary benefit for a few months should be allowed to "retir while those on unemployment benefit had to carry on signing. The shortness o the qualifying period would increase the strongly felt injustice of the invalidit trap, whereby people who just fail to qualify on the short term rate are barred from the long term rate and there would bound to be pressure to extend the shorter period to people under 60.

39A. Another difficulty might be that about a quarter of potential beneficiaries would be drawing unemployment benefit. Unemployment benefit can only be paid through UBOs, and thus, if the new arrangements were to achieve their end of reducing the numbers signing at UBOs, unemployed people would need to be persuad to stop claiming the contributory benefit to which they were entitled. There is no reason to believe that many people would see much point in continuing to have to attend the UBO regularly, in order to draw their UB, but to the extent they did, the numbers taken off the register would be eroded. (This would apply also to the second and third options in Table 2, and to Table 3).

(b) Counting periods on social security benefits or credits only towards the qualifying period

40. The proposal here is that periods on unemployment benefit or credits only should count towards the qualifying period, as well as periods on supplementary benefit. This could be combined with shortening the qualifying period. The numbers affected and costs are set out in Table 2 below.

TABLE 2[1] (See footnotes 1 and 2 to table 1)

Period	Unemployed			Recipients of other social security benefits (mainly sick and disabled)			Total[2]			
	No.	Cost	Staff cost	No.	Cost	Staff cost	No.	Cost	Staff cost	Cost per person of register
12 months	23,000	£11m	21	31,000	£6m	136	54,000	£17m	157	£739
6 months	34,000	£16m	42	36,000	£7.9m	147	70,000	£23.5m	189	£691
3 months	38,000	£17m	50	38,500	£8m	156	76,500	£25m	206	£657

41. The main advantages of this approach, at any rate if a qualifying period of a year were adopted, would be that it could credibly be presented as early retire for the long term unemployed because "early retirement" would link closely with the total period of unemployment. The effect would in the main be to enable supplementary benefit claimants who had had an initial period on unemployment benefit only to count that towards the twelve months (hence there would be a considerable overlap with option (a), but option (b) would exclude people with short periods of unemployment but all of that period spent in receipt of supplementary benefit.) The inclusion of the sick under the option would repres a major step towards solving the "invalidity trap" (about half of all people in the trap are over 60). To end this anomaly when resources are available has lon been a Government commitment. The implication would be that this way of calcula the qualifying period would eventually be extended to younger sick people but, given the existing commitment, no new obligations would be involved.

42. The disadvantages would be that the cost would be higher than for option (a and the staff cost substantial. A higher proportion of the cost (35 per cent) wo go on groups other than the unemployed making it the least cost-effective of the three options in terms of cost per person off the register. There is also a par ular difficulty if this option were combined with the proposal for automatic awa of credits to everyone over 60. The qualifying period ought to include periods the register signing for credits after unemployment benefit had run out - otherw people who did not get short term supplementary benefit would never be able to qualify. If signing for credits were abolished however there would be no obviou way in which such a person could establish his title. In effect we would have established two contradictory schemes: the credits scheme would be treating anyo not on benefit as effectively retired, while this scheme requires claimants to demonstrate a period of unemployment. If this scheme is adopted for the long te scale rate therefore the credits scheme ought to have a qualifying period which coincides.

43. If the qualifying period under this option were set at six or three months there would also be most of the difficulties set out in paragraphs 39 and 39A - as well as an additional cost.

(c) Paying the long-term scale rate to all claimants over 60

44. The proposal is that all men over 60 would be paid the long-term scale rat as soon as they came on to supplementary benefit, and that they would not be

required to sign on as unemployed at all. They would thus be treated in exactly the same way as people over pension age are at present except that their benefit would be technically supplementary allowance not supplementary pension. The numbers affected and costs are set out in Table 3 below.

TABLE 3[1]

(See footnotes 1 and 2 to Table 1)

Unemployed		Recipients of other social security benefits (mainly sick and disabled)		Total[2]			
Number	Cost	Number	Cost	Number	Cost	Staff cost	Cost p person off th regist
42,000	£18m	43,000	£9m	85,000	£27m	228	£642

The costs in the Table relate only to people already unemployed. The availability of a "pension" without the need to sign as unemployed would probably draw some people out of employment. That would increase costs. On the other hand it would be an advantage to the extent that it made jobs available to younger people.

45. The advantages of this approach would be that it would be simple and logical present as an early retirement option and get the maximum number of people off the register; unlike option (b) there would be no difficulties in combining it with t automatic credit option for all over 60s and it would be rather more cost-effectiv getting people off the register than option (b); like option (b) it would solve t invalidity trap for the over 60s; but it would draw a line much easier to hold against pressure for extension to younger people; and it would be administratively simpler than either of the other options or the present arrangements for the over 60s. The disadvantages would be that the additional benefit expenditure would be larger than in the other options and the staff costs substantial. There would also be a presentational difficulty in that this option would highlight the favourable treatment being given to the poor. People coming on to supplementary benefit over 60 would get automatic early retirement. Other unemployed people would have to continue to sign at the UEO in order to get their unemployment benefit. This sharp contrast would be mitigated somewhat if combined with the automatic credits option, but it would not entirely disappear.

Increasing the capital disregard

46. There will be some men between 60 and 64 who are prevented from drawing supplementary benefit because they have capital in excess of £2500. They are thus prevented from taking advantage of any of the supplementary benefit early retirement options. The indications are however that the numbers are small. We have reliable figures only for those now on the margin of the old capital disregard with capital just below £2000 and there were only 4000 of them in December 1981. Any increase in the capital disregard would have to apply at least to everyone over 60: one can hardly put it up for people below 65 and cut it down when they reached that age. This would bring in a far larger number of pensioners: in the figures quoted above pensioners outnumbered men aged 60 to 64 by 6:1, and the indications are that as the amount of capital goes up the proportion of pensioners as compared to this age group brought into benefit would increase. For example, an increase to £5000 could bring into entitlement upto 200,000 pensioners (although the extent to which people with this amount of capital would wish to claim benefit could well be very low) but less than one-tenth of that number of men between 60 and 64. Although the amount of benefit involved might not be large (perhaps of the order of £30 million, though all these figures are very broad brush) the large numbers brought onto benefit, substantially swelling the total numbers on supplementary benefit, would be an undesirable side effect and carry a very high staff cost. Moreover, as long as there was a qualifying period for the long term scale rates, these men would not be removed from the unemployment count immediately - indeed they might swell it. All told therefore this does not look a very cost-effective way of tackling the problem - a substantial proportion of this group of people could be reached more effectively through the automatic credits option.

Conclusion

47 All three of the alternative ways of extending the long-term rate offer viable and reasonably cost-effective ways of reducing the numbers on the register. It should be noted however that they do so only for the poor: none of these schemes would provide early retirement for any one whose resources were above the long term supplementary benefit rate. The cheapest option, option (a), suffers from very serious presentational disadvantages, which are shared to a considerabl extent by the three and 6 month verions of option (b). The 12 month version of option (b) and option (c) both offer early retirement options which stand up well

in their own right. Option (b) is cheaper, helps people with long periods on benefit rather than all the over 60s but will be complex to operate and would require a qualifying period in the credits option discussed in the following section. Option (c) is more expensive, but gets more people off the register and is more cost-effective. Both options have substantial staff costs. Increasing the capital disregard does not look like a cost-effective way of getting people off the register.

Foundation has requested.

COSTS OF SELECTIVE EARLY RETIREMENT BENEFITS

1. The attached table shows the numbers of recipients and costs in terms of 1983/84 unemployment levels and November 1982 benefit rates for three alternative versions of a selective early retirement benefit (SERB) for men aged 60-64. In each version the benefit would be paid at the basic retirement pension rate, ie single - £32.85 pw, married man with a dependent wife - £52.55; it would be taxable, and it would be restricted to men in the following circumstances:

	Period unemployed	Occ. Pension Limit (a)	Earnings Limit (b)
Option 1	6 months	None	Husband: £57 pw Wife: £45 pw (RP earnings rule)
Option 2	6 months	£ for £ reduction above £35 pw	£ for £ reduction above £12 pw each for husband & wife
Option 3	12 months	£ for £ reduction above £20 pw	"Sudden death" above: Husband: £ 4 pw Wife: £12 pw

Notes (a) Limit applies to husband's occupational pension only

(b) Wife's earnings limit applies only to dependency addition

In each case a wife aged 60 or over drawing her own retirement pension would not attract the dependency addition unless her basic pension was less than the dependency addition, in which case the balance would be payable.

2. It is possible to distinguish three different stages as the cost of SERB emerges:

Stage I : The "Initial" Cost

When the benefit begins, men already on the register for the required period will qualify immediately for benefit. Inactive people - mainly occupational pensioners - will start joining the register in order to qualify for SERB. (This may raise problems of equity since many of them will have spent the requisite period on the register but be unable to qualify for benefit immediately since they had already left the register.) For each of the three options "initial" costs have been calculated to represent the position, say, six months after the scheme's start, and it is assumed that by then half of the relevant group of inactive men will be on the register for the purpose of qualifying for SERB. The relevant group excludes half of the 64 year olds where the waiting period is six months and all the 64 year olds where it is one year.

Stage II : The "Intermediate" Costs

After a period of, say, 18 months where the qualifying period is 6 months on the register (2-2½ years where it is 12 months) the number of inactive men additionally on the register will have stabilised at a lower level than in the initial period as more of them earn title to benefit. It is assumed that three quarters of the inactive men would under current arrangements have spent the necessary period on the register prior to becoming "inactive", so that in the medi and longer term only one quarter of them will additionally have to register. Of these, it is assumed that 10% will be on the register at any one time where the qualifying period is six months (20% where it is twelve months). The "intermediate" costs, which include payment of benefit to all men now inactive not receiving another state benefit (IVB, job release allowance etc), are shown for all three options.

Stage III : "Long-term" Costs

Detailed long term net costs are not shown, but an estimate of £560m cost is given in the text for the first option. These "long term" costs assume that 10% of men in employment in the 60-64 age group are attracted to the new benefit, and that half of the jobs they leave are filled (ultimately) by someone who would otherwise be on the register.

3. Other points to note are:

(a) the Job Release Scheme continues to operate and Job Release Allowance (JRA) recipients are not allowed to claim SERB as well as JRA (JRA rates; single - £52.00 pw, married man with dependent wife - £64.50 pw);

(b) in options 1 and 2 no allowance is made for the cost of bringing forward to six months entitlement to the long-term rate of supplementary allowance for this age group (which appears to be a concomitant of SERB) nor for housing benefit effects - both these should be relatively small;

(c) no allowance is made for men who become unemployed, who under the current regime would find work again but who, under SERB, would change their behaviour and would not resume work or would earn less: if as many as 10% of SERB recipients who are now classified as unemployed changed their behaviour in this way, additional net costs of the order of £6 to 8 million would arise; and

(d) it is assumed there are no transfers of people from long-term sickness and disability benefits; if such people were allowed to claim SERB there would be some - probably small - rise in costs.

RECIPIENTS AND COSTS OF A SELECTIVE EARLY RETIREMENT BENEFIT (SERB)

	Option 1	Option 2	Option 3
	Time from introduction		
	6 months	6 months	12 months
A. 'INITIAL' COSTS			
I. SERB recipients			Thousands
Now on 'register' and receiving			
UB	44	44	2
UB + SA	6	6	-
SA	23	23	18
Total with UB/SA (rounded)	75	75	20
Now on 'register' no benefit	85	65	55
Total now on 'register' who would be removed and receive SERB	155	140	75
Inactive men who join 'register' to qualify for SERB	80	55	45
Net reduction in 'register'	75	80	30
II. SERB costs			£m
Net rise in public spending	240	145	105
Cost to public funds net of tax	175	105	80
			£pa.
Cost net of tax per person off the 'register'	2,330	1,310	2,410

RECIPIENTS AND COSTS OF A SELECTIVE EARLY RETIREMENT BENEFIT (SERB)

	Option 1	Option 2	Option 3
	Time from introduction		
	18 months	18 months	24 months
B. 'INTERMEDIATE' COSTS			Thousands
I. SERB recipients			
Total now on 'register' who would be removed (see 'initial' costs at A above)	155	140	75
Inactive men who join 'register' to qualify for SERB	5	5	10
Net reduction in 'register' (rounded)	150	135	65
Long term SA who had ceased registering	40	40	40
Other inactive (mainly occupational pensioners)	160	110	85
Total recipients of SERB	355	290	200
Total who gain from SERB	325	260	170
			£m
II. SERB costs			
Net rise in public spending	630	350	250
Cost to public funds net of tax	445	250	180
			£pa
Cost net of tax per person off the 'register'	2,950	1,880	2,720

10 DOWNING STREET

(2)

Prime Minister

(flags A, B, C)

These three minutes from Norman Fowler arise from the two unemployment meetings, in October and December.

To be aware. I will resubmit, with advice.

MCS 18/2

Agreed on MT

Manpower 01

MANAGEMENT IN CONFIDENCE

s/f Bre

file

10 DOWNING STREET

From the Private Secretary

15 February 1983

YOUTH TRAINING SCHEME IN THE CIVIL SERVICE

The Prime Minister has seen your Secretary of State's minute of 9 February about the contribution that the Civil Service can make to the Youth Training Scheme.

Mrs. Thatcher's initial view is that it might be worth considering setting up schemes in the areas listed in the attachment to this letter.

I am copying this letter to Margaret O'Mara (HM Treasury) and Mary Brown (Lord Privy Seal's Office).

M. C. SCHOLAR

J. Barnaby Shaw, Esq.,
Department of Employment

MANAGEMENT IN CONFIDENCE

Royal Mint

Royal Dockyards

Her Majesty's Stationery Office (HMSO)

Ordnance Survey

Export Credit Guarantees Department

Ministry of Agriculture, Commodities Division

Off Shore Supplies Office, Glasgow

Forestry Commission

Customs and Excise (particularly at Southend)

Some office/common services areas (including computers)

Government research activities

MBPM cc PX
MIS 15/2
Manpower

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Norman Tebbit, MP
House of Commons
LONDON SW1

14 February 1983

Dear Norman

FUNDING OF TRAINING

1/2/83?

Thank you for sending me a copy of your letter of 3 February to Keith Joseph.

I am content with the arrangements for the Study which you outline. I look forward to reading the report, and especially to what it has to say on the funding of the Youth Training Scheme after 1985.

I am copying this letter to the other recipients of yours.

Yours

GEOFFREY HOWE

Top Copy on Manpower, November 1982, Labour Market Statistics.

Prime Minister (2)

To note.

MCS 18/2

~~Subject~~

SECRETARY OF STATE FOR EMPLOYMENT

PRIME MINISTER

LABOUR MARKET INFORMATION AND ANALYSIS

Mtg. of 23/12

1 I was asked to consider, in consultation with your Policy Unit, whether there should be more research into the labour market. I attach a report by officials prepared in consultation with Ferdinand Mount.

2 I have myself discussed the matter with Ferdinand and think we should accept all the recommendations in paragraph 19 of the report. A continuous labour force survey will provide much more timely information about important features of the labour market (eg self-employment, activity rates, the generation of new jobs particularly in the service sector) and fill other gaps in the information now available. The gross extra cost would be about £1.2 million. But as we are in any case likely to be faced with finding an extra £0.7 million for an annual survey to meet new EC requirements next year, the further additional costs of a continuous survey would be £0.5 million. My Department is saving £6 million on a statistical budget of £16 million and I think these additional costs can be fully justified. With an increased contribution from the EC itself, the possibility of further small savings in my statistical budget and likely contributions from other Departments for specific information they need, the net additional cost on my Department's Vote is likely to be no more than £0.75 million beginning in 1984/85. This will be dealt with in the PES later this year.

3 The recommendations (also in paragraph 19) on the conduct of labour market research by my Department will extend the range of the research somewhat and ensure the involvement of others concerned in Whitehall and the provision to them of a useful service of research and analytical surveys. The gross extra cost will be around £200,000, but some will be absorbed in my research budget and the net additional charge to my Department's

Vote is likely to be about £130,000 beginning in 1983-84, when I am confident that I can meet it from within existing provision.

4 I do not favour a high public profile for labour market research, and particularly not centring it on a new research Unit which in any case is operationally unnecessary to achieve our purpose. I propose, however, to arrange for my Department to convene regularly (say three or four times a year) an informal group of people interested in labour market problems (drawn from Whitehall, business and academic life) for discussion of and consultation on research in this area. I believe this could help to secure the benefits that Ferdinand Mount originally saw in an independent Unit - greater freshness of vision and width of perspective - without the overriding disadvantages.

5 I am sending copies of this minute and enclosure to the Home Secretary, the Chancellor, the Secretaries of State for Industry and for Social Services and to Mr Sparrow, Mr Mount and Sir Robert Armstrong.

NT

N T
11 February 1983

INFORMATION AND ANALYSIS OF THE LABOUR MARKET

Note by Officials

The Secretary of State for Employment was asked to consider further, in consultation with No 10 Policy Unit, whether there should be more research into the labour market, in the light of a more precise definition of the matters to be studied and their cost.

2. This note considers the need for further information and analysis, the scope for undertaking it under existing arrangements and the alternative of setting up a special Unit for this purpose. It has been prepared in consultation with the No 10 Policy Unit, the Treasury, the Central Statistical Office, DI, DHSS, CPRS and the MSC.

NEED FOR FURTHER INFORMATION AND ANALYSIS

3. Surveys conducted by the Department of Employment have recently revealed - and for the moment helped to remedy - deficiencies in current statistics of the total labour force and its major components. There is clearly a case for conducting such surveys more frequently and the DE are considering an increase in the frequency of the (at present biennial) labour force survey which would meet this and other needs. The gross extra cost of a continuous survey would be about £1.2 million, but this would be nearly halved when account is taken of an increased EC contribution and further savings from DE and elsewhere.

4. There is no clear case for increasing the frequency of other statistical surveys of the labour market or for adding to their number. There are gaps in information about training but these are best filled on a local, rather than a national basis, and the MSC have well-advanced plans to do so. Additional requirements for national statistics which might be needed from time to time could be made good by adding questions to existing surveys, or by other means including special cross-sectional surveys.

5. Economic research into the labour market has been growing and the amount is now very large, emanating from a multiplicity of separate bodies. We refer below to the research conducted by the DE and by the MSC at an annual cost of around £1.2 million and we estimate that the SSRC also deploys some £300,000 of its annual budget on such inquiries.

6. The No 10 Policy Unit sees a need for further work in two respects:

(a) for someone to gather together and analyse all the existing information and to draw out its implications for policy makers and

(b) for further work to be done on the interdependence of the labour market with other markets, particularly financial markets. They believe that

/economists

economists and other professionals from the City and industry could make a contribution to this.

The No 10 Policy Unit has proposed the setting up of an Employment Market Research Unit to undertake this work and the proposal is set out in fuller detail in the Annex.

7. We consider, first, the existing arrangements within Government for undertaking and analysing labour market research for policy purposes; and secondly, the case for establishing a new labour market research institution

EXISTING ARRANGEMENTS

8. The additional statistical information referred to in paragraphs 3-4 above can be handled under the existing arrangements in DE and MSC and no organisational changes would be needed.

9. Monitoring and analysis of labour market research is at present undertaken by the Economic and Social Division within DE. That Division

(a) monitors relevant outside research and produces critical summaries of relevant research on an ad hoc basis. These normally go to policy divisions within DE but occasionally get a wider circulation;

(b) undertakes research work using its own staff and manages a programme of external research (the content of which is subject to Ministerial approval) with a budget of about £500,000 a year. The content of the research programme is determined after extensive consideration of the DE policy needs for the research.

(c) arranges for the results of most of the internal research work and virtually all the externally commissioned work to be published in full. Summaries appear in the DE Employment Gazette.

10. The DE research is coordinated with a major research programme conducted by the MSC and costing about £700,000 a year. This includes research into unemployment, the future structure of the labour force, technology and its effect on employment, the problems of special groups in the labour force and training needs in particular industries and occupations. The results are fed directly into MSC policy and programme development and are also published and disseminated within Government.

11. These DE/MSC research activities are extensive but have a low profile. In particular the Economic and Social Division has not the same public recognition as achieved by the Department's Unit of Manpower Studies in the late 1960s. But there should be no difficulty in altering the arrangements in three ways to meet the stated requirements in paragraph 6 above if Ministers wished.

12. In the first place, the arrangements for inter-departmental consultation on the scope and content of the DE/MSC labour market research programme could be strengthened to provide better for the needs of policy makers outside the DE. At present the Treasury are sounded informally but the consultation could be widened to the No 10 Policy Unit, CPRS, DHSS, DES and DI, if they wish to participate in suggesting labour market matters to be researched.

13. Secondly, the output of research summaries for policy purposes could be substantially increased by addition of, say, two professionals (with clerical support) possibly recruited by secondment from outside the Government service. The cost would be around £100,000 a year. Brief surveys of research projects in progress or completed could be circulated interdepartmentally to those interested, and analytical conspectuses of work in particular fields could be supplied on request.

14. Thirdly, work on the interdependence of the labour market with other markets could be the subject of an external research project, managed by DE in consultation with other Departments and making use of a mixed team drawn from existing research centres. Some provision for collaborative work of this sort exists under the present DE/MSC contract with the Centre for Labour Economics, but additional financial provision for such a project might prove to be necessary - perhaps around £100,000 a year for, say, three years.

15. If a higher profile were thought to be required for the management of labour market research, the extra staff could be brought together with research staff within the Economic and Social Division (including the remnant of the Unit for Manpower Studies) and retitled the Employment Market Research Unit. There might be an extra staff cost (possibly £40,000) in the form of a Director of the Unit. A Steering Group under DE chairmanship and including the representatives of other interested Departments (and some outsiders) could be constituted.

THE ALTERNATIVE OF AN INDEPENDENT SPECIAL UNIT

16. An alternative proposal is for an employment market research unit established independently of the DE. A Unit operating independently of existing institutions with a staff of say, 5 well qualified professionals and provision for financing publications and commissioning external research might cost around £500,000 a year. This cost could be reduced by the part-time employment of teaching staff from existing academic institutions.

17. Possible advantages of a Unit independent of Government are that

(a) because of its separation from Departmental thinking, it might be more likely to cast fresh light on existing problems and draw the attention of policy-makers to new solutions.

/(b)

(b) it might study problems over a longer time-span than that of a single government whose requirements and research interests are likely to change quite frequently, according to immediate political requirements.

18. On the other hand, there are problems with a Unit independent of Government:

(a) there is no guarantee that it would do the work on policy matters that the Government requires and in the time required. So DE/MSC research programmes would have to continue for operational purposes.

(b) the presentation, timing and publication of the results of the Unit's research would be entirely outside Government control. Research in this area can be politically sensitive since labour market policies tend to be contentious. Potential embarrassments have arisen with the programme under DE control and the Government would just have to put up with them if the Unit were independent. The fact that it is financed by Government would of course add a cachet to the views that it propounds.

RECOMMENDED ACTION

19. Subject to the availability of resources of money and manpower, we recommend that:

(a) the DE should mount a continuous labour force survey to remedy the present deficiences in statistical information at a gross extra cost of about £1.2 million and a net cost of nearly half that figure (paragraph 3);

(b) existing arrangements should be adapted so as to provide for

(i) consultation with other departments on research into, and concerning, the labour market (paragraph 12);

(ii) the production of research surveys and analytical conspectuses for the use of policy-makers throughout Government (paragraph 13);

(iii) the preparation of research proposals concerning the interaction of the labour market with other markets with a view to incorporating an approved project within the DE/MSC research programme (paragraph 14).

The gross extra costs of these proposals would be around £200,000 and the net cost nearer £130,000.

20. On the question of establishing a special research Unit we consider that the advantages of a separate and independent Unit are outweighed by its disadvantages. The above recommendations should meet the substance of the No 10 Policy Unit proposals without requiring the formation of a separate Unit. But if Ministers attach importance to having a publicly visible and identifiable Unit, we recommend that such a Unit should be created within DE under the arrangements and with the

PROPOSAL TO SET UP AN EMPLOYMENT MARKET RESEARCH UNIT

INTRODUCTION

1 The No 10 Policy Unit has proposed the setting up of an employment market research unit. This note describes the functions and objectives envisaged for the unit and discusses alternative ways in which it might be set up.

FUNCTIONS AND OBJECTIVES

2 The unit would aim to:

(a) draw together and analyse available information about the labour market, including research results produced inside and outside government:

(b) concern itself in particular with the interdependences between the labour market and other markets, including financial markets;

(c) commission outside research work where appropriate;

(d) draw out the policy and other implications of its analyses;

(e) publish its findings; publish substantial conspectuses of information on particular aspects of the labour market; systemise the publication of other research results in the field; and

(f) by these and other means, establish itself as an authoritative and influential source of information and advice on labour market matters.

RELATIONS WITH GOVERNMENT

3 The possibilities range from a unit which is seen to be firmly under Ministerial control and supervision to one whose constitution guarantees total freedom from Ministerial influence. An example of an intermediate option is the Home Office Research Unit which, though responsible to the Home Secretary, is generally regarded as having a measure of independence from Ministerial influence.

RELATIONS WITH OTHER INSTITUTIONS AND WITH THE PUBLIC

4 If the unit were Government-funded but outside Government, it might aim either to compete with or complement SSRC-funded and other bodies, such as NIESR and the CLE. The size of its external research and publicity budgets would affect the extent to which it could sponsor and promote the work of other bodies. A range of choices would be available concerning the extent to which the unit should aim to influence academic thinking, policy-formation, and public opinion.

SIZE AND COMPOSITION

5 The unit is envisaged as having a small but highly respected and qualified staff including economists and statisticians from within DE together with business and labour economists from outside. Its full composition would, however, depend upon the balance of the activities which it would be expected to undertake. It would be set up in the first place for a period of 5 years.

slp4

Prime Minister (2) Manpower

MS 10/2 2 Mr S

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Norman Tebbit MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1H 9NXF

10 February 1983

Dear Norman,

FUNDING OF TRAINING

Thank you for your letter of 1 February about the official working group to study the funding of industrial training. Officials here had told me of the likelihood of this development and I gather that the first meeting took place on 31 January.

I am sure that you are right to pursue this in a low-profile manner. And I accept what you say about the difficulties at certain points in distinguishing between training and vocational education. But I do ask that the Group approach the latter with reticence. Just as you wish to exclude disturbance of the funding of the Youth Training Scheme, it would be awkward to disturb the funding of education just when I am evolving radical proposals for both schools and higher education. Please keep me in touch with the progress of the study and let us have early talks if it should look as though the Group's work is leading it substantively into consideration of vocational education.

I am sending copies of this letter to the recipients of yours [Prime Minister, Chancellor of the Exchequer, Industry, Scottish and Welsh Secretaries and Sparrow CPRS].

Yours,

Keith

Manpower, Employment Measures, Pt 8.

(2)

Prime Minister

I will resubmit, with advice, when the DHSS and other papers come forward.

MCS 11/2

PRIME MINISTER

UNEMPLOYMENT

I was asked to examine possible modification and continuation of the Temporary Short Time Working Compensation Scheme (TSTWCS), a possible partial retirement option and the Workfare proposal. I attach a note by officials covering all three matters and setting out in the final paragraph the questions which arise.

The main question is whether we want to expand the impact of the special employment measures this year. I was asked to look into the possibility of modifying TSTWCS and continuing it further on a temporary basis after March 1984. Since we decided last year to end it in March 1984, unemployment has continued to rise, and in recent months there has been a reversal of the downward trend of short time working, and a small but unexpected increase in applications for the scheme. To open the scheme to second comers would be of particular help to the textiles, clothing and engineering industries and if, as proposed, the employer has to meet part of the cost, this would help reduce deadweight and the subsidy effect. If the resources were available, we could open the scheme to second comers in April this year and extend its life to March 1985 (Option 2 in Annex 1 of the officials' note). This should keep around 20,000 people in work and off benefit at an additional gross cost of around £100 million in 1983-84 and in 1984-85. But the net cost would be very low - about £20 million in each year - because payments under the revised scheme would be little more than benefit.

I think we should have to revise this view.

We came to the view on 23 December that we should leave over for consideration later in 1983 national extension of the Enterprise Allowance Scheme. I have accordingly since approached the Chief Secretary for funding the existing five pilot schemes until end March 1984.

However, a number of Ministers have urged the merits of this scheme and as an alternative to TSTWCS, or even if resources permitted in addition to, we might usefully consider the possibility of starting a national, or more limited Enterprise Allowance scheme (although it is hard to see a satisfactory basis for a scheme limited to parts of the country). The Scheme has particular appeal in that it enables the unemployed to start themselves in businesses which in turn can lead to the creation of new jobs. Although the net cost per person off benefit is somewhat higher than for other employment measures, these uncertain estimates do not take account of the longer term advantages. The gross cost of a scheme starting in July and running indefinitely would be around £45m in 1983/4 and £145m in 1984/5 and successive years. (The net costs would be about £20m in 1983/4 and £65m a year thereafter). About 22,000 would be off benefit in a full year.

I continue to believe that the Job Release Scheme is a very sensible instrument to use during a period when male retirements are lower than normal and will continue so until the mid-1980s; and that introduction of a part time variant will be a useful and cheap addition. However, it would not make sense to introduce changes until April 1984 when the present JRS will, in the absence of a contrary decision, fall back to age 64. Of the two options presented in Annex 2 to the officials' note, I would prefer the second - namely, to move the full time eligibility age back in April 1984 to 63 (save for the disabled) and to provide for partial retirement from age 60. On the basis that the Job Splitting subsidy would not apply to these JRS jobs, this should take over 70,000 off benefit in 1984-85 at a gross extra cost of nearly £100 million (about £20 million net) that year rising to about £180 million (about £50 million net) in 1985-86.

But I suggest that we view this together with Norman Fowler's paper on retirement options. For my part I would like to see us

A

building a coherent retirement package for the employed and unemployed over age 60, based on the Select Committee idea of 63 for the common retirement age. We need to avoid a longer term commitment to early retirement because of the demographic implications for the pensions burden in the 1990s. But that should not prevent us doing something imaginative and sensible now in a form expressly related to the present unemployment situation and therefore reversible.

The official note also sets out the lines of a possible Workfare Scheme. It is quite clear that we cannot introduce this alongside the Community Programme (CP) and that we must give the latter a clear run to get our 130,000 target in the course of 1983-84. In the light of our experience in trying to get the Workfare principle accepted into CP last year I am doubtful about its feasibility. I suggest that we decide that no such scheme should be introduced before the CP has run its guaranteed two years in 1984, but that officials should work the Scheme up into final practical form so that it is ready if we decide to go ahead then.

I am sending copies of this minute and its enclosures to the Home Secretary, the Chancellor, the Secretaries of State for Industry and for Social Services and to Mr Sparrow and Sir Robert Armstrong.

NT

N T
9 February 1983

Manpower Special Measures

MANAGEMENT-IN-CONFIDENCE

Prime Minister

Agree to a scheme on these lines?

Or would you like more detail?

(To be raised if you see David Young?)

MCS 9/2

PRIME MINISTER

YOUTH TRAINING SCHEME AND THE CIVIL SERVICE

1 We spoke last Thursday about the contribution which the Civil Service can make to the Youth Training Scheme. You said that you would be willing to have proposals from me of areas where training places could be provided. I attach a list of areas where I would like to negotiate training places if you agree.

2 At this stage I have no specific target on numbers in mind. If the Government was to provide places in the same proportion to its employees as major private sector employers, this would produce a figure of some 8,000 trainees!! Needless to say I am not looking for anything like that number. Since unemployed youngsters recruited under the Scheme would be trainees and not employees, they would not affect our 1984 target for Civil Service numbers.

3 I know that David Young would be glad to discuss this with you if you think that would be helpful.

4 I am copying this letter to Geoffrey Howe and Janet Young.

NT

N T

9 February 1983

MANAGEMENT-IN-CONFIDENCE

YOUTH TRAINING SCHEME AND THE CIVIL SERVICE

Areas where schemes might be set up

A. Trading Fund Organisations and other bodies that are moving in that direction, including:-

- Royal Mint
- Royal Ordnance Factories
- Royal Dockyards
- Civil Service Catering Organisation (CISCO)
- Her Majesty's Stationery Office (HMSO)
- Ordnance Survey
- Property Services Agency Supplies

B. Government organisations whose work is directly related to industry and commerce, including:-

- Export Credit Guarantees Department
- Ministry of Agriculture, Commodities Division
- Land Registry
- Business Statistics Office, Newport
- Off Shore Supplies Office, Glasgow

C. Areas offering transferable skills which would be of real value to trainees in seeking work in industry and commerce. Examples of this would include appropriate work in:-

- Forestry Commission
- Inland Revenue
- Customs and Excise (particularly at Southend)

Ministry of Defence Procurement Executive

Manpower Services Commission

Some office/common services areas (including computers)

Government research activities

EMPLOYMENT MEASURES

Note by the Department of Employment

The Secretary of State for Employment was asked

(i) to look into the possibility of modifying the Temporary Short Time Working Compensation Scheme and of continuing it on a temporary basis after March 1984;

(ii) to examine further the possibility of introducing a partial retirement option;

(iii) to study further the workfare proposal.

2 Detailed notes are attached on each topic. The main points and questions are as follows.

Temporary Short Time Working Compensation Scheme (Annex 1)

3 The CBI and others are pressing to admit second applications to the scheme and to extend it beyond March 1984 - the closing date already announced. To do so might be regarded as propping up jobs which are not viable, but could also be seen as giving firms breathing space in a period when the economy and employment have not picked up as had been hoped.

4 France and Germany have schemes which allow re-entry after periods of up to a year. But these are permanent schemes - as is our payment of unemployment benefit to the temporarily stopped - and not directly comparable. Both schemes do, however, require employers to bear some of the cost.

5 If the scheme is to be modified, there is a case for doing so from April 1983, the earliest possible date so as to gain the additional register effect in 1983/4. The additional gross cost would be nearly £100m in 1983/4 and the extra register effect about 20,000 at March 1984. The net cost would be very low - about £20m -

/because

the revised scheme would keep people off the register at a cost of little more than what would be paid in benefit. To make this major change to the scheme in April 1983 for one year only would much increase the pressure to reverse the decision to end the scheme in 1984 and we have assumed that the decision would be taken at the same time to extend the life of the scheme to March 1985.

6 An alternative would be to decide to continue the scheme beyond March 1984 for one year and to admit second applications from that date. (There seems little point in simply renewing the scheme unamended).

Part-Time Job Release Scheme (Annex 2)

7 The case for extending full time JRS beyond March 1984 is to be examined in the context of PES, but there is also advantage in encouraging partial withdrawal from the labour force, especially if this is associated with a replacement condition. There is no doubt that a part-time scheme on the basis in Annex 2 is feasible. The computer programming requirement means that it could not be introduced before the Autumn and we have assumed introduction in April 1984 when the full-time JRS is due for renewal.

8 Annex 2 illustrates two options. Option (i) assumes 62 as the age of eligibility of males for both full and part-time JRS. The net costs are negative. Option (ii) assumes age 60 for the partial scheme and 63 for the full time scheme to fit with the approach outlined by the Social Services Select Committee. This has higher net costs but takes more people out of unemployment.

9 Ministers asked that the relationship with the new Job Splitting Scheme should be carefully considered. In evaluating the latter we will examine how attractive job splitting is to workers who are near retirement, and whether additional or complementary inducements are desirable. Pending that assessment we suggest that if a part-time JRS is introduced, JSS and partial JRS payments should not be made in respect of the same split job. Such combined payments would be unlikely to add significantly to the effect on unemployment of the schemes taken separately, and would reduce the cost effectiveness of both schemes.

B

10 Ministers will wish to consider the possibilities for JRS extensions in relation to the various suggestions set out in the DHSS papers on possible arrangements for early retirement directed at the unemployed. Job release offers early retirement for people in jobs while the DHSS suggestions relate to elderly unemployed, but they ought to be considered as a coherent approach to early retirement.

Workfare (Annex 3)

11 The detailed scheme in Annex 3 shows how a workfare scheme might operate in this country, so that some of the unemployed would be required to work for a period to earn their benefit.

12 The main innovation would be its compulsory nature. This means it would require primary legislation. It also has other important implications, not least for the supply of places; the difficulty of providing work for sufficient numbers already sets a considerable limitation to what can be proposed and this would be compounded for 'pressed men'. The MSC could be expected to refuse to run a programme based on compulsion and the scheme would have to be administered directly by Government.

13 A key question is how those who are required to work are to be selected. Unless the scheme were concentrated on those who had refused other jobs or were for other reasons regarded as workshy (which in itself brings difficulties of selection and placing), the only way forward would seem to concentrate on the younger age group who had been unemployed for some time. 18 to 24s unemployed for 2 years or more is the example taken in Annex 3, but the numbers of 18 and 19s unemployed for one year are not significantly different and the costs would be very broadly similar to those for the scheme described.

14 In theory, workfare could be run alongside CP, the target group of workfare being excluded from CP, but in practice this is not feasible. In general, workfare would need to look to the same sponsors as CP. They would be unlikely to support a compulsory programme, particularly when they could opt for CP itself. For the most part workers under CP would tend to be more reliable and co-operative. In view of the assurances the Government have given about the voluntary nature of CP it might be difficult to exclude one section of its current clientele in order to offer them workfare. If workfare is to be introduced, this and the need to get the 130,000 places in CP filled this year point to deferring it until CP is renewed in 1984.

15. It is clearly not easy to apply conclusions based on American experience of Workfare to Great Britain. The more comprehensive national social security system, and in particular the safety net of hardship payments to those disqualified from benefit, means that the deterrent effect of Workfare might be much less important here. This would seem to rule out any substantial savings of benefit to offset against the administrative costs of running the system. The latter would be higher than for CP, not least because of the need to provide for appeals, as many would claim that they should not be required to work. Because benefit would continue to be paid, it would be difficult not to include those on Workfare in the unemployment count.

Questions for Ministers

16. It would be helpful to know:

(a) whether Ministers wish to change the decision to end the Temporary Short Time Working Scheme in March 1984. If so and they favour the changes suggested to the scheme, do they wish them to take effect from April 1983 or April 1984? It is assumed that any extension would last until the end of March 1985.

(b) whether Ministers favour the introduction of a partial job release scheme alongside extension of full time JRS from April 1984 and, if so, which of the two options (or any variant) would they wish to have developed?

(c) whether Ministers wish further work to be undertaken on Workfare; and if so, is this with the intention of returning to its consideration when there is a more realistic possibility of changing the basis of CP in 1984 when it will have been running for 2 years - the present commitment?

TEMPORARY SHORT TIME WORKING COMPENSATION SCHEME (TSTWCS)

1. This Scheme was introduced in April 1979 to give a breathing space to firms threatened by redundancy. By early 1984 most of industry likely to use it will have exhausted their entitlement. The Government have announced its closure in March 1984 and the money previously allocated for new applications after that date has been surrendered.

2. Ministers agreed on 23 December that a permanent Scheme was undesirable. The Secretary of State for Employment was asked to look, in consultation with the Chancellor, into the possibility of modifying the Scheme (possibly by changing the "once only" rule, and seeking to reduce deadweight) and of continuing it further on a temporary basis after March 1984.

Arguments for a continuing Scheme

3. The Scheme was introduced as a temporary measure. Ministers have been conscious of the dangers of propping up indefinitely jobs which are not viable without a subsidy and have always taken the line that each job should be supported once only and for a limited period. Admitting second applications may tend to slow down essential restructuring.

4. On the other hand, it can be argued that, so long as the prospects for strong economic growth are not good, a breathing-space in which firms can keep their labour force together while adjusting to economic pressures is still needed. This Scheme is a particularly cheap way of keeping unemployment down and industry seeks its continuation. There has been substantial pressure from the CBI and others for a continuation of the Scheme in some form.

5. Other EC countries such as Germany and France, already have continuing schemes (see Annex 1A), though these operate on a permanent and comprehensive basis and as such cannot be compared directly with the GB Scheme. Short time working in Britain is supported currently both through TSTWCS and through the operation of the benefit system. In 1982 about 17,500 temporarily stopped workers on average were claiming benefit on the day of each monthly count. These were excluded from the publicised monthly unemployed figures but feature in the unemployment Press Notice under a separate heading.

A possible Scheme

6. The CBI have already suggested the broad outline of a Scheme involving further

support for jobs already supported, with a lower Government contribution for the second period of support or a substantial period of time between the first and second periods.

7. The main features of a continuing scheme might be:-

(i) the existing criteria for eligibility;

(ii) a second six months' tranche of support for the same jobs 3 years after the date of the previous application for support;

(iii) as now, workers covered by the scheme would be paid 50% of normal earnings while on short-time. The employer would be reimbursed 50% of normal earnings for the first 6 months of support, as now, and 40% for the second 6 months three years later.

This incorporates both the CBI constraints and in particular would require the employer to pay 10% of the second tranche.

OPTIONS

8. There are three options:

Option 1: maintain the announced decision to close the scheme in March 1984;

Option 2: expand the current scheme from April 1983. If Ministers wished to accept the CBI case, it would benefit industry to begin in April 1983 rather than wait until April 1984, and there is then likely to be a substantial take-up in 1983-84. In addition, it would seem odd to bring in this expansion when the scheme was being terminated in March 1984 and it would make sense to defer termination until March 1985;

Option 3: run an expanded TSTWCS with the revised rules for one year from April 1984.

9. The costs (in £m) and average monthly effects on the unemployment count (in 000s) would be:

	OPTION 1		OPTION 2		OPTION 3	
	Gross Cost	Unemployment Effect	Additional gross cost	Additional unemployment effect	Additional gross cost	Additional unemployment effect
1983-4	40	7	98	+22	-	-
1984-5	8	3(1)	104	+22	128	+28
1985-6	-	-	15	+6(1)	18	+6(1)

(1) unemployment effects over first six months only.

10. Expenditure under the Scheme can vary greatly according to economic conditions and variations in unit costs eg in 1980/81, when unemployment rose by well over 1 million, expenditure rose to over £360m.

11. The net cost would generally be less than one-fifth of the gross costs (ie after deducting benefit savings etc). The net cost per person taken out of the unemployment count (about £450* in 1984/5) is very low because, with support at 40%, the Government payment to the employer is broadly what would otherwise be paid to the employee in benefit.

12. Deadweight in TSTWCS occurs when the scheme is used to avert redundancies which would have been avoided by other means if the scheme did not exist. The main alternative would be to use the unemployment benefit system. In effect TSTWCS has transferred some workers from one form of state aid to another at a more attractive rate. It may also be open to employers to pay for workless days under a Private Industry Agreement. It is anticipated that the reduction in the level of support from 50% to 40% would discourage some employers from applying where the redundancies might be avoided in other ways.

Small Firms

13. The CBI have suggested that the eligibility threshold should be reduced from 10 to 5 to help small firms. At either start date, this would add an additional £11-12m to expenditure in the first year of operation, with an additional register effect of 2,500.

Staff

14. Staff required for processing second applications would be fully offset by savings in staff otherwise required to pay benefit. Setting the eligibility threshold at 5 would bring in many small applications, and add substantially to the complexities of administering the scheme. The additional staff required should continue to be offset, however, by benefit savings. Administration will add about 1% to the costs in para 9.

European Aspects

15. Schemes for short-time working compensation are not notifiable to the European Commission and are not eligible for support from the European Social Fund.

*This assumes 10% of deadweight. Even with deadweight of 40%, the figure would rise only to about £1600 so that the scheme would still be relatively cheap.

SHORT TIME WORKING: THE FRENCH AND GERMAN SCHEMES

A. SUMMARY

Both France and W Germany operate short-time working compensation schemes. The main differences from the British scheme are first, that the French and German schemes are permanent; secondly, that they provide support over longer periods (the level of support in the German scheme is also substantially higher); and thirdly employers are required to contribute towards the allowance or wage paid.

B. THE FRENCH SHORT-TIME WORKING SCHEME

1. Employees who suffer loss of earnings as a result of temporary closure of an establishment or of reduction of normal working time below the level fixed by law (currently 39 hours per week) are entitled to an allowance paid by the state. In the vast majority of private sector firms they are also entitled to a complementary allowance paid by the employer under the terms of a national agreement.

2. This entitlement applies where short-time working results from temporary economic circumstances, supply difficulties, accident, exceptional bad weather, restructuring or modernisation, or <u>any other exceptional cause</u>. There are some exceptions, notably for part-time and seasonal workers and in cases of industrial action. Workers who have not reached the normal holiday entitlement may be paid the allowance if their firm is closed for annual holidays.

3. The rate of allowance paid by the state is fixed at 70% of the "minimum garanti" (currently 7.57F per hour), giving a current figure of 5.25F per hour. The complementary allowance brings this up to 50% of hourly earnings, with a minimum currently fixed at 19.10F per hour. The minimum monthly total payment may not be less than the statutory minimum wage (SMIC).

4. In order to avoid redundancies the state may enter into agreement with employers to bear part of the cost of the supplementary allowance. This is normally 60% but may rise to 80% in priority sectors or those in serious difficulties.

5. The allowances are normally paid to employees by the employer who reclaims part from the state. Where a firm is in serious financial difficulties, however, or goes into liquidation, or in the case of homeworkers, arrangements may be paid for the state-financed allowances to be paid directly to employees.

6. The number of hours for which allowances may be paid is fixed annually by ministerial decision. This limit is currently 600 hours.

C. THE GERMAN SHORT-TIME WORKING SCHEME

1. Under Section 67 of the Law on the Promotion of Employment, workers who are put on short time may claim allowances for the hours lost which they would have normally worked. In the past this sum together with the contribution which the employer is required to pay could have brought the worker's wages up to the level they would have reached if he had worked normally. Of recent years however the practice has been altered and the most that any worker on short time can now get is 90% of his normal wage. The amount paid varies according to the industry concerned and in most industries the worker gets 75% of his wage for the hours not worked. The major element in this payment is a contribution from the Federal Labour Institute equivalent to unemployment benefit, ie 68% of the worker's net wage. The remaining 7 - 22% is a contribution from the employer.

2. Short time working payments are made for periods of up to 24 months. Workers become eligible for a further period of support after they have been employed full time for three months.

3. In supplementary budget legislation promulgated on 23 December 1982, the Employment Protection Law was amended to allow the Minister of Labour by order to extend the period in respect of the steel industry to 36 months. The provision is estimated to affect some 5000 steel industry workers immediately and to affect a further 5000 in the course of the coming year. This extension to 36 months is regarded as wholly exceptional and not setting precedent for other industries.

4. At the latest available date 1.1 million workers were on short-time working under this scheme.

PART-TIME JOB RELEASE SCHEME

Ministers found the possibility of a part-time JRS attractive, since the cost might be nil or negligible, and asked for it to be examined further, including its relationship to the Job Splitting Scheme (JSS).

RELATIONSHIP TO THE JOB SPLITTING SCHEME

2. The decision on the relationship makes a significant difference to the cost of a part-time JRS. The main arguments for paying the job splitting subsidy to the employer as well as the job release allowance to the employee giving up half his/her job are:

(i) The Government has accepted that job splitting involves additional costs for the employers. Where a job is split under the part-time JRS, exactly the same costs would arise and they should be compensated for.

(ii) Without the job splitting subsidy, the part-time JRS might be unattractive to employers. Since the employee would still be in half-time employment, the employer would not have the same advantage as under full-time JRS that he could end the employment of someone who was no longer suitable.

3. The main arguments against concurrent payments are:

(i) Part-time JRS without a job splitting subsidy would be cheaper than full-time JRS, because only half the JRS allowance would be paid while the saving in benefit from employing someone off the unemployed register remains much the same. Concurrent payment of the job splitting subsidy would increase costs in the first year and raise the net cost per head of a part-time JRS to roughly the same as full-time JRS where the two schemes are available for the same age-groups; and to rather more than full-time JRS if part-time JRS was run on its own.

(ii) Administration would be more complicated and costly in staff, with two sets of criteria to be checked and two different allowances to be paid in respect of the same job.

4. The decision really turns on the impact on the costs, and the attached table shows the costs with and without JSS for the two part-time JRS options identified below. In each case the concurrent payment of JSS adds about 50% to the net cost per person removed from the unemployment count.

OPTIONS FOR A PART-TIME JOB RELEASE SCHEME

5. The main features of a part-time JRS would be as follows:

(a) The age limits and other criteria would be the same as full-time JRS except that the applicants would undertake to give up at least half their previous contractual hours, releasing a minimum of 15 hours a week for a replacement.

(b) The part-time Job Release allowance would be exactly half the full-time rate.

(c) Each part-time job released under the scheme would be filled by a part-time worker from the unemployment register.

(d) Normally neither the replacement part-time worker nor the retiring part-time worker would figure in the unemployment count because the income of most of them would be above benefit levels.

(e) The 150 or so extra staff needed to run the scheme would be fully offset by the reduced requirement of staff otherwise needed to pay benefit.

(f) The scheme would not be notifiable to the European Commission, nor would it be eligible for Social Fund assistance.

6. The scheme could have the same eligibility age as full-time JRS or they could operate at different ages.

7. We assume that the scheme would start from April 1984. Earlier introduction would be difficult because there is a computer programming requirement for a 6 month preparation period. It also seems desirable to take a decision on part-time JRS at the same time as a decision on full-time JRS from April 1984.

8. We have illustrated in the Table the costs of two options (both assume that women will continue to be eligible for full-time JRS at 59 and disabled men at 60):

(a) A part-time JRS operating alongside full-time JRS in 1984-5, assuming a male eligibility age of 62 for both schemes (described in the Table as the 62/62 option).

(b) A part-time JRS with a male eligibility age of 60, with a male eligibility of 63 for the full-time JRS (described in the Table as the 63/60 option).

9. The Table identifies separately the existing PES provision (which assumes a male eligibility age of 64 after March 1984) and the additional costs of the two options, with and without JSS. It will be seen that when part-time JRS without JSS runs alongside full-time JRS for the same age-groups, it has a negative cost per head; when the age-groups differ, its cost is positive but, at £450, still comparatively low.

TABLE

	GROSS COSTS[1]			NET COSTS[1]			EFFECT ON UNEMPLOYMENT COUNT (000s, end-year)			NET COST[2] PER PERSON (£, pa)
	84-5	85-6	86-7[3]	84-5	85-6	86-7	84-5	85-6	86-7	
A. EXISTING PES PROVISION FOR FULL-TIME JRS										
Line 1. Men aged 64	303	192	126	128	81	53	67	36	27	1500
B. ADDITIONAL COSTS										
OPTION 1: 62/62 (full-time JRS for men aged 62-3, part-time JRS for men aged 62-4)										
Line 2. With JSS	84	152	79	39	61	26	55	39	16	1502[4]
Line 3. Additional costs of part-time JRS included in Line 2.	46	53	20	23	19	1	30	18	8	1510[4]
Line 4. Without JSS	60	132	79	15	41	26	52	37	15	1070
Line 5. Additional costs of part-time JRS included in Line 4.	22	33	20	-1	-1	1	27	16	7	-90
OPTION 2: 63/60 (full-time JRS for men aged 63, part-time JRS for men aged 60-64)										
Line 6. With JSS	138	216	136	66	83	37	81	63	45	1549[4]
Line 7. Additional costs of part-time JRS included in line 6.	125	174	120	60	65	30	72	57	44	1600[4]
Line 8. Without JSS	95	181	136	23	49	37	74	58	41	1016
Line 9. Additional costs of part-time JRS included in line 8.	82	139	120	17	31	30	65	52	40	450

Footnotes:
(1) Costs are in £m at cash prices.
(2) Net cost per person removed from unemployment count, at 1984-5 cash prices.
(3) DE estimate, using 3% inflation factor.
(4) Since the job splitting subsidy is payable for only 12 months, this net cost figure will be lower after the first year.
(5) Administration is estimated to add [1-2%] to the costs or somewhat more if the job splitting subsidy is paid in addition.

WORKFARE

1. Attached is an outline of a possible scheme (Appendix 1). This note sets out a number of considerations which arise in relation, not only to particular features of the scheme, but also to its underlying purposes.

WHAT IS WORKFARE

2. Workfare is a system whereby the unemployed who are in receipt of benefit are required to perform work in exchange for benefit; normally hours worked yield in wages earned a sum equivalent to the benefit entitlement.

EXISTING WORKFARE SCHEMES

3. There is a long history of workfare in the US, especially at State level. Appendix 2, which summarises this experience, has been drawn up on the basis of reports received, including particulars of a number of evaluations undertaken.

PURPOSE OF WORKFARE

4. The scheme could aim to:

a) improve employability by providing useful job opportunities for the unemployed and thus instilling work habits and giving a sense of dignity, while at the same time establishing a principle of working to earn benefit payments, and making constructive use of benefit expenditure.

b) establish more directly the principle of working to earn benefit ie, to apply a work-test and to discourage those who are workshy from claiming benefit.

These two objectives need not be exclusive, but the precise emphasis placed on each could affect the target group and the precise details of any scheme.

COMPULSORY NATURE OF SCHEME

5. A distinguishing feature of workfare is that the unemployed are required to work for their benefit and the attached scheme is so designed. At present there is an element of compulsion on the unemployed to accept suitable employment in the normal labour market at normal rates of pay, if offered, because benefit can be reduced or disallowed for refusal of suitable employment. The welfare system

however protects people from being left destitute and without resources. People disallowed supplementary benefit may be entitled to Urgent Need payments. This would reduce the deterrent effect of workfare.

6. Willingness to participate in the Community Programme (CP) is not a condition of entitlement. Indeed, public discussion in recent years of voluntary work opportunities for the unemployed, the Youth Training Scheme and CP itself, has shown considerable resistance to any concept of compulsion. With a workfare programme parallels might be drawn with the 1930s when such 'test work' was last made a condition of entitlement to benefit, albeit on a limited scale.

7. The compulsory nature of workfare has two important consequences:
   a) the selection of the target group;
   b) the relationship to CP.

TARGET GROUP

8. To apply compulsion in the UK would seem to demand equity of treatment of the unemployed, or of those in the target group chosen, and accordingly a sufficient supply of jobs to which the unemployed can be sent both in total and also in particular areas.

9. In the US the problem of selection is less fundamental because there is no general system of support for the unemployed. This means that workfare can concentrate on limited groups who are eligible for, say, federal benefits, and also, because there is no background of equitable treatment of all the unemployed, a special regime for some is less invidious.

10. In the UK, because it would be impossible to find sufficient work, it is not realistic to assume that workfare can be applied to all unemployed in receipt of State benefits. There are two main possibilities of reducing the field to a more practicable number.

11. The first (emphasis on aim (a) in para 4) is to select a group which by its characteristics is likely to benefit more than most by the work experience offered (and also one where compulsion is likely to cause fewer problems).

12. The second (emphasis on aim (b) in para 4 is to identify a category of claimants who could be described as workshy, and make workfare compulsory for them.

13. The first alternative has to be limited to a target group for whom there is a reasonable expectation that jobs will be found. Experience with CP and other special employment measures suggests that it would be more feasible to think in terms of providing places to cater for a target group of 100 to 200,000 than to attempt to cover a larger group. The kind of experience offered by workfare will be of most use to young people. Since YTS will be available for 16 and 17 year olds it would seem logical to concentrate on the 18-24 age group who already form a special category within CP.

14. There may be a case for restricting a compulsory scheme to those in receipt of Supplementary Benefit (SB) since entitlement to Unemployment Benefit is established through contributions paid while in employment where the arguments against compulsion are stronger. Targetting on the long term unemployed (over one year) who have mostly exhausted any entitlement to UB, would eliminate problems with UB claimants, and provide clear and easily understood eligibility conditions, which will help to minimise appeals against inclusion. By identifying a group that is obvioulsy in most need of support it may also maximise public sympathy. Nevertheless there were in October 1982 some 280,000 18 to 24s unemployed for over a year, most of whom will be in receipt of SB. There is therefore a case for starting with those unemployed for over 2 years (90,000) or the 18 and 19 year olds unemployed for over one year (80,000). These numbers can be expected to increase considerably by October 1983, eg, there could then be 140,000 18 to 24s unemployed for over 2 years.

15. In the case of the second alternative identification of the workshy group would necessarily be a more subjective process and would have to be largely in the hands of DHSS Unemployment Review Officers (UROs) eg, to refer those, not necessarily in the 18 to 24 age group, who after a year's unemployment were not making efforts to find work. Identification of cases would not be easy, particularly as at a time of high unemployment it is not easy to test people's willingness to work. The selection of individuals would necessarily be somewhat invidious and therefore the decisions taken by UROs would be likely to lead to appeals and controversy. The number eligible for workfare might be very small indeed.

SPONSORS

16. There would be real difficulties in finding enough sponsors. The work undertaken would need to be inessential and therefore predominantly of low skill. Although there would be some differences (eg, the average amount of work needed for a young single unemployed person would be about 2 days), the jobs are very much the same as those needed for CP. Many of the local authorities and voluntary organisations which provide CP places would be unlikely to wish to provide places for a compulsory scheme. It would not seem possible to find additional sponsors for such a scheme if it were run alongside CP without materially affecting the success of CP, which they might regard as tarred with the brush of compulsion.

17. Sponsors might, regardless of CP, in any case be more difficult to obtain because a universal compulsory scheme would mean that the type of work might be restricted by the nature of the labour - part-time, high absenteeism and turnover, difficult placing problems.

18. It is relevant that Section 10 of the Supplementary Benefit Act 1974 provides for compulsory rehabilitation for the long term unemployed at re-establishment centres. Use of this provision has declined substantially in recent years. DHSS have recently decided to discontinue the use of the compulsory powers and are not convinced that it is still appropriate for them to run training centres. Their experience is that 'pressed men' have been found to be disruptive and to increase supervision costs. Those who refuse to attend can generally claim Urgent Need Payments.

19. If the private sector were drawn on to supplement the supply of places, displacement of ordinary workers would be involved. If a scheme were started and insufficient sponsors came forward, the Government might have to run its own courses, so adding to the expense.

RELATIONSHIP WITH CP

20. Ministers have said that CP will run for at least 2 years (to October 1984). In the first place CP was envisaged by Ministers as a benefit plus approach (ie, the unemployed voluntarily opted to earn their benefit, to which the expenses of work were added). The scheme, as accepted, rested instead on the principle of the rate for the job, and although in many cases earning potential is limited by the part time approach, the total earned bears no relationship to the individual's benefit entitlement. CP is at present on course

to its target of 130,000 places. Ministers said that they would consider providing more funds if there were a proven need. This suggests that a parallel workfare scheme should be ruled out for the time being, and re-examined when CP is reviewed in 1984.

21 An alternative approach would be to exclude, say, 18 and 19 year olds from CP and run a workfare scheme for them. But the difficulties of finding sponsors would remain. Quite apart from any general objection they might have to compulsory schemes, it would be unlikely that sponsors would wish to mount projects under two parallel schemes with much in common, but with some fundamental differences.

22. There remains the possibility that a separate scheme should be mounted more immediately for the workshy. Even this would have some impact on the provision of schemes for CP. More important it would mean a more fundamental break with recent practice including the reduced emphasis on resettlement centres and subject to the disadvantages listed above.

23. A pilot scheme, aimed at covering all those in the target group in a particular locality, might be possible, but such a trial could not incorporate the ingredient of compulsion so there would be less of a contrast with CP and the lessions drawn might not be applicable to a full workfare scheme.

COSTS

24. The additional net cost per place per year would be around £800, arising from supervision, materials and administration.

OTHER IMPORTANT CONSIDERATIONS

25. The attached scheme sets out the main features. Considerably more work would be necessary before any scheme could be implemented, but the following points particularly need to be taken into account:

a) In order to make workfare compulsory main legislation would be necessary.

b) It is most unlikely that the MSC (who have the contacts with sponsors) would be prepared to operate the scheme. The DE would have to do it direct, thereby adding, at least initially, to the costs.

c) In general the support system needed is likely to be more expensive than for CP.

d) There could be some benefit savings as a result of the deterrent effect, but on the basis of experience with UROs this is likely to be small, and has been allowed for in our costings. US experience may not be relevant because of the more comprehensive availability of benefits in the UK.

e) Full comprehensive coverage of an age group is probably unattainable. Clear rules would be necessary as to whether compulsion applied, eg to the disabled. Even so an appeals system would be necessary.

APPENDIX I

A POSSIBLE WORKFARE SCHEME

1. This scheme would be compulsory for the group defined below and benefit would be cancelled for those who failed to do the assigned work. (It does not describe the "workshy" option).

ELIGIBILITY

2. Unemployed SB claimants aged 18-24 who have been unemployed for over 2 years. There were 90,000 in this group in October 1982 and the vast majority, say, 85% of this group are single - for details see Annex A. On present trends by October 1983 there could be 140,000 in this category, although some of them will have been on CP.

PROCEDURE

3. The detailed procedure would depend in part on whether MSC or DE were responsible for placing.

In this note reference is made to workfare staff. They could be in the Employment Services Division of MSC who are responsible for CP, attached to Regional Benefit Manager's staff at DE regional office; or even be within DHSS - particularly if the target were the workshy.

4. UBO staff would identify those eligible and, on the second anniversary of their registering as unemployed, these claimaints would be referred to the workfare section for assessment and allocation to a suitable job. A card would be issued to the claimant to give to his workfare supervisor who would endorse it, detailing the number of workfare hours completed in the fortnight and post it back to the workfare section whose staff would check and refer for non compliance action as necessary. The card would be returned to the claimant when he attended the UBO to prove unemployment - at the signing stage, if no new task allocation were needed. This system should avoid the unnecessary disruption, due to postal delays, non attendance or non completion of the workfare task for good cause, that would be inherent in a system where benefit payments depended directly on confirmation that the workfare task has been completed.

5. Individuals would remain on the scheme, as long as they were unemployed or within the age group.

6. Procedures for authorising absence for sickness and for reinstating cancelled benefit would need to be established.

Amount of Work

7. Using the 'rate for the job' and varying the workfare time to match the benefit entitlement of each individual would be administratively complex. It would be more straightforward to set the same amount of work for everyone, for example two days per week. The disadvantage is that it reduces the contrast with CP, and takes away the direct link of working for the amount of benefit received, but the disparity would be less for this age group.

Work Expenses

8. Payment of a standard flat rate for expenses, in addition to benefit (as in most US examples) would be cheaper to administer than paying actual costs. The amount paid would need to cover transport expenses, special clothing requirements, meals at work. (The allowance might be £1.50 a day). The allowance could be paid automatically through the benefit giro system.

Sponsors

9. Sponsors would be local authorities and voluntary organisations. The work would need to satisfy the CP criteria: it must be of value to the community; must avoid displacement, and must be work which would not otherwise be done.

Operating Costs

10. Sponsors would be paid a contribution towards materials and equipment expenses. This might be of the same rate as £440 per year, but on a pro rata basis (ie £176 for 2 days work).

Supervisors

11. US experience reports unexpectedly high supervision costs were sometimes incurred. Supervisors could be on a similar basis to CP, ie, full time wages costs up to agreed limits, but the ratio may need adjustment to take account of part time working.

Displacement

12. One major factor in determining the costs of the scheme would be displacement. The longer jobs lasted the higher the propensity for

for workfare jobs to displace real jobs and increase unemployment. Theoretically someone could remain on this scheme for several years.

Deterrent

13. The scheme may act as a deterrent to those about to enter the target group and encourage them to sign off. This would include those individuals already working and those not willing to work. A small such effect has been assumed. The main effect of deterrence on the scheme may be simply to increase the turnover of the unemployed on the register and on sponsors' schemes. Some US schemes found a deterrent effect (for receipt of food stamps) but even with control groups this proved difficult to measure. The scheme may induce people to accept low paid jobs because they have to work for benefit anyway.

Tax

15. Since the money paid is benefit, it should continue to be taxed on the same basis as benefit.

Exemptions

16. It may be inappropriate for workfare to be compulsory for all the target group. Some jobs would clearly be unsuitable for some disabled people. One possibility would be to exempt the registered disabled from compulsion. At the borderline there will be a large number of problem cases, giving rise to controversy and appeals.

Legislation

17. Primary legislation would be required if the provisions were compulsory.

EC Aspects

18. The EC would need to be notified if any form of subsidy was paid to the private sector, for example payments for supervisors, or any incentive to private employers to take on workfare clients.

Appeals

19. There would need to be a right of appeal. US experience reports very extensive use of appeals. An appeals procedure would be required for appeals against

- inclusion in the target group
- allocation of work
- non payment for absenteeism
- non payment in case of changed circumstances, sickness etc.

The existing appeals machinery for benefit could be used either the Insurance Officer or Supplementary Benefits Officer. Appeals would need to be handled quickly. A slow appeals procedure could be used to circumvent workfare, (eg, under union orchestrated protest action).

Costs

20. Administrative and related costs would be higher than with CP because of the high volume of appeals and difficulties with policing and assigning suitable work. Participants would continue to sign as unemployed so there would be no savings in the Unemployment Benefit Service. Administrative costs will include finding and approving sponsors, identifying the target group members, allocating work, processing the cards, paying the expenses allowance, policing and enforcement, appeals procedures.

21. Taking these factors into account a first estimate of the additional net cost per place is around £800 per year.

Staff

22. The scheme would be more staff intensive than CP for the reasons given above. This might suggest that at least 800 additional staff might be needed.

Register Effect

23. Participants would continue to sign and receive benefit. They would also be available for ordinary work. To exclude them from the unemployment count would cut across the accepted criteria for inclusion. Nevertheless some register effect can be expected. Some supervisors will be recruited from among the unemployed. Workfare will deter some from claiming benefit, and they may not enter employment. This will reduce the unemployed count and DHSS believe this could amount to 5 to 10% of the eligible population. In so far as workfare has a displacement effect (see para 12), there would be an offset to the deterrent factor.

CONFIDENTIAL

ANNEX A

The composition of the registered unemployed aged 18-24 in October 1982

Duration of Unemployment	AGES 18	19	20-24	TOTAL
All unemployed	195,400	169,800	620,790	985,990
Under 1 year	166,090	119,880	420,760	706,730
1 year to 2 years	25,160	39,430	125,101	189,600
Over 2 years	4,150	10,490	75,020	89,660
TOTAL Long term Unemployed	29,310	49,920	200,030	279,262
ESTIMATE of % married Long Term Unemployed	1.5%	2.5%	17%	

Figures on the new claimants' basis are not yet available.

APPENDIX 2

US EXPERIENCE

1. There is a long history of workfare in the US, especially at State level. Workfare basically requires welfare recipients to work in return for their benefits. Federal interest, which grew in the mid 1970s with the increasing numbers on welfare, has recently been boosted under the Reagan administration. States have been given the option of applying workfare to those in receipt of Federal benefits - unemployed fathers of families with dependant children The option can be exercised in a number of ways - through using benefits to provide subsidised public sector employment on a voluntary basis (though with the right to reduce individuals benefit levels to increase the incentive to participate) and through Community Work Experience Programmes (CWEP) - a mandatory obligation to "work-off" benefits in public service jobs. None of these special programmes, however, must displace real jobs and precedence must be given to the more orthodox special employment measures.

2. A number of States are already exercising the option though mostly in small experimental schemes. Others are deterred by the fear that administration costs will far outweigh any savings in benefits. Most States look on CWEP as a means of reinforcing the work ethic while giving work experience and improving employability. The schemes are targetted mainly by family circumstances, eg one parent families.

3. There appear to be few problems with providing the required number of jobs for the present largely experimental schemes. To some extent, this may reflect greater scope in the US to create work in the public services without displacing real jobs. The type of jobs are very routine and concentrate on clerical, maintenance and child-care work in local schools, hospitals and parks.

4. It is generally accepted that the number of hours of work required should be sufficient to cover the amount of benefit, costed at the legal minimum wage. These are usually aggregated on a monthly basis. The average number of hours worked by those participating can be as little as 20 per month.

5. Evaluation reports are very contradictory and seem more to reflect the writers view of workfare than an impartial assessment of

achievements. Some frequent findings:

- There is no agreement on how successfully the schemes fulfill their aims, but figures rarely show them to reduce public expenditure. Administration, supervision and appeal costs are higher than anticipated.
- Only a small minority of the eligible group actually work. The biggest drop out occurs between referral and the workfare interview. Supporters point to this as evidence of the deterrent effect (one food stamp programme claims a 7.8 percentage point reduction in participation rates) but it is not clear whether it simply reflects the normal high turnover among these benefit recipients. Penalties are incurred for non compliance, including the loss of access to free medical services available to welfare recipients.
- A fairly difficult start up period including staff opposition, organisational problems and the use of litigation by opposition groups.
- Difficulty in co-ordination and co-operation between the welfare office and the workfare administration.
- Lengthy and costly appeals.
- Union opposition, focusing on allegations that this is simply cheap labour and a ruse to depress wages.
- Controlled experiments were unable to establish that the work experience provided, or the disincentive of the scheme, induced people to find real jobs.
- Many of the recipients welcome the opportunity of any sort of work.

6. In general, however, there seems to be no doubt that workfare is feasible at a cost and it is noticeable that the most successful schemes are those mounted in States and counties where those responsible for schemes are enthusiastic.

CONFIDENTIAL

A

PRIME MINISTER

YOUNG WORKERS SCHEME: EARNING LIMITS

Norman Tebbit will shortly be proposing to increase the earnings limit for the £15 a week subsidy from £40 a week to £42, and for the £7.50 a week subsidy from £45 a week to £47. No change is proposed in the value of the subsidy.

When he suggested this last September, you thought it would be unwise because it would raise expectations that the limits were going to be increased every year. The Chancellor made a speech discouraging such expectations. However, that objection must have less force with respect to the present proposals since they only amount to a 3½% increase in the earnings limit, and no increase at all in the subsidy. The 3½% is well below the rate of inflation and the rate of pay increases in the private sector. There is therefore no presumption of automatic indexing. On the contrary, it points in the direction of widening the youth of adult differentials - one of the effects which we hope to achieve with the scheme.

Although I conjectured the £40 limit in the original paper in July 1981, all the subsequent research has shown that that was about right at the time. If that is the case then clearly £40 is now too low to achieve the objectives of the scheme. The Department of Employment does believe that the scheme is a valuable one and would like to continue it. I agree with them.

I suggest, therefore, that you agree to these very modest increases. I understand that they estimate that they will add £4 million to expenditure in a full year and will provide for about 20,000 youths.

3 February 1983

ALAN WALTERS

CONFIDENTIAL

Manpower / cc J.V.

(2)

Prime Minister

MCS 4/2

Caxton House Tothill Street London SW1H 9NXF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON SE1

1 February ~~January~~ 1983

MT

D. Keith.

FUNDING OF TRAINING

You will recall that the December 1981 White Paper "A New Training Initiative: A Programme for Action" (Cmnd 8455) committed us to undertake with MSC a study of the whole area of funding industrial training. We have deferred putting detailed work in hand on this longer term matter but I have now had a chance to consider with David Young how this issue should be handled and I am writing to let you know that I am pursuing it.

Our major concern at the moment must be to avoid seeming to put in question current arrangements for funding the Youth Training Scheme since this might prejudice vital employer support for the Scheme. I also wish to discourage those who might use a public study of funding as a vehicle for launching claims for additional public funds. I have therefore concluded that the study should have a low profile and should be carried out by officials of my Department and MSC, in close consultation with your own and other interested Departments. I see no need to make any specific announcement: if asked, I will simply say that work is in hand and that no options have been excluded. I would make no public mention of terms of reference or timescale, but I have asked officials to report to me by May.

The study will essentially need to examine the present arrangements for funding training, to consider what principles should be applied in determining Government policies in relation to funding in the longer term and what changes in current arrangements these might require, to assess the appropriateness of particular mechanisms that might be adopted for achieving such changes and to make recommendations. The focus of the study will be on training but I am clear that it will also need to take account of the funding of vocational education provision: indeed the distinction is often difficult to detect at the margin and it would be wrong to distort the study by focusing it on those activities which are

furthest removed from education. If the study does come up with proposals having implications for education, I shall of course consult you fully on them.

I hope that these arrangements are acceptable to you.

I am copying this letter to the Prime Minister, and to the Chancellor of the Exchequer and the Secretaries of State for Industry, Scotland and Wales, who will no doubt wish their officials to be involved; and to John Sparrow at the CPRS.

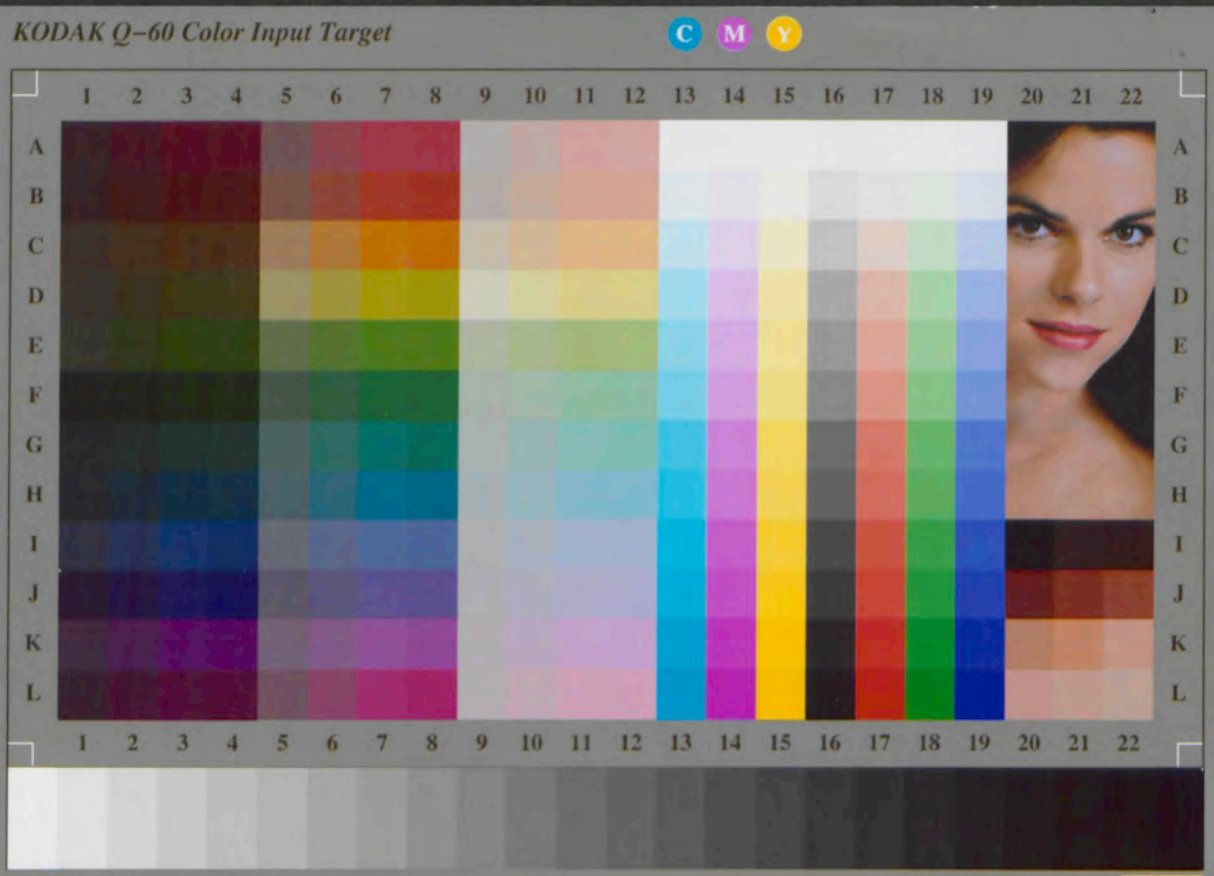
Yours
Norman

PART 8 ends:-

S/S DHSS to PM 27/1/83

PART 9 begins:-

S/S Emp to S/S DES 1/2/83


KODAK Q-60 Color Input Target
C M Y
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2-1993
2007:03
FTP://FTP.KODAK.COM/GASTDS/Q60DATA
Q-60R2 Target for
KODAK
Professional Papers
Kodak