

PREM 19/1839

Special Employment Measures
 Employment & Training Bill
 Youth Services Review
 Industrial Training

MANPOWER

Pt 1: Jan 1980

Pt 13: AUGUST 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.8.85		24.3.86					
7.8.85		3.4.86					
9.8.85		8.4.86					
30/8/85		15.4.86					
12.9.85		18.4.86					
13.9.85		25.86					
18.9.85		6.5.86					
2.10.85		7.5.86					
4.10.85		14.5.86					
12.10.85		19.5.86					
17.10.85		30.5.86					
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4.2.86							
17.2.86							
19.2.86							
21.2.86							
26.2.86							

Attached folder contains report by
Professor Blaug, Employment Research Centre,
University of Buckingham entitled:
would 'workfare' work?

behind DY minute 2.5.86

PART 13 ends:-

DRN to PM 30.5.86

PART 14 begins:-

PMG to FCS 2.6.86

Cabinet / Cabinet Committee Documents

[illegible]

The documents listed above, which were enclosed on this file, have 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**

Signed J. Gray

Date 11/11/2014

PREM Records Team

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5,000.

27,200.

9,600 left.

Reserve - 8 options.

PRIME MINISTER

21,500 minimum.

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4 million Oct 87WORKFARE

This meeting was sparked by your interest in the Panorama programme on Workfare in America.

Lord Young's minute of 2 May (Flag A) is the main paper for the meeting. You will also want to look again at the Policy Unit note (Flag B).

There is some risk of confusion in the use of the term Workfare. In America, the word seems to cover a variety of schemes, and they would think of Restart, Job Clubs and Community Programme as falling under the heading. But Lord Young has chosen to define Workfare as a requirement to work or train in return for remaining on benefit, a much more restrictive definition.

You could start by considering whether Workfare as defined by Lord Young's would be a desirable objective. Should all the unemployed be required to work or retrain in return for benefit? There are good reasons for believing that they should not:

- (i) To create such a requirement would make the State the employer of last resort and would take the Government deeply into the labour market;
- (ii) The unemployed would tend to be taken out of the normal labour market by the proposal, and the result would be to cause it to operate even less effectively;
- (iii) There would bound to be a substantial displacement of people from ordinary jobs;
- (iv) It would be expensive.

4,500

W/L/H

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W/L.

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minimum

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Autumn

Indeed it is not clear whether even in America any state has adopted a scheme running on Lord Young's strict definition.

But there is still clearly a great deal more to be done to make sure that people receiving benefit are genuinely available for work and doing all they can to find it. And, beyond that, it must be right to both offer and require as much work from the unemployed as is consistent with leaving them open to looking for and find proper jobs. (I have asked for a note before your meeting on how it is that the drop-outs in "the Convoy" who squat on farmers' land in the West Country can claim SB.) The meeting could consider the proposals that have been made by Lord Young and by the Policy Unit in these areas.

(a) Lord Young has proposed using the existing nine pilot Restart schemes to test the effectiveness of extending Restart from people who have been unemployed for more than a year to people who have been unemployed for six months. After an initial disagreement, the Chief Secretary has now assented to this. Is that confirmed?

(b) Lord Young also says that when he has some experience of operating Restart on a national basis, he will want to consider the possibility of making some of it compulsory (e.g. the short Restart courses). What are the merits of this, and when does Lord Young think he might be able to set about it?

(c) How can the links between claiming benefit and signing on be restored? DHSS and the Department of Employment are at present looking at the way in which unemployment benefit and supplementary benefit for the unemployed are paid separately. They may conclude that one or other of them should do it, and that the present split arrangements should be ended. Lord Young also has designs to integrate the Job Centres into this. You will want to say how important it is that the links should be restored. What is the timetable?

(d) Lord Young says he wants to explore ways of moving the

Community Programme closer to the "Work-for-Benefit" model, and David Willetts suggests using specially reserved CP places to apply the "availability for work" test. Does this make sense and how quickly can it be done?

(e) Could we go beyond an "availability" test and instead have a "job-seeking" test in which people would have to show that they had applied for so many jobs in the previous month?

(f) Can the disqualification rules be tightened up: the period for which benefit is reduced has been extended from 6 to 13 weeks, but it could be extended further, e.g. to 26 weeks. And disqualified people could be taken off the unemployment register.

(g) Lord Young says he is considering the possibility of running pilot schemes to test the response of the unemployed to the idea of working in return for their benefit. How far has he got on this?

(h) Finally, Lord Young wants to publish Professor Blaug's report and to invite the views of the Select Committee on Employment about it. The Chief Secretary is doubtful. Should the report be published and the Select Committee's views invited?

For each proposal you will want to know how quickly it could and should be implemented and whether legislation would be needed.

DN

David Norgrove

30 May 1986

MJ2BZG

Action: Benefit Claim

Stiffer test
of availability

First compulsory
interview

Second compulsory
interview

Weeks:

0

1-6

26

52

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cc BG



FROM: CHIEF SECRETARY

DATE: 29 May 1986

PRIME MINISTER

WORKFARE

We will be able to discuss David Young's proposals for Restart more fully when we meet early next month. But I should make a couple of points in answer to his minute to you of 14 May.

2 I very much hope that the Restart programme will prove to be the success we were looking for when we agreed that it should go ahead as part of the Budget.

3 My caution about the proposed pilots of an extension of Restart to those unemployed over 6 months was based on a concern that publicity about the pilots would raise expectations which we may in the end not wish to fulfil; that we could be faced with pressure to extend them nationwide before a full evaluation of their benefits; and that we could therefore be faced with a higher public expenditure bill without having had that assessment.

4 I am happy to lift my objection to the pilots (which I understand will not include the Jobstart allowance) on the assurance which David has given that he will avoid publicity for them; that there would be no unmanageable political embarrassment if for financial or other reasons the pilots were not extended; and that he will not propose an extension until a full evaluation has been completed.

5 I am sending copies of this minute to David Young, Norman Tebbit, Norman Fowler and Peter Morrison.

A handwritten signature in blue ink, appearing to be "Jm".

JOHN MacGREGOR

CONFIDENTIAL

MANPOWER

SKM'S

PT 13





file 46
also huffins
COSA AW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 May 1986

Gazette sent
to Question
JP 19/5

TRAINING PROVIDED BY THE ARMED FORCES

The Prime Minister was grateful to see the article in this month's issue of the Employment Gazette about training provided by the Armed Forces. She thought it comprehensive and useful.

DAVID NORGROVE

Iain Mackinnon, Esq.,
Department of Employment.

ls

dclg



PRIME MINISTER

WORKFARE

ms

Prime Minister 2

This is the minute
Lord Young mentioned for
this afternoon. (I had in fact
marked the Chief Secretary's
minute for your week-end box.
Apologies.) DJS 14/5.

1 The Chief Secretary sent me a copy of his minute to you of 12 May on this subject. We are meeting to discuss Workfare on 5 June but I thought I should respond immediately to what the Chief Secretary has to say about my suggestions for extending the Restart programme of compulsory interviewing for the unemployed. Given all that we now know about the proportion of the unemployment count made up of people who are not genuinely unemployed and the success of the existing pilots in exposing these people (witness the lead story in today's "Telegraph"), I am very surprised that the Treasury should take such a negative attitude.

2 For my own part, I see no reason to suppose that there are fewer people working in the black economy, "resting" or simply drawing benefit fraudulently in the 6-12 month category than in the 12 month plus category. Indeed I have long suspected that there may be many who alternate between periods of casual employment and 'unemployment' in the informal economy. But the only way to find this out for certain is to run some pilot schemes to test what happens when we compel them to explain themselves. No interdepartmental study will tell us this: there have been plenty of those in the past and none has arrested the decay in the "work test" so eloquently described in the Blaug Report.

3 I find the suggestion that I should not use the existing pilot schemes to test the effectiveness of extending compulsory interviewing to the 6-12 month category quite extraordinary. I certainly do not intend to seek any additional resources for the pilots or even to switch within

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existing resources: I shall simply be using the existing staff in the 9 pilot areas to carry out these further experiments once they have cleared the stock of 12 month unemployed. As for "raising expectations", I have no intention of seeking any publicity for these pilots or publicising their results. But if, as there is every reason to believe, we have the same degree of success with the 6-12 month category as with the 12 month plus, a national extension of the Restart Programme of the kind I have in mind would produce sufficient benefit savings to pay for itself.

Furthermore, if we are to make the sort of impact on the unemployment count we are all seeking - and to make the impact in the next 12-18 months - the sooner we get on with it the better. I still regret the original delay in commencing Restart.

4 I am sending copies of this minute to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Social Services, the Chief Secretary and Peter Morrison.

DY

14 May 1986



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FROM: CHIEF SECRETARY

DATE: 12 May 1986

Prime Minister 4

PRIME MINISTER

WORKFARE

A meeting on this is being fixed, but I'm afraid it can't be fitted in before next month.

DSJ
12/5.

I agree with much of the analysis in the minute to you on workfare from David Young. I am impressed by the description in the report of the decline in effectiveness of the test of availability for work in Britain. The contrast with the systems operating in countries as different as Sweden and Switzerland is striking. And I think that Professor Addison has produced an admirable summary of the US experience.

2 On the other hand, I share David Young's hesitancy about certain of the features of a possible workfare programme set out in the Blaug report: I too am wary about the open-ended concept of the state as the employer of last resort. In addition I believe the report under-estimates both the difficulties and costs of setting up a programme on the scale of 1 million or more places.

3 In paragraph 6, David says that he will be pursuing in this year's PES discussions the possibility of extending the restart programme for those unemployed for just six months at an estimated gross cost of an extra £40-£50 million in 1987-88. Although David would like to use the existing nine pilot schemes now to test the effectiveness of inviting for interview those unemployed for six months, I think it would be premature to do so as such an extension of the pilots would raise expectations which we do not, in advance of the Survey,

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know whether it will be possible to fulfil. In addition we ought to be clearer about the cost effectiveness of the existing restart programme before deciding on any further extension; it could be relatively more expensive and less cost-effective. For instance, a much higher proportion of people unemployed for 6 months or more leave the count anyway, than of people unemployed for over twelve months, so there could under the counselling part of the scheme be many more interviews following which the interviewee leaves the count just as he would have done without the interview in the first place; and as many more of the 6 months plus unemployed leave to get jobs anyway, deadweight under Jobstart could well be much higher.

4 I must emphasise the tightness of the public expenditure situation and the need for spending Ministers to live within the resources available to them. As a result of an agreement at the time of the Budget, David is committed to find from within his existing resources savings to offset the forecast overspending from the redundancy fund. A working group is looking at the costs of an extension of TVEI against the background that David says that he is prepared to fund the costs of such an extension from within present planned MSC resources. It is clearly crucial that competing bids for resources within the DE Group are considered together as part of the PES process so that judgements can be made about relative priorities without specific options being pre-empted.

5 I welcome the suggestion in paragraph 13 that a further report be prepared before the end of the year which would look at the results of the restart programme and how the Community Programme could be moved closer to the "work for benefit" model. I would like Treasury officials to be associated with this exercise. Officials will need to look at ways of introducing modifications which do not lead to a series of net additions to the DE programme; modifications should involve offsetting reductions elsewhere. This review will need to tackle vigorously

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the issues raised by David about whether institutional changes will be necessary (e.g. changing the role of the MSC) if we are to modify the requirement in CP of payments at the "rate for the job" and reliance on trade union approval for projects.

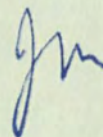
6 I am not persuaded that Professor Blaug's report should be sent to the Select Committee formally for their comments nor that it should be published unless there are significant amendments. For instance, we would want to see some improvement to pages 41-44. As it stands this section assumes that the effects of employment measures are crowded out instantaneously, which is not the case and which, if it were, would undermine the rationale for our own employment measures; and it ignores the possibility that workfare on the scale envisaged would lead to an increase in labour supply - in which case the gross (and net) costs of the programme would be very much higher. Also, the section on pages 46-50 would be improved by greater acknowledgement of the scale of likely displacement, which was a major objection to the Select Committee's proposals.

7 It would in particular be essential to tone down the sections which refer to reducing long term unemployment by 1 million through a new employment measure with the state acting as employer of last resort. The conclusions on page 53 and pages 64-67 much overstate the feasibility and attractiveness of such an option. We would not want the Select Committee to latch onto the proposals and urge increased expenditure, or taunt the Government for wavering from its recent reply to the Select Committee which admirably set out the Government's strategy and reasons for rejecting the Committee's proposals. If David wants to pursue publication, I would be grateful if my officials could be involved.

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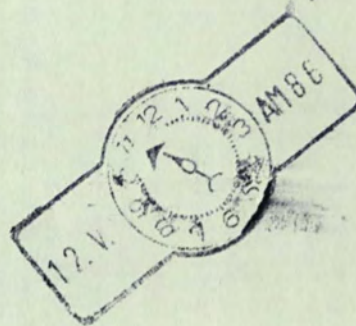
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8 I am copying this minute to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, the Secretary of State for Social Services and Peter Morrison.

A handwritten signature in blue ink, appearing to be 'jm' or 'John MacGregor'.

JOHN MacGREGOR

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Prime Minister

Interesting ideas, but it may well be better
to meet to discuss them than to write.

PRIME MINISTER

BF

WORKFARE

Agree a meeting (probably 9 May 1986
next month) with

Lord Young

Mr Fowler

Chancellor

Mr Tibbitt ?

Mr Morrison ?

Dev

This month
4.10.1986. Yes not

Workfare means different things in different US States 9/5,
depending on the state of the labour market. Some Workfare
programmes provide extra training and peer group pressure to
get the unemployed back into private employment. Often these
schemes are targeted on one-parent families in states with
buoyant economies. They are backed up with a tough 'seeking
work' test for welfare. Other Workfare schemes (eg in West
Virginia) go further and provide compulsory public sector jobs
because there are not enough private jobs to go round. The
state is taking on the responsibility of employer of last
resort for welfare claimants.

David Young points out, fairly, that some of his recent
initiatives bring us closer to Workfare. Indeed, the
Community Programme would probably be regarded as Workfare in
America. But we can do much more. Above all the
'availability for work' test has virtually disappeared from
British welfare and should be restored.

The Blaug Report begins by revealing how mistaken was the
conventional wisdom of the 1970s when job hunting was
completely divorced from claiming SB or UB. In 1973 Job
Centres were set up separately from Unemployment Benefit
Offices. And in 1982 we ended the obligation for the
unemployed to sign on at Job Centres. The results are clear:

PEOPLE ENROLLING IN JOB CENTRES

<u>Year</u>	<u>People Enrolling (M)</u>
1981	2.5
1982	2.7
1983	0.8
1984	0.5

As administrative links between claiming benefit and looking for work disappear, so DHSS staff lost any evidence on which they could disqualify people from benefit.

PEOPLE DISQUALIFIED FROM BENEFIT BECAUSE NOT AVAILABLE FOR WORK

<u>Year</u>	<u>Cases Disqualified</u>
1970	20,000
1975	5,000
1980	9,000
1985	2,000

By comparison, the latest Labour Force Survey estimates that approximately 1,100,000 people claiming benefit were either working or not looking for work. In 1985 in the South East there were approximately 750,000 people registered as unemployed. A mere 450 were disqualified from benefit on the grounds that they were not available for work.

These figures are not widely known: they ought to be.

DHSS and D/Employment are indeed reviewing arrangements for paying out SB and UB to the unemployed as David Young says. But they are not looking at how to link Job Centres and benefit payment. The MSC want their Job Centres to be glamorous high-street shops which have nothing to do with being on the dole. Neither D/Emp nor the DHSS want to have to ask for more case officers to supervise the unemployed more intensively. But it is a serious management failure that someone can now carry on receiving benefit as unemployed without ever having to go near a job centre or put in a job application. We may have gone too far in saving money on administering benefits and cut too many corners.

Whilst a change in the operation and ethos of job centres and benefit offices is a start, it is not enough. I recommend three more steps to bring us even closer to full-blown workfare.

First, we should link the Community Programme directly with the availability for work test. Some CP places should be reserved for Unemployment Review Offices to use in testing whether claimants are genuinely available for work. If they refused to take up a CP place without a good reason they could then be disqualified. The MSC would hate this as they only want 'highly motivated' people on the CP, but it would be a crucial measure.

The second step is to go beyond an 'availability' test and instead have a 'job seeking' test, as in some American States. An unemployed claimant should have to show that he has applied for say at least 10 jobs in the last month. If he fails or lies he can be disqualified. If you did this in Humberside or Tees the firms would be swamped with applicants, but it could be very effective in the South East.

Thirdly, the disqualification rules themselves could be toughened up. Norman Fowler, to his credit, has just extended the period for which benefit is reduced from 6 to 13 weeks. But you could go further to 26 weeks. Moreover, during this period disqualified people should be taken off the unemployment register: at the moment they remain on it. We should change the rules now when the reduction in the register would still be small, so we will be less open to the charge of fiddling the figures.

These are the sort of measures we need in the more buoyant parts of the economy: the public sector doesn't need to provide more jobs, but to put more pressure on the unemployed to go for the jobs that already exist. But in the North East and Northern Ireland, the public sector could provide more work for the genuinely unemployed. An expansion of the CP is the best route towards workfare here.

I therefore recommend you ask David Young and Norman Fowler to consider:

- re-establishing the link between claiming benefit and signing on at job centres;
- using specially reserved CP places to apply the availability for work test;
- introducing a job seeking test in some areas;
- increasing the penalties for disqualification and eliminating disqualified claimants from the register;
- extending the CP in areas with genuinely high unemployment.

David Willetts
DAVID WILLETTS



cc PC
(w/out enc.)

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6460.....

Switchboard 01-213 3000

9 May 1986

David Norgrove Esq.,
Private Secretary,
10 Downing Street,
London, SW1

Prime Minister +

DH

12/5

mb

Dear David,

TRAINING PROVIDED BY THE ARMED FORCES

You wrote to Simon Routh in Lord Trefgarne's office on 20 November last year to say that the Prime Minister thought it would be helpful to draw attention to the benefits for the wider economy of the training provided by the armed services. An article has been written by MoD and was published in the latest Employment Gazette this week. I enclose a copy.

It is a long and detailed article, but the main points are that the armed services spent £1.3 billion (8% of the Defence budget) in 1984/85 on training, that at any one time, 65,000 servicemen and women are being trained, and that most of these men and women will, in time, return to civilian life with their skills.

Yours,

Iain Mackinnon

Iain Mackinnon
Private Secretary

Monpower: SEM PE13

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118/86

May 7, 1986

EVALUATION OF THE YOUNG WORKERS SCHEME

Since its introduction in 1982, the Young Workers Scheme has helped employers to give jobs and a start in working life to nearly 440,000 young people, an evaluation of the scheme concludes.

Featured in the May issue of Employment Gazette*, the evaluation relates how YWS has enabled 16 and 17 year old job-seekers to become more competitive in the labour market, by encouraging employers to recruit young people into permanent full-time jobs at wages which reflect their lack of training and relative inexperience.

Young workers in induced jobs (those created by the scheme) comprised 27 per cent of the numbers supported by March 1985. Young workers in deadweight jobs (those who would have been employed anyway, by the same firm) were 63 per cent of the numbers supported, and young workers in substitution jobs (those which without the expenditure on YWS would have been filled by others) were 10 per cent.

The figures are based upon an interview survey in 1985, complemented by results from a continuous postal survey.

Induced jobs are more likely to appear in establishments employing less than 50 workers, particularly in those with less than 10 workers and many are in construction and other services, and tend to be in partnerships and self-proprietorships rather than limited companies. The supported young workers have often had some experience of YTS, particularly where YTS experience has been gained with the same employer.

Since YWS was introduced, deadweight has fallen, induced jobs have risen and substitution has remained relatively constant.

* Employment Gazette, May 1986; HMSO price £3.25

A significant number of jobs induced by YWS persist beyond the year of support, and may therefore continue to reduce unemployment in the year following the year of support.

Training provided by the Armed Forces

Training servicemen and women cost some £1.3 billion, nearly 8 per cent of the Defence Budget in 1984/85, with 65,000 personnel involved, either as staff or students.

An article in the May issue of Employment Gazette examines the extent and quality of the training provided by the Armed Forces for their own needs. It also describes how it provides an outflow of skilled personnel into civilian life.

Training and education opportunities are substantial; the number of branches, trades and employment groups on offer to the potential recruit runs into many hundreds. The Royal Navy, for example, offers four officer branches and 48 trades. In the Army alone there are no less than 214 different trades; and the RAF offers 15 branches/specialisations for officer entrants and 124 trades for airmen.

The Armed Forces in 1983/84 recruited 37,000 personnel, 34,000 men and 3,000 women.

Other articles in this issue include:

Labour Force Survey for 1985: Preliminary Results

Revised employment estimates for 1983 to 1985

Pensioner Price Indices: Annual Revision of the Weights

NOTE TO EDITORS

1. The Young Workers Scheme ended on March 31, 1986. Over 90,000 new jobs, which would not otherwise have existed, have been created during the life of the scheme.
2. The scheme has now been replaced by the New Workers Scheme which is designed to help 18-20 year olds find work.

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CCB/



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Lord Young of Graffham
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NA

NISN

6 May 1986

Dear Secretary of State

Thank you for copying to me your minute of 21 March to the Prime Minister about your proposed new budget measures to promote enterprise and employment.

As you know Northern Ireland has arrangements which parallel those in Great Britain in the fields to which you refer and your proposals are therefore of much interest here.

I endorse your view of the importance of the various enterprise and employment measures being seen as being operated within a coherent strategy. I also agree with you on the importance of the three objectives which you mention. I see it as important that Northern Ireland is fully in step with the rest of the United Kingdom on such matters.

You will be interested to know that Rhodes Boyson announced on 26 March a package of proposals for Northern Ireland corresponding to the employment measures announced in the budget. We propose to issue a publication similar to "Action for Jobs" as soon as can be arranged.

We are already involved or in touch with counterparts about a number of the initiatives to which you refer. On De-regulation for example officials have been closely monitoring the progress of the GB initiative and have taken steps to ensure that the same general momentum and direction is achieved in Northern Ireland whilst taking account of any distinctive local circumstances.

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However all your proposals are of much interest to us and I should be grateful for your help in ensuring that we are kept in touch with developments concerning them.

I am sending a copy of this letter to the Prime Minister, Cabinet colleagues and to Sir Robert Armstrong.

Yours sincerely
Brian Foster

for

TK

(approved by the
Secretary of State
and signed in his
absence in Northern Ireland)

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MANPOWER: SGMS PTB





CONFIDENTIAL

PRIME MINISTER

WORKFARE

1. Your private secretary's letter of 8 April asked for an urgent report on how Workfare Programmes of the type featured in "Panorama" on 7 April might be introduced in this country. I have now received Professor Blaug's report and a copy is attached to this minute.

in folder -
attached

2. We have, of course, already adopted some elements of Workfare, notably Jobclubs which are proving as successful here as they have in the United States. But the essence of Workfare is compulsion to work or train in return for remaining on benefit and this would require legislation. I have been considering how Workfare might fit into the new, comprehensive approach to the unemployed which I am convinced we must adopt.

3. Besides creating a greater sense of fairness between those in and out of work, Workfare has two main objectives: first, to expose those who are not genuinely unemployed, either because they are working in the black economy or because they are simply "resting", and secondly, to give unemployed people a chance to keep alive their working habits and skills, improve their employability and avoid "welfare dependence". Both these objectives should command our full support. Both are fundamental to the strategy I am now pursuing.

4. In relation to the first of these objectives, the Report gives a vivid account of the gradual extinction here

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over the last 15 years of any effective work test for paying benefit to the unemployed (pages 3-17) and contrasts this with the much tighter regime operated in both Sweden and Switzerland (pages 18-31). The lesson is clear. Unlike other countries, we have continued to pay benefits of unlimited duration while at the same time, for a variety of reasons, we have virtually given up testing whether benefit recipients are genuinely unemployed and available for work. We know the result. The most recent Labour Force Survey shows that unemployment actually fell between Spring 1984 and Spring 1985 (from 2.91m to 2.81m) whereas during the same period the monthly claimant count increased by 160,000 to 3.13m.

5. I believe the first priority must be to re-establish effective measures to prevent those who are not genuinely unemployed from claiming benefit. The nationwide "Restart" programme of compulsory interviewing will be fully operational by this July. By the end of March 1987 it will have covered all the existing "stock" of 12 month unemployed and all the unemployed who enter this category. The pilot schemes we have been operating since January suggest strongly that this will have a significant effect on the unemployment count - both through the positive help it can give in getting people into jobs but also through its "negative" impact in causing other people to withdraw from the claimant count before or after they are called to an interview. A comparison of the pilot areas with the 9 designated control areas after only the second month has shown that the net additional movement off the count attributable to the pilot schemes in that month is equivalent to a 20,000 reduction in unemployment nationally. That is very encouraging.

6. I now propose to use the existing nine pilot schemes to test the effectiveness of going further and introducing compulsory interviews for the 6 month unemployed. If this is

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successful I would like to extend the Restart programme to this group from April 1987. This would cost in the region of an extra £40-50m in 1987/8 but there should, of course, be substantial off-setting savings in benefit. I shall be pursuing this further in the PES discussion with the Chief Secretary.

7. In addition to Restart we are trying out new, tighter procedures for testing availability for work and for imposing benefit sanctions on those who are found not to be available for work or who refuse jobs. It is clear that, since compulsory registration of the unemployed at Jobcentres ended in 1982, contact between Jobcentres, the Benefit Service and DHSS has been minimal and the procedures for dealing with benefit claimants who are unavailable for work or unwilling to attend an interview in a Jobcentre have become very rusty. There is an urgent need to tighten up all these procedures. Furthermore, I am convinced that we cannot continue to try to tackle unemployment in the late 1980s with institutional arrangements designed for the very different circumstances of the 1970s. I want to move to a position where we have integrated arrangements for both paying and monitoring benefits for the unemployed. These would include rigorous testing of availability for work when people first claim benefit, followed by a compulsory Restart interview for every unemployed person after 6 months and again after 12 months. I want to achieve this within the next 12 months.

8. It is against this background that I suggest we need to consider the role of Workfare. I believe it would be wiser to think of Workfare as one element - albeit an important and necessary one - in a much tighter benefit regime of the kind I have described, rather than as an alternative to it. I believe the measures we have begun to implement offer a more certain prospect of exposing those who are not genuinely

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unemployed, without the potential costs of a large scale Workfare programme or its open ended commitment to provide work for the unemployed. I am wary of the concept of "the state as employer of last resort" (page 35) and I doubt if it would be practicable to mount a programme on the scale - 1m or more places - suggested in the Report. As the Annex to the Report points out, nowhere in the United States do these programmes cover more than 20% of welfare recipients and in most states coverage is less than 10%. The Report also rightly reminds us of the capacity of trade unions and local authorities to frustrate a large scale Workfare programme which, as in the USA, relies heavily on providing work in the public services (page 51); but I do not favour the suggestion for trying to overcome this by placing local authorities under a new statutory duty (page 60).

9. Furthermore, the Report seems to envisage most of the 1m places being provided through infrastructure improvement (motorways, railways, water supply and sewerage) where capital costs would be high and the problems of substitution most acute. We have, of course just resisted proposals from the Select Committee on Employment and the CBI for a major job creation programme in precisely this area. The discussion of the size and nature of the proposed programme (pages 57-60) is the weakest part of the Report and seems inconsistent with the costings on pages 46-50. I shall try to persuade Professor Blaug to modify this part of the Report before the text is finalised. Most of the Report is well argued and helpful to our case and I am keen that its public impact should not be weakened by a few passages which seem not to have been sufficiently well considered. I believe the Report, when it is published, can help to educate public opinion to accept the idea of unemployed people having to work for their benefit.

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10. I do not for a moment underrate the inherent appeal of the Workfare concept, if properly explained and understood. The idea that unemployed people should work in return for the benefit they receive accords with most peoples' natural instincts for justice and fairness. It would also help to separate the perception of benefit payments to the unemployed from the broad range of other social security benefits. But I have no doubt that the Opposition and the trade union movement would seek to extract every ounce of political capital from misrepresenting a move to Workfare as "slave labour" or a return to the workhouse. The political damage, at a time when unemployment is still rising, could be considerable. We need to prepare the ground carefully and to get over the message that compulsory idleness as a condition of receiving benefit is an absurdity (as countries as different from the United States as Sweden have always believed) and that the unemployed can only gain by being able to keep their working skills and habits alive.

11. I envisage Workfare-type programmes operating primarily for the long term unemployed and as a selective measure for exposing claimants suspected of "resting" or working in the black economy. In the first place, I want to explore ways of moving the Community Programme closer to the "work-for-benefit" model. It would be hazardous to move too quickly in this direction. For one thing, we would risk a large increase in the unemployment count: the Community Programme is now taking up to 200,000 people off the count (and benefit recipients on Workfare would remain on the count). But I do not think that the Community Programme should continue indefinitely in its present form. It has features - such as payment at "the rate for the job" and the reliance on trade union approval for projects - from which we should certainly try to escape and which would not form part of a "work-for-benefit" programme.

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12. Secondly, when we have some experience of operating Restart on a national basis, I shall want to consider the possibility of making some of the elements in that programme compulsory (eg the short Restart courses). Finally, I am considering the possibility of running some pilot schemes to test the response of the unemployed to the idea of working in return for their benefit. Without legislation, participation in such pilots could not be made a condition of benefit but if we could demonstrate through pilots that the unemployed want to have the opportunity to work while they are receiving benefit - and this was the clear message of the "Panorama" programme - we should have gone a long way to neutralise the opposition to the concept of Workfare.

13. At least some of these developments could not, for the reasons I have described, come to fruition until the other side of a general election. But I want to begin to explore them now with a view to producing a further report before the end of the year.

14. For the immediate future, subject to securing the modifications in the Report I have mentioned above, I propose

- (i) to arrange for Professor Blaug's Report to be published as soon as the text has been finalised to sustain the public debate on Workfare initiated by the recent "Panorama" programme.
- (ii) to seek the views of the Select Committee on Employment on the Blaug Report: if the Committee is serious about providing temporary work of value to the community on the scale they have proposed they must be prepared to face up to the issues discussed in the Report.



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15. I am sending copies of this minute and the Blaug Report to the Chancellor of Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Social Services, the Chief Secretary and Peter Morrison.

John Lamb
Private Secretary
(Approved by the Secretary of State
and signed on his behalf.)

DY

2 May 1986

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Manpower: SEM's Pt 13

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WOULD 'WORKFARE' WORK?

A Feasibility Study of a Workfare
System to Replace Long-Term Unemployment
in the UK

by

John Burton*

with an accompanying report on
Workfare : the US Experience

by

John T. Addison#

* Study conducted under the general supervision of Professor Mark Blaug, Director, Employment Research Centre, University of Buckingham.

Professor of Economics, University of S. Carolina.

Acknowledgements

While the authors share responsibility for the reports, they benefited from the contributions of others. As principal investigator for the study, John Burton undertook the preparation of the main report, investigations of European experience, the workings of the Community Programme in the UK, and oversaw the questionnaire study of the acceptability of workfare in the UK. Professor John T. Addison took primary responsibility for the study of workfare in the USA. Steven J. Byron, Lynette Causey and Deborah Lisa provided excellent research assistance on the project and, in particular, undertook the bulk of the interview studies on the Community Programme and the questionnaire study of attitudes to workfare and the CP.

Notes on Organisation of the Study and of the Report

Apart from a literature search on workfare and related matters conducted at the LSE and Central Westminster Reference Libraries, the bulk of the research project comprised the following lines of investigation:

A. An Examination of the Workings of the Community Programme (CP)

Although the CP is entirely 'voluntaristic' in design, both as regards programme participation and project sponsorship, it provides the closest analogy to workfare to hand in the UK. Three MSC Areas were therefore selected, of differing characteristics, especially as regards their employment/unemployment characteristics - Tyne and Wear, Oxfordshire/Berkshire, and Birmingham (primarily, Central and N. Birmingham). In each such field study, structured interviews (taped) were conducted with MSC officers (Employment Division), CP link and other managers, CP participants, sponsors, and others. These results were subsequently compressed into three field-study reports. They cover a variety of different types of CP projects, ranging through environmental improvement, to social work/voluntary organisations, to arts and crafts.

These field studies are not included in the body of this general report, for reasons of space, although typed copies of them are available.

The purpose of the CP field studies was to shed some light on the following sorts of questions:

1. Ideas about deadweight, substitution and displacement effects of CP-type activity (no quantitative estimates could be made, or were attempted, but the 'qualitative' picture - the variety of opinions, especially of MSC and CP managers and sponsors - is summarised in the studies);
2. Views about the likely size and strength of institutional and vested interest barriers to expansion of CP/workfare-type activity, as might arise from private and public sector unions, private enterprises, and full-time employees/managers, in local government and public sector agencies;

3. The difficulties likely to be encountered - attitudinal and institutional - in moving from a CP 'voluntary model' of community work organisation to a workfare model for replacing long-term unemployment;
4. Current difficulties - e.g., wage levels on CP relative to benefit and market wage levels; shortage of skilled labour and managers; quality of projects; difficulties in programme monitoring techniques - encountered in operating the CP as currently constituted;
5. The 'scope' in various directions - e.g., the environment, infrastructure, leisure and recreation, social/voluntary work, education/training, arts and crafts, private sector involvement - for massive expansion of CP/workfare-type activity, to $\frac{1}{2}$ million, $\frac{3}{4}$ million, 1 million or $1\frac{1}{4}$ million participants (i.e., a sizeable fraction of the long-term unemployed);
6. The difficulties that would be encountered from a managerial / operational perspective for the MSC and other relevant agencies / Departments (e.g., DHSS) if given the task of organising a workfare system;
7. An evaluation of responses to the idea of workfare, particularly from CP participants, current project sponsors and managers, and MSC personnel at various levels.

The results are drawn upon in this Report.

B. Examination of the Experience of Other Countries

The history and workings of work test requirements, unemployment and social security benefits, public relief/training programmes for a number of other relevant countries was investigated via document research, interviews with (British and foreign) attachés, labour market officials, etc.

Attention in W. Europe was directed primarily at the experience of Sweden and Switzerland and - to a much lesser extent - Austria and Denmark.

It became clear, however, that the primary example of interest would be that of the USA where, since 1981 (under the Omnibus Budget Reconciliation Act of that year) - and indeed, before

that - there has been much experimentation at state and county level with work-related schemes for welfare dependents (currently some 38 states have such schemes). Primary responsibility for the US end of the study was subcontracted to Professor John T. Addison, whose summary report on US experience with workfare accompanies this feasibility study.

C. Consideration of the Likely Net Exchequer Costs of a UK Workfare System

Estimates of the net exchequer costs of various types of UK Special Employment Measures (SEMs, hereinafter) do exist, but the reliability of such figures as a guide to the costs of a thorough-going workfare system are dubious, at the least. The reasons for this are considered in the body of the feasibility study.

D. Questionnaire Study of Knowledge of the CP/Opinions about Workfare

As the practicability of any policy regime in part depends on its acceptability - and as workfare, specifically, might be seen by some as a 'controversial' policy innovation - a random sample of opinion in three London areas (300 respondents) was conducted on attitudes to the concept of workfare. In each case the idea of workfare (which, of course, is an American term that is unfamiliar in the UK) was explained to the respondent before their opinions on it, regarding both its acceptability, and likely success in reducing unemployment, were canvassed and recorded.

Respondents in the same sample were also asked a series of questions about the CP to examine their knowledge of the Programme and their attitudes towards it.

The detailed breakdown of the results are not provided in this report, although they are available. The main findings are, however, referred to in the study.

(v)

E. Consideration of the Current Workings of the UK Unemployment Benefit System

Interviews were undertaken with a number of DE and DHSS officials to examine the current workings of unemployment and supplementary benefit systems, specifically to investigate: how work test requirements were dealt with in the UK, cf the experience of other countries; the detection of benefit fraud; and to assess the changes necessary were a workfare system to be instituted in the UK.

. . . _____ . . .

I. INTRODUCTION

'Workfare' is a term coined in America to describe a type of welfare state arrangement towards unemployment. The idea of workfare is brought out best by contrasting such a system with that particular variant of the welfare state, in relation to treatment of the unemployed, as currently operates in the U.K.

A key feature of the latter system is that payments of benefit to the able-bodied but long-term unemployed are effectively unlimited in duration. Unemployment (or insurance) benefit is paid only for 312 days (12 months on a 6-day week basis), but are followed by supplementary benefits which may be paid for an indefinite period of time. Moreover, as we shall later see, the evolution of the administration of British employment policy and social policy since the early 1970s has resulted in the virtual elimination of any effective work test or requirement in the disbursement of unemployment and supplementary benefits (UBs and SBs hereinafter).

Under a workfare system, by contrast, payment of benefit to the able-bodied long-term unemployed (LTU) is made conditional in some way on the express willingness of an LTU person to undertake a job, training course, or course of education offered by the state. If the LTU person - say, after 6 months - has not found a job, then the state offers one (or training), and this must be taken, for continued receipt of benefit to obtain. Failure to comply with this requirement to work/train implies suspension, or considerable reduction, of benefit. Thus under a workfare system government is not simply a welfare administrator, but also 'employer/trainer of the last resort'; and, moreover, these two functions are linked together.

The purpose of this study is to consider the feasibility of entirely reforming the operation of the UK unemployment and benefit administrative systems (job centres; benefit offices; the MSC; SEMs such as CP and YTS etc.) along the lines of a thorough-going workfare system, drawing upon both experience in

other countries - specifically the USA, Sweden and Switzerland - and in the UK with those elements of the present structure of administration that would require modification or expansion if a workfare system were to be instituted here (e.g. the CP).

The central question underlying these deliberations is to see whether workfare would be a workable, effective and efficient means of tackling the problem of long-term unemployment in the UK.

Section II of the study elaborates the case for workfare, both as regards its analytical foundations and supporting evidence. This includes an evaluation of the case for workfare vis-a-vis a looser SEMs system - in which there is no work requirement - such as the 'jobs guarantee' for the LTU, as advanced by the Charter for Jobs¹ and, on a less ambitious scale, by the House of Commons Select Committee on Employment.² Section III looks at some of the difficulties that would be encountered in implementing workfare in the UK: problems relating to its acceptability, administration, cost, and the problem of whether, given institutional barriers, vested interests, and crowding out effects, enough work could be made available under a workfare system to eradicate, or at least substantially reduce, the problem of LTU in the UK. Section IV offers some conclusions and recommendations both in the light of the foregoing and the accompanying report on the US experience with workfare by Professor John T. Addison.

The remainder of this Section considers the background to the evolving debate on workfare - namely the demise of the work test as an element of British employment and benefits policy; and procedures regarding this matter in other European countries (Switzerland and Sweden).

The Work Requirement and the Administration of Placements and Benefits in the UK

According to the formal rules of the UK benefit system, unemployed claimants are eligible for the national insurance unemployment benefit (for 312 days) only if:

- (i) They have an adequate insurance payments record;
- (ii) They have not left their last job without good cause; and
- (iii) They do not refuse employment offered to them without 'good reason'.

Failure to comply with any of these requirements may lead to the withdrawal of benefit for up to 6 weeks - the so-called 'benefit stop' principle - and a 40% reduction in the claimant's entitlement to supplementary benefit.⁴ The DHSS also has requirements relating to the payment of SB, of which the main ones are as follows:

'In the first place claimants have to register their right to benefit at a local office where they are out of work through no fault of their own; that they have not refused suitable employment without good reason and that their total income for the relevant week is below the specified level of requirements.'⁵

Failure to comply with these requirements, as when the claimant knows of a suitable job (or a suitable offer of training) but fails to do anything about it, could incur the application of a so-called 'voluntary unemployment deduction': a reduction in SB for up to 6 weeks, being a maximum of a 40% reduction in normal cases, and a maximum of a 20% reduction if a member of the claimants' household is pregnant.

Despite the administrative changes that have taken place over the past 20 years in the operation of the DE and DHSS - such as the abolition of requirement to register at a job centre for claiming UB in 1982 - the basis of this system remains the same now as then, the (work) Availability Test, or 'A-Test'. Prior to the separation of the public employment service and the administration of unemployment benefits from 1973 on (see later), the A-test was applied by officers of the DE at job centres;

and subsequently by officers at benefit offices, in locations distinct from job centres. Nevertheless, the test is the same in essence: the investigating officer seeks to detect whether the claimant is truly available for work and actively seeking it. Claimants may be requested to come in to see an investigating officer, and failure to do so could incur application of the benefit stop principle.

Machinery for Policing the Benefit Systems

The systems described above are backed by a number of administrative devices to detect and deal with benefit fraud:

(i) The DE has teams of officers engaged in tracking down fraudulent claims for unemployment benefit. In 1965 there were only 9 such officers; but by June 1976 there were 174 part-time and 130 full-time staff so engaged. A decade later, their numbers had grown dramatically to approximately 1,000 full-time (equivalent) staff. This rise is attributable to two causes - first, the rise in the number of claimants since 1976, and, second, because policy has more recently veered towards the intensification of benefit fraud detection/deterrence.

DE benefit fraud investigators draw upon a number of sources of information to conduct their work: observation of suspected benefit fraudsters, anonymous letters and tip-offs, complaints from employers about attitudes of an interviewee who has been sent as a result of job centre referral, and "instinct": the investigators' 'benefit of their special experience and instinct' (Hansard, 6 Aug 1976, Vol. 916, col. 1133).

To such traditional methods of detection have recently been added experiments in area "swoops", whereby the normal size of team allocated to such duties is strengthened in number by drafting in additional officers from other regions for a 6-week campaign of sustained detection work. These swoops are not announced (e.g. in the local press) but officers concerned allege that word-of-mouth "advertising" of their presence commonly leads to very significant reductions in the numbers

registering for benefit; figures of around 50% signing off benefit were quoted to me by officers interviewed as part of the study.⁶

Some figures have been quoted publicly by the DE of the net savings and other consequences in the case of two such recent "swoops" - the Thames Valley, and Chilterns operations, conducted in 1984 and 1985 respectively. These figures are shown in Table I.

[Table I near here]

In earlier times, success in UB fraud detection was mainly considered in terms of whether or not it resulted in (successful) prosecution; but more recently the emphasis has been on the net savings to the Exchequer as a result of detection. The net savings figures quoted above, plus officers' verbal evidence on the amount of signing off as the result of swoops, may be taken as indications that there are considerable volumes of voluntary unemployment on the benefit registers, and thus scope for a thorough-going workfare system.

(ii) The supplementary benefits system operates its own additional controls procedures. These may be summarised as follows:

'If the officer in charge of the [claimant] interview is not satisfied on any point [e.g. that they have refused suitable employment without good reason], it is normal for no payment to be made until a full investigation into the claimant's circumstances has been completed. This generally includes visiting the claimant's home and collecting information about the claimant from neighbours and local tradespeople. When these enquiries are complete a claimant may still be refused benefit. Local officers have a long checklist in order to help them determine whether claimants should be refused benefit at the outset.'⁷

Since 1954 the supplementary benefit system has employed its own specialist officers engaged in detecting benefit fraud, including that arising from the drawing of SB while being in work. These are currently about 550 (full-time equivalents)

in number, and are allocated approximately as one office to each benefit office. It is, however, impossible to discover how effective this system is as regards the 'refusal of suitable employment' rule for disqualification to benefit. The Supplementary Benefits Commission (SBC) does keep figures on disqualifications, but those relating to the number of unemployed claimants refused SB on grounds of lack of availability for work are not readily obtainable.⁸ Answers to Parliamentary Questions would suggest that in approximately 40% of cases of investigations regarding undisclosed income allowances are withdrawn or reduced once investigation is completed.⁹ (Note, however, that this covers investigations into undisclosed income, not non-availability for market work.)

(iii) Unemployment Review Officers (UROs) of the DHSS. Since 1961 the DHSS have also used the services of UROs. These were initially envisaged as being primarily in a welfare counselling role, but have over time become officers concerned with voluntary unemployment, keeping such claimants 'under review', sending them letters and interviewing them on their efforts at finding work. Currently, there is approximately/on average one such URO in each benefit office.¹⁰

(iv) Regional Medical Officers of the Health Department. Claimants who claim to be too ill to undertake full-time work may be referred for an examination to these officers. In the mid-1970s referrals arising, as regards both SB and UB claimants, were running at the rate of around 5,000 a year, but more recently at a rate of around 47,000 a year.

(v) 'Section 25' Prosecutions. Under Section 25 of the Supplementary Benefits Act of 1976 claimants are under the statutory duty to maintain themselves and/or their dependents, and may be sued for failure so to do. In 1975 there were 647 such prosecutions, in 1984 there were 186.

SPECIAL NOTE

**ITEM SCANNED AS SUPPLIED
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A basic weakness relates to the initial A-test. Claimants are simply asked to complete a form (UB461) at a benefit office which asks simply 'Would you take any job you could do?' If the response is 'yes', then claimants are automatically presumed to be available for work. Only if the response is 'no' are claimants given another form (UB671) which asks the more detailed question of - effectively - 'why not?' Respondents may quote reasons of health, family, etc; their case may then be referred to a more senior officer for consideration.

It is unsurprising that over 99% of all claimants answer 'yes' on UB461, as availability for suitable employment is, as we have seen, technically a condition for claiming UB. Claimants therefore have a strong incentive to answer in the positive, whether this is true or not. In most cases, this is the end of the 'challenge' under the A-test.¹¹ This situation contrasts markedly with control procedures in Switzerland (see later), the experience of the UK in the 1950s and 1960s - although the A-test was essentially the same then in form - and with the concept of a workfare system, in which claimants are (eventually) automatically challenged on availability by a positive offer of work or training. The current UK system contains no means of "up-front" processing or interviewing relating to why a claimant is signing on for benefit, apart from the completion of a simple form.

The weakness of this system is compounded by the complexity of the appeals procedure in cases of disputation (e.g. if the claimant answers 'no' on UB461, or doubts arise in a URO's mind about a case he is reviewing). Such cases are eventually referred to Adjudication Officers (AOs), who are independent appointees (yet in most cases drawn from the ranks of the DHSS). UROs are sometimes loth to do this as - in the words of one senior DE official concerned with UB - the AO may 'stick two fingers up on the referral', thus passing doubt on the URO's competence. Moreover, the claimant may take a negative decision of an AO to a higher level of the independent adjudication authority for appeal. One senior DHSS official indicated that the tendency was that if an AO thought an appeal was likely, he/she would

give the claimant 'the benefit of the doubt'. If, nevertheless, a case does get before an appeals tribunal, a claimant may refer a negative decision even higher in the system - to the Appeal Court of the Social Security Commissioners. This hears about 2 cases a year. Thus the system would seem to have an in-built tendency to operate for a 'quiet life', in order to avoid administrative hassle.

Another deficiency of the availability criterion in the UK concerns the matter of availability for what? The Social Security Acts stipulate only that a UB/SB claimant who is able-bodied must be available for 'suitable' employment. The concept of 'suitability' has never been defined by statute. UROs (prior to 1982 also employment officers in job centres) operate by rules of thumb such as that which is suitable is partly a matter of how long the claimant has been unemployed. For example, if a claimant registered as a carpenter had been unemployed for 6 months, then the suggestion of a labouring job 'might be appropriate'. These rules of thumb seem to vary with local labour market conditions, the general economic situation, officers' individual assessments, and the claimants' case history.

Although no hard quantitative data on this matter can be established - as the workings of the systems depend on innumerable individual decisions - there are indications that both Sweden and Switzerland (see later) apply the concept of "suitability" in a far tougher way, and are prepared to back this with the sanction of withdrawal of benefit. A thorough-going workfare system formalises the availability and suitability criteria. Under workfare those in LTU are eventually tested on availability for work by the designation of what constitutes 'suitable' employment (and/or training) by the operating agency.

Reference to Switzerland and Sweden raises the point, noted by DC, MSC and DHSS personnel in interviews, that the difficulty of applying the A-test is heavily dependent on local, and general, labour market conditions: 'if there are no jobs to be offered, it is difficult to apply a work test to a claimant.'

This is clearly much easier to do in Sweden and Switzerland, where recorded unemployment rates are much lower than in the UK today. Workfare theoretically removes this constraint, by turning government into 'the employer/trainer of the last resort'. This, however, in turn depends on whether enough work can be generated under workfare to soak up the LTUs without detriment to other employment via crowding out, substitution etc. (see Section III).

(b) The Benefit-Stop Sanction and Section 25 Prosecutions

UB claimants may have their benefit stopped for up to 6 weeks (and SB reduced) for having left a job voluntarily; for dismissal for misconduct; for failure to obey written instructions (e.g. failure to attend an interview with a URO); for knowing of a suitable job but failing to do anything about it; and refusal of an offer of suitable employment.

It is this benefit stop principle that underpins the A-test. It contains, however, an inherent weakness as a sanction: while claimants may have their benefits stopped for a maximum of 6 weeks, they are still entitled to the same 312 days of UB thereafter. Thus the so-called benefit-stop sanction is nothing more in reality than a benefit delay sanction.¹² Obviously, individuals may 'tide themselves over' this period (perhaps with savings, moonlighting, or redundancy pay), in the knowledge that the same amount of UB will eventually be given to them. Moreover as noted above under item (a), any such benefit "stop" / delay may be challenged through the complex hierarchy of the independent adjudication system.

Interviews with DHSS officials suggest that many are averse to application of the benefit-stop sanction on claimants. Comments were that it was 'not an easy procedure to operate'; 'offputting to staff' to apply it to a claimant; and that, in consequence, its operation was 'very rare'.

Benefit-stop in the UK system was, however, until recently underpinned by another potential sanction, whereby claimants could - as a last resort - be directed to attend a Re-establishment Centre for up to 13 weeks. These are now going to close.

In conclusion, the application of benefit stop in the UK - or rather delay - is regarded by officials interviewed as somewhat 'awkward' to operate, for various reasons. Ultimately the system of sanction is underpinned by the possibility of a 'Section 25 prosecution'. However, this has the reputation of being a 'terribly long and complicated procedure' which, by implication, is best avoided if at all possible. One senior DHSS official also observed in this connection that in inner city areas in particular 'magistrates don't like handling these sorts of cases', thus adding another "bias" to the workings of the controls system.

The consequences of this situation are clearly revealed by the figures for Section 25 prosecutions over recent years. The figures in Table II below relate only those prosecutions for failing to maintain oneself - that is, prosecutions for shirking. The startling fact is that such prosecutions have always been miniscule in number - and since 1982 there have been none at all!

[Table II near here]

There are some indications that in Switzerland (see later) the benefit stop sanction is applied in a tougher way than in the UK. The concept of a workfare scheme also depends critically upon the application of a true benefit stop to those in LTU who categorically refuse employment/training offers from the designated workfare agency. The actual operation of workfare schemes in the US (see Addison appendix on US experience with workfare), however, suggests that this principle has not always and everywhere been applied according to the letter of the "pure theory" of workfare.

(c) Administrative Changes and the Efficacy of Controls Procedures

Since the early 1970s the administrative services concerned in the UK with placement and payment of benefits, and related matters, (e.g. training and community work), have gone through a series of revolutions and developments. Whilst each change taken singly by itself may have been warranted by some then over-riding objective (e.g. the provision of more accessible or attractive placement services; a desire for economy in the operation of administrative procedures), our interview studies suggest cause for concern about the net, accreted effect of all these changes upon the efficacy of controls procedures.

Under what might be described as the "old system" of placement service and UB payment - as obtained in the 1960s - both activities were conducted in the same building i.e., an Employment Office. Officers were expected to take an 'integrated view' of each claimant, encompassing both their employment record/ placement situation and their benefit entitlement situation. The self-same officer was thus - in the light of his knowledge of the case and of local labour market conditions - in a position to apply the A-test directly. (This, at least, was the theory. In practice, it appears from interviews that some division of labour/specialist management was necessary, with employment officers specialising as either 'unemployment/placement men' or 'benefit people'.) Case officers could oblige claimants to come in by letter (under pain of benefit stop) and - in the "never had it so good" employment climate of the 1950s and early 1960s - were able to offer interviews for jobs, and to require attendance thereto (see (d) below). Ultimately, the Secretary of State could direct someone to go to see an officer of an Employment Office. Cases of such direction then ran at something like 20 per year overall.

The transmogrification of this "old system" started with the creation of the MSC in 1973/4. This involved a number of significant changes in controls procedures. First, during 1973 the changeover to a system of postal payment rather than cash

was completed, and a system of computerised claims and payments was instituted over the ensuing 3 years. Second, UB was henceforward to be administered separately from placement activity, in separate and distinct benefit offices, unattached to the new purpose-built job centres (a development that took the rest of the 1970s to complete). The appealing idea behind this was that placement activity would be given a 'new look' and a marketing orientation, rather on the model of private employment agencies for office temps (or, as one DE summarised the development pithily in interview, 'the job centres didn't want to get dirty'). A related argument for the new concept/image of public placement activity was that the 'old system' - in which benefit payment was more closely related to placement and the A-test - was generally thought to discourage notification of vacancies to employment offices by potential employers, who often feared they might be sent a poorly-motivated interviewee as a result of the A-test. Henceforward, the orientation of the job centres was to veer away from this sort of activity for reasons of image, and towards the encouragement of vacancy notification (although initially certain responsibilities for UB were to be retained by job centre staff, as payment of UB was still linked to employment availability. This was handled by the 'transit card system' between the benefit and job centre services - see later).

A third aspect of the new job centre concept was the introduction of "job-shopping" facilities. Although initially a "fluid" arrangement/approach,

'The common feature however is the self-service idea, and specially designed layouts and furnishings. The cubicles used in existing employment offices are to yield to spacious, fully carpeted and attractive open plan interview layouts...'13

The unforeseen consequences of all these changes in orientation and administration were, however, twofold. First, the connection between payment of benefit and placement/availability assessment was to be eroded - with some link remaining via the transit card system - and, second, that contact between job centre placement staff and many claimants was to be eroded by the self-service innovation.

This breach was further reinforced by new administrative arrangements introduced in 1979. Previously, claimants of UB were required to attend the benefit office once a week to claim; after 1979 this became once a fortnight. Indeed, if we go further back, to the early-to-mid 1960s, attendance was required twice a week - once to claim and once to collect (this was reduced over the country to once a week after 1968 with the gradual introduction of postal, giro payments, so that attendance everywhere after 1973 was required only on a once-weekly basis for claiming, and not collection). Going even further back, to pre-war days, attendance had been required for claiming/collection on a once-daily basis. There has thus been a long-run erosion in the incentive to attend for benefit purposes, which has to be set against the administrative savings made possible. The relative time-costs of benefit collection have shown a secular fall due to these changes in procedures. Reviewing at the beginning of the 1980s the result of such changes in the administration of benefit incomes over the 1970s in particular, Professor Richard Layard concluded:

'Thus we have the picture of a service which has increasingly served the easy-to-please. Those who are workshy are not offered jobs, and because they were not offered jobs, no sanctions could be used against them: it is very difficult [under current UK arrangements] to help a man to help himself.'¹⁴

The attendance requirements embedded in the operation of the system^(a) were further reduced by the abolition of the requirement of registration at a job centre in order to claim UB, as a result of the "Rayner reforms" introduced in October 1982. These were aimed at eliminating the extensive amounts of paperwork generated by the transit card system, which was itself made necessary by the earlier splitting of placement services and benefit offices (in 1974). Under this system, job centres would have to notify benefit offices by a transit card of registered claimants' availability for work and placement opportunities; benefit offices had to notify job centres likewise of claimant responses to claim forms and

URO interviews. The system thus involved a whirligig of paper between two officers in two separate organisations (the MSC and DHSS). It was readily admitted by officials who were interviewed that the pre-1982 system was a 'gross failure' in terms of excessive paperwork and the costs in terms of staff time.

The Rayner (Efficiency Unit) solution to this problem was to ditch entirely compulsory registration of the unemployed at job centres. This did, indeed, lead to considerably staff savings (some 3,000). It also, however, led to a further severing of contacts between unemployed claimants and job centre placement staff. Since 1982 there has been a '... dramatic drop in numbers registering at job centres once such registration became voluntary.'¹⁵ This is clearly revealed in the figures given in Table III below.

[Table III near here]

A related consequence - foreseen presciently by Hill in 1974¹⁶ - is that UROs have in effect become a 'second line' employment service; yet are located in the DHSS benefit offices, which conduct no placement activity, and which do not have expert information on the local (or national) labour market. Showler also commented, writing in the mid-1970s that;

'...there is a danger that an (increasing) distinction will be made between those whose unemployment is just a temporary problem of movement from one job to another, and those whose unemployment results from a seriously disadvantaged position in the labour market (e.g. LTUs), so that the latter group becomes the prime concern of the organisation which has taken over the legacy of the Poor Law while the former get the benefit of all the modern developments in methods of counselling, placing and training for employment.'¹⁷

UROs are, to recollect, located in benefit offices. Although they have in effect become a second line employment service, they are not employment officers (of the MSC) and are culturally conditioned by their own Department's "philosophy". Senior DE officers did state that they felt UROs' behaviour did reflect

'DHSS attitudes' - that is, with the correct payment of benefit being seen as the prime task, and dealing with unemployment being awarded secondary status.

In summary, a series of administrative developments in the UK since the early 1970s have led to a further erosion in the applicability of the 'availability for work' criterion for benefit in the UK.

(d) The Effect of the General Climate for Employment on the Controls Procedure

In the 1950s and 1960s recorded unemployment was low - sometimes as low as ½% of the labour force. This made the workings of the controls procedure relatively easy in a number of ways. First, employment officers had time available to conduct interviews with claimants, and to follow progress up. 'Review interviews' for all claimants were then apparently conducted on average every 6-8 weeks by employment officers. The latter also had plenty of vacancies to offer the UB claimant - except in unemployment "black spots" - for (if necessary) the application of the A-test. This combination of extensive interviewing and the general availability of vacancies afforded some means of policing the benefits system - subject to its inherent weaknesses, as noted above under (a) and (b). (As one former employment officer recalled of those times, 'about 47% of claimants would sign off if I started chasing them through recurrent interviewing.')

Changes in the general climate for employment from the early 1970s onwards contributed to the erosion of the efficacy of the controls procedure arising from the institutional changes noted above under (c). With a secular rise in the recorded rate of unemployment, progressively little time could be given to interviewing claimants, according to the recollections of those officers surveyed as part of this study. Nor, in their opinion, under current conditions are there generally enough vacancies for the A-test to be readily applied, except at the cost of annoying employers by sending along a succession of poorly-motivated candidates for job interview. To do so would

court the (highly probable) risk of a dramatic decline in the notification of vacancies to job centres, which would only exacerbate the general situation. These points apply with especial relevance to areas of extremely high LTU concentration, such as (currently) Knowsley, Liverpool, Middlesbrough, Hartlepool, Manchester and Sunderland.

The case for a workfare system in part rests on the point that it avoids, under idealised conditions, any such "vicious circle" effect as portrayed in the preceding paragraphs. Applied in a thorough-going fashion, interviewing of all LTUs with a view to work assignment/training is automatic, an inherent feature of the system. Second, the provision of community work/training slots under workfare means that employers notifying "real" jobs to the public placement agency need not be deterred by the prospect of being pestered by work test assignees.

Recent Developments in UK Manpower Policy of Relevance

On January 6, 1986, a number of pilot measures aimed at reducing LTUs in nine areas of the country, and to run for 6 months, were put into operation under the general title of the Job Start Scheme. Two elements of Job Start are of especial relevance to this study, as they represent a move towards practices widely used under workfare on the American model. First, all LTUs are to be offered an in-depth interview leading to the offer of a job, a place on the CP, entry to the Enterprise Allowance Scheme, a place on a MSC training course, or membership of a Jobclub. Second, there has been the introduction of an entirely new short (1-2 week) course for LTUs concentrating on assessment of potential and aptitudes, the updating of basic working skills and techniques of job search, applications and interviews. In addition, by March 1986 half a million unemployed people were sent a letter advising them of services available at Jobcentres to get a job, and suggesting they call in to discuss their needs.

In the Budget Statement of March, 1986, this exercise was extended into a national scheme.

It is upon such developments - together with an expansion of the CP and the YTS - that the implementation of a workfare scheme in the UK would need to build, taking into account the experience of other countries in this policy area.

Policy and Procedures in Other Countries - Sweden and Switzerland

Both Sweden and Switzerland are of interest with respect to this study, providing contrasts in benefits controls procedures and labour market policy with the UK systems.

Sweden

Swedish labour market policy, which includes large-scale training programmes and local and national government projects, is based upon the "employment principle" as opposed to the "cash assistance principle":

'The employment principle means that it has been considered preferable (since World War II) for the public sector to ensure the availability of temporary jobs or vocational training for the unemployed, rather than to passively provide cash assistance.'¹⁸

The National Labour Market Commission (Arbetsmarknadssyreleen, or AMS) was created in 1948 as a central government agency, during which reorganisation Employment Service Offices (previously local) were nationalised. These Employment Service Offices have long played a part in Swedish labour market policy endeavours. In the mid-1970s, as the situation of the Swedish labour market moved from one of shortage of skilled labour and the necessity to relocate manpower from one region to another, to that of growing general excess supply of labour, labour market programmes were expanded under the aegis of the AMS and the Employment Offices. In the recession of the late 1970s, these programmes - relief work, programmes to generate jobs for the old and the disabled, and for labour market training -

covered some 4% of the labour force; approximately double the then recorded rate of Swedish unemployment. The indication of the size and growth of Swedish Labour Market Policy Programmes is given in Table IV, below.

[Table IV near here]

The Employment Service, under the direction of 24 District Labour Boards, has an integrated function of (a) evaluating the need of each job seeker for labour market training, vocational rehabilitation, relief work, relocation grants (and etc), and (b) monitoring the disbursement of cash benefits to the non-unionised unemployed. Unlike the current UK system, then, the Swedish Employment Service has a comprehensive responsibility for labour market policy measures.

At this point it should be noted that in Sweden two separate types of cash benefits are available to the unemployed:

(i) Voluntary unemployment insurance, administered by approved unemployment insurance societies, of which there are currently 44, with some 3.3 million members. These are closely associated with the trade unions; but union membership does not imply or require membership of the associated voluntary insurance society. (However, only about 10% of the expenditures of the societies derives from membership fees and other, e.g. asset, income; and 31% comes from government subsidies, consisting of both a basic grant and a progressive grant the latter of which is related to the level of unemployment among the members of each insurance society. The rest comes from employer contributions.)

(ii) Cash labour market assistance payments (KAS). This benefit is payable to people aged 20 or over who do not belong to an unemployment insurance society, or do not fulfil its membership requirements.

The unemployment insurance societies pay benefits only upon confirmation by the Employment Service that the claimant is registered as a job seeker at one of its offices. Benefits are payable for a maximum of 300 working days,¹⁹ up to a maximum daily amount fixed by Parliament, currently 315 SKR per day, and may not exceed 91.7% of previous earned income. Daily benefit may thus vary from one society to another, and from one person to another - although it appears that in most cases, the maximum amount allowed by Parliament is paid.

KAS payments are considerably lower than unemployment insurance payments, at SKR 100 (£8.83) per day (for a maximum of 150 working days), and are subject to tax. As a general rule, moreover, a jobless person must have been employed for five of the previous 12 months to qualify for KAS. (In some cases, people with unemployment insurance who do not fulfill all of the requirements for compensation from their insurance society may claim KAS payments.)

If a person is not covered by any insurance system, or if KAS benefits are insufficient, then he or she may now receive (since 1982) public assistance intended to cover such basic needs as food, clothing, and housing, administered at the level of the municipality (and which wield more power than their UK counterparts).

The Employment Service in Sweden (unlike the UK) plays a central role in monitoring the benefits system and operating control procedures. It

'... has the task of ensuring that an applicant for unemployment insurance is willing to take a job. It is also expected to question a person's entitlement to benefits if it can prove that he is not prepared to accept suitable work or referral to an appropriate labour market policy programme, such as labour market training.'²⁰

The claimant has to show up at intervals decided by the Employment Officer, and 'show signs of actively seeking a job'. There is no hard-and-fast rule on what this means, but from interviews it appears that there is an uncodified rule in the Swedish Employment Offices that a claimant may generally be allowed to refuse job/training offers twice - but not a third time.

The Employment Service carries out its monitoring by notifying the insurance society if there is reason to doubt a member's right to benefits (e.g. refusal of a job offer). The society then reviews the case and may suspend benefits for up to 20 days. If the member repeatedly refuses offers of work, benefits may be entirely discontinued until he has worked for at least 20 days. In 1984 the Employment Service questioned right to benefit in 3,276 cases, of which some 2,200 were cut off from benefit for 20 days. (In approximately one-tenth of cases, either the Labour Market Board or the relevant unemployment insurance society rejected the opinion of the Employment Service.)

The rules for collecting KAS are similar to those for unemployment insurance, and the Employment Service here again has a monitoring function in the same way as with voluntary unemployment insurance. Discontinuation of KAS occurs under the same rules as apply to unemployment insurance. In recent years, discontinuation of benefit has occurred in about 1,100 cases annually.

In what respects, if any, does the Swedish system differ from that in the UK? There are two obvious ones. First, the employment offices retain the function of monitoring benefits and the availability for work of claimants. Second, the unemployment insurance societies are separate from the state, and indeed are even formally independent of the trade unions. As private but non-profit organisations they do have some incentive to police the benefit system in their members' interests.

The qualitative significance of these differences is, however, difficult to assess, especially given the influence of other differences between the two countries, such as the existence of the "Lutheran ethic" in Sweden. The replacement ratio - often of 90% for many Swedish claimants - is not ungenerous. In relation to the total volume of benefits, discontinuation of benefits 'occurs on a very limited scale'.²¹ Moreover, as in the UK, claimants who are suspended can go through a complex appeals procedure to challenge the decision of the Employment Service and the insurance service (via the AMS, and in the last instance the National Social Insurance Supreme Court).

It is particularly difficult to gauge on any quantitative or qualitative scale the rigour with which the work test is applied in Sweden vis-a-vis the UK, although the "two refusals" rule would definitely seem more strict than applies in the UK (where registration at job centres is not even required). Interviews with Swedish officials revealed that there is also greater regional mobility expected of claimants from the insurance societies than that which obtains in the UK, and is actively encouraged by the (industrial) unions (which, remember, have some involvement with the insurance societies).

The situation regarding the treatment of youth unemployment in Sweden undoubtedly does, however, contrast strongly with the UK, and might be described as a "youth workfare" system.

A primary feature of the Swedish "youth workfare" system is that no cash benefits are available to anyone under the age of 20 - or, rather, that the only way for them to receive benefits is to work (or go into an assigned training slot). Up until the age of 18, the schools have the responsibility for finding work for jobless youngsters who have not continued their education at upper secondary school. Special programmes of 'youth jobs' are thus provided for unemployed 16 and 17 year olds, which are offered to all young people if suitable training or regular

employment are unavailable. The Employment Service is responsible for assigning young people to youth jobs, working together with the schools (through local planning councils).

After the age of 18, the Employment Service has full responsibility for finding employment /training for young people. Quite apart from the battery of measures such as labour market training and recruitment subsidies associated with the concept of "active labour market policy" in Sweden, since the beginning of 1984 the Employment Service has the last resort option of assigning an unemployed 18/19 year old to a "youth team". Municipal authorities are required by law to arrange jobs in youth teams - essentially, CP type activities - for those who cannot be given work or training. Programme participants work 4 hours per day for wages stipulated by the going rate for the job (as laid down in collective bargaining contracts).²²

Youth team jobs must be offered within three weeks of registration at an Employment Service office, and must involve work which would not otherwise have been undertaken. The employer receives a government subsidy to cover labour costs. The law mandating provision of such jobs covers not only municipalities but also central government agencies, county councils, local government federations, Church of Sweden parishes and Church-related organisations.

The purpose of this youth workfare system is to ensure that no-one aged 18-19 should have to be unemployed longer than three weeks; note, however, that failure to accept a youth team job (or other offer) would mean complete absence of insurance benefit or KAS. Youth unemployment, compared to the pre-1984 situation, appears to have been 'considerably reduced',²³ although - and predictably - unemployment of young people in the age range 20-24 remains relatively high.

The youth team concept reflects a long-established emphasis in Swedish labour market policy on the provision of relief work as a last resort measure against unemployment - a tradition that dates back to Bills passed by Parliament in 1912. In

1920-21, for example, emergency relief work projects accounted for the provision of 1,600 miles of public roads and the reforestation of 50,000 acres of land, a large number of timber floatways, sports complexes, and harbour expansion schemes.

Swedish relief work continues with this emphasis upon construction projects, forestry and environmental protection, but has more recently been expanded into a broader range of occupations/activities (in December 1985 some 53,000 were on different kinds of relief work, as against 32,000 in labour market training). People on relief jobs have to be registered with the local employment service office, and if offered an "ordinary" job they are supposed to accept it, and to vacate the relief job.²⁴

A problem mentioned by some Swedish policy-makers concerning this extensive system of relief work is that some depressed areas - especially in the North of the country - have become totally or excessively dependent on it. Others refer to a noticeable reluctance of workers in these areas 'to leave well-paid relief work' and migrate to other parts of the country. These comments indicate a potential problem with workfare to which we shall later return (in Section II).

What, then, are the lessons of the Swedish approach? Obviously, great caution is required in inducing lessons for the UK, not least because of the considerable historical, institutional and geographical/demographic differences between the two countries. The tripartite nature of Swedish policy-making, for example, has no parallel in the UK and could not be easily replicated without great upheaval. Having said this there are perhaps some inferences to be drawn from Swedish experience regarding the questions with which we are concerned. First, the integrated Swedish system of an employment service that is concerned with not only placement but also registration, training, relief work, youth teams and benefit control procedures does have some advantages over the current bifurcated British system in which these responsibilities are divided

amongst separate agencies/divisions, with consequential loss of information, control and feedback on claimant activity. Second, a thoroughgoing youth workfare scheme can and has been instituted in another European country; so that the model cannot be totally infeasible here, given the necessary resourcing. Third, despite the mandatory nature of youth team job provision (for public agencies and church agencies), this does not appear to have caused 'resentment' to governmental edict - despite the high level of unionisation of the Swedish public sector.²⁵ Fourth, the "no benefits without work/training" principle applied to the under-20s is not a discernibly major bone of contention in Sweden.

The latter point does not of course mean that the same system could be instituted in the UK without some political and social difficulty. "Benefits" that have never been granted are never (or seldom) missed. Once, however, a group becomes used to the provision of a particular subsidy, its removal is likely to be "felt", and resented - unless there is widespread acceptance of the need so to do. We return to this matter later, in Section III.

Switzerland

The remarkably low rate of recorded unemployment in Switzerland invites close attention as to its causes. Recorded unemployment has run at - typically over the past twenty years - a fraction of a percentage point of the labour force, and in some years at 0.00%²⁶ ... a situation which would undoubtedly have caused the late Lords Keynes and Beveridge to have considered that the economy was in "over-full employment", if such were to have occurred in the UK in their lifetimes!

As with Sweden, the role of the Swiss employment services in producing this situation is difficult, if not impossible, to disentangle from the presence or absence of other factors, as compared to the situation in the UK. Whereas with Sweden the

fundamental problem arises in trying to compare the UK with a country which is twice the size of France (yet of only some 7-8 million inhabitants) and which is corporatist in orientation and traditions of policy-making, the difficulties of comparison with Switzerland are much in the opposite direction. It has no centralised and monolithic trade union organisation(s);²⁷ and is a confederation comprised of 20 separate cantons and 6 semi-cantons. The influence of Swiss foreign labour regulations, the particulars of Swiss labour relations, and other factors, add complexities to the picture that will not be recounted here.

Until 1977 unemployment insurance was not compulsory in Switzerland and insurance societies - variously sponsored by unions, firms, municipalities and cantons - covered only just over one third of the labour force in 1975.²⁸ The establishment of a federal unemployment insurance scheme after April 1977 raised the rate of coverage to over 90%.

Premiums were initially set at around 0.3% of earnings, paid half each by employers and employees.²⁹ These are collected by the Old Age Survivors' Insurance (OASI) organisation, a federal agency, but the revenues are then turned over to recognised private or cantonal unemployment insurance funds, which administer the payment of benefits to claimants. Daily unemployment payments are currently limited under the system to a maximum of 70 per cent of insured income, with supplementary payments for each dependent but with a fixed maximum of 85% of insured income.

Claimants must have contributed for at least 6 months, in the previous 2 years, in the general case, to qualify for any payment of benefit, and the duration of benefits is related to the length of prior contributions. Thus, in 1983 a claimant who had contributed for 6 months previously was eligible for a maximum of 85 working days of benefit; those with a 12 month record for a maximum of 170 days; and those who had contributed

for 18 months or more previously for a maximum of 250 days (exceptions to these rules apply in the case of invalids and the over-55s, entitled to 250 days maximum benefit; and claimants in areas such as the Jura and Tessin with above average rates of unemployment. Those who are ill, just out of prison, or have just returned to Switzerland after working abroad are also dealt with separately on an individual 'special case' basis.) Table V below shows the evolution of unemployment benefits and their duration since 1972.

[Table V near here]

The Table above, however, does not bring out a further feature of the Swiss system. Payment of benefits - and, indeed, only for those entitled to receive such benefits at all - is reduced by 5% after 85 days, and again after 170 days. Nor is there automatic entitlement to the full 250 days (for those fully paid up); this depending on 'need' and family circumstances.³¹ Thus UB ceases for all categories of claimant after a maximum of only 8 months - much shorter than in the UK.

Subsequent to the cessation of benefits, the unemployed do not in Switzerland have an automatic and means-tested SB system to fall back upon. Although the Constitution allows the Federal Government to emplace a uniform system of family allowances, strong opposition from cantons has debarred their development at Federal level except in the case of agricultural workers and small farmers. Family allowances under cantonal legislation varies widely, children's allowances ranging from SFR 80 to SFR 160 per month, and allowances for vocational training from SFR 100 to SFR 180 per month. It is to be pointedly noted, moreover, that - charity apart - no social assistance is provided for young unemployed workers. Swiss parents are under the statutory obligation to support their children themselves until the age of 20 - the usual age for leaving the very extensive apprenticeship system (into which around 70% of Swiss youth goes) - or 25, if they are in higher education. Failure to do so would probably mean a court appearance.

The OASI scheme takes care of the old; and there is a compulsory invalidity insurance scheme (since 1960) for all employees. The unemployed who have run through their benefits, however, are obviously under considerable pressure or incentive to find work. In the event of the failure so to do, LTUs in Switzerland have recourse to two main lines of income support: first, taking a temporary relief job or vocational training slot (see later); or, second, recourse to various cantonal forms of social assistance and/or the beneficence of charities. These arrangements again vary widely from canton to canton, but tend to involve a high degree of voluntary sector and church involvement. The help so afforded likewise varies but was described as a general rule (by a Swiss labour market official) as 'just about enough to guarantee survival'.

Salient points arising from the foregoing are as follows. First, the institution of compulsory, general unemployment insurance is of relatively recent origin in time - less than a decade old - and may thus have had only a small influence as yet in generating a "dole culture/psychology", as some observers fear in the case of the UK. Second, whilst the replacement ratios involved in the Swiss unemployment insurance system do not appear on average ungenerous as compared with other countries,³² there is a cap on the maximum entitlement as a proportion of previous earned income; whereas in the UK unemployment benefit levels are fixed - 'flat rate' - irrespective of income. Third, the duration of UB is much shorter than in the UK (where, indeed, state benefits may be of indefinite duration).

This relative "toughness" of the Swiss system is also reflected in the operation of the availability of work test procedures and associated controls.

The declared goals of the Swiss unemployment scheme (most recently restated under a new plan of 24 June 1982) are openly two-fold:

'... on the one hand to protect involuntary unemployed persons as much as possible against any major loss of earnings ... (and) on the other hand, to prevent them from getting fixed in unemployment.'³³ (*italics added*)

To this end the Swiss unemployment scheme contains numerous rules and measures aimed at facilitating and encouraging the resumption of work, training, retraining, and geographical mobility to achieve these.

Registration at (cantonal) employment offices is compulsory for all UB claimants. The requirement used to be that all claimants had to report each day at the Employment Office, but this seems to have been generally relaxed in most cantons over recent years, due to administrative economies. Claimants are, however, still required to report at least twice a week. Additionally, claimants must submit a written statement every month detailing progress in their job search.

Additional requirements of Swiss UB claimants are as follows. First, as in the UK, the cause of unemployment must not be self-inflicted (i.e. voluntary resignation). In such cases payment of UB is suspended for a period of 40 working days. Second, the claimant must be available for work. Swiss Federal regulations on this matter are vaguely worded. The claimant is expected only to take a work offer that they might be reasonably expected to do, taking into account their health and age, the terms of the work offered must conform to collective bargaining agreements if these obtain; and the offer may be turned down if the pay is not at least as good as the claimant's UB entitlement.

These conditions do not on paper look any tougher than those applied in the UK. However, subsidiary information from interviews indicate some important differences. First, the availability criterion is reportedly interpreted 'pretty strictly'. All claimants are expected to show evidence of their attempts to find jobs - in the form of letters of application, replies, and the details of interviews. Employment offices often call the prospective employer(s) concerned to check on this information.

Second, providing false information about job search (e.g. claiming to have attended job interviews that have not taken place) is a criminal offence punishable by 6 months imprisonment or a fine of SFR 20,000 (or both). Failure to report to the Employment Office, or the hindering of checking by Employment Officers of job search is also an offence subject to a fine of up to SFR 5,000.

Swiss employment officers may require claimants to search for jobs that are not the same as their recent profession, most especially if they have been without work for 6 months or longer. Thus, for example, a teacher may be given librarian postings or, at an extreme, sent after a job with a taxi-cab firm. A claimant may also be required to take jobs involving up to two hours of travel per day. For example, a claimant in Lucerne might be required to take an available job in Zurich (a one hour train ride). A claimant must be ready to accept any job offer with a salary of 80% or more of the wages in the most recently-held job.

In the final analysis, a Swiss UB claimant may be offered relief work organised by the canton. This is generally of the environmental improvement sort or - as one would expect of Switzerland - in forestry. These jobs generally pay more than UB to participants; or if less than UB, they are entitled to claim the difference. Those offered relief work are 'expected' to accept it - on pain of UB suspension. Alternatively, claimants may be offered contributions to the cost of retraining courses, or payment for special vocational measures with daily allowances (if necessary, to include contributions to accommodation and food).

Given the low level of unemployment in Switzerland (currently 0.9% of the labour force) these programmes certainly do not overload the capacity of the system to deliver on useful relief work and training. Whether or not such a situation would be likely to obtain under a UK workfare scheme for all LTUs is a question to which we shall later return (Section III). It is

to be noted, however, that the Swiss employment offices combine the functions of UB claim policing and placement/training assignment, unlike their contemporary UK counterparts, and this may be one factor accounting for the low rate of Swiss unemployment in the first place, and the 'still intact work ethic' to which some interviewees alluded.

The flexibility of the Swiss economy - as revealed, for example, in the large proportion of firms in the small firms sector, the openness of the economy to international trade, the high elasticity of the demand for labour, and the general prevalence of individually- (as against collectively-) negotiated employment terms - doubtless also contribute to the low rate of Swiss unemployment.³⁴ It may also be to some extent true, as some commentators allege, that this is likely, eventually, to be undermined by the gradual transformation of Switzerland from a true federal state with a competitive economy into a welfare state based on federal government handouts.³⁵ (The development and expansion of the Federal unemployment insurance scheme, and other social security schemes, in Switzerland over the past 2 decades in particular might be seen as providing some credence for such a view.) It remains the case that Switzerland provides a model or reference point for what may be done in an advanced industrialised country to keep unemployment low without recourse to over-stimulation of the economy by demand-management policies.

Interim Conclusions

The case for introducing workfare in the UK in part rests on the acknowledged, and less-acknowledged, defects of the current system relating to the interplay of the jobcentre placement process, controls procedures regarding UB and SB claims, and the stock of unemployment (both voluntary and involuntary). There are indications that (a) as regards controls procedures there are inherent weaknesses in the system, and (b) that due to various changes both institutionally and in the economic and social climate, this system functions less than is desirable in a number of ways; (c) this condition may have intensified

critically over the last decade. Comparison with procedures in two other European countries suggests at least the possibility of improved outcomes.

Of course no system functions perfectly - and the costs and difficulties of system improvement must always be taken into account. Thus the existence of imperfection in the current UK system establishes only a negative case for workfare. The next Section examines the positive case for workfare, while Section III deals with the costs, difficulties and objections to its implementation.

II. THE CASE FOR WORKFARE

The main source of interest in the theory and practice of workfare systems has stemmed from the United States. Although experimentation along these lines predates the 1970s (see Appendix Report), it was the introduction in that decade in California - by a certain Governor Reagan - of a scheme for compelling welfare recipients to work off their benefits, that is generally credited with the inauguration of the current American extension of workfare. The Reagan California scheme was regarded largely as a flop, given that only some 3% of the eligible participants were ever enrolled on community work projects. Under the aegis of OBRA in 1981, however, US experimentation with workfare was to extend significantly, to some 38 States. Moreover, during the past year the Reagan Administration has proposed a mandatory national scheme for workfare (as an Amendment proposed in May 1985 to the Social Security Act) which would require all beneficiaries of AFDC to register for work with the state in question. The states in turn would have to provide the necessary work and training slots in the form of community work for local government or non-profit agencies; on-the-job experience at supported rates; job training; or a state-devised alternative of some kind. As the total AFDC population is some 10.7 million (although this includes 7 million children), and currently costs \$14.5 billion a year, the proposed new scheme represents an ambitious plan to expand workfare in America. Fuller details, and an evaluation, are supplied in the Appendix Report.

Proposals for the enactment of a workfare system in the UK have only very recently achieved any prominence, in the form of the schemes proposed by Minford et al and Howell (see later). This Section examines these British proposals, and the general case for instituting workfare in the UK, drawing upon the experience of America and other countries, and also the workings of the CP where relevant.

The Roots in the Beveridge Plan

The proposal of a workfare system in the UK is not in fact of recent vintage. It is little known that the origins of the proposal in the evolution of thought and policy are attributable to none other than the founding father of the modern British welfare state, Lord Beveridge. The Beveridge plan for Social Insurance and Allied Services of 1942 contains a clear proposal for the creation of a workfare system in the UK (although Beveridge did not call it that), based upon Beveridge's general dictum that the system should aim at:

'Making of unemployment benefit at full rate indefinite in duration, subject to requirement of attendance at a work or training centre after a limited period of unemployment.'³⁶
(italics in original)

To this general principle Beveridge added two 'practical conclusions' of relevance, and which are worth quoting at length:

- '(i) Men and women in receipt of unemployment benefit cannot be allowed to hold out indefinitely for work of the type to which they are used or in their present places of residence, if there is work they could do available at the standard wage for that work.
 - (ii) Men and women who have been unemployed for a certain period should be required as a condition of continued benefit to attend a work or training centre ...
... The period after which attendance should be required need not be the same at all times or for all persons. It might be extended in times of high unemployment and reduced in times of good employment; six months for adults would perhaps be a reasonable average period of benefit withough conditions ... But for young persons who have not yet the habit of continuous work the period should be shorter; for boys and girls there should ideally be no unconditional benefit at all; their enforced abstention from work should be made an occasion of further training.'
- ³⁷

In the postwar implementation of Beveridge's plan for the creation of a welfare state, this key aspect of his overall scheme was forgotten about. The steady secular rise in the cost of the welfare state as measured by social security spending as a percentage of GDP - which rose in the UK from 15.9% to 21.4% over the decade of the 1970s - has, however, been an important factor motivating recent British advocacy of workfare.

Recent British Proposals for a Workfare System

Minford et al's proposals for workfare in the UK are to be seen as only one side of their plan to alter the tax/benefit system in such a way as to exert market forces to bring down unemployment. The other half is the proposal of a cap or ceiling on the individual's replacement ratio - along the lines as practiced in Sweden, Switzerland, and other continental countries - to make unemployed people take more market jobs, even if lower paid.³⁸

This study is concerned only with the workfare aspects of the Minford proposals. They may be summarised as follows:

1. Benefits should be contingent on accepting, if no other can be offered/obtained, a job from a workfare pool of community jobs. Thus the state would be the employer of the last resort.
2. Denial procedures (in each area of the country) would be variable according to certain criteria. Specifically, Minford suggests that:
 - (a) Denial procedure would become tougher, the longer the duration of the individual's previous unemployment;
 - (b) Beyond 6 months refusal of any job offered under workfare would be a sufficient condition for benefit denial completely;
 - (c) Repeat spells of short-period unemployment over a period of time (unspecified) might also be subject to the same criteria;
 - (d) Denial procedures might be differentiated by age. Specifically, it is suggested that for unemployed claimants below 25 years old, the condition for further benefit would be acceptance of job from the workfare pool after three months of receipt of benefit.
3. The scheme would require 'close(r) liaison' between job centres and benefit officers - and, specifically, their re-integration. A relatively simple first step would be to relocate DHSS officials dealing with benefits in job centres. The new team arrangements would be instructed to 'evolve from their experience procedures which implement the tougher denial procedure.'

4. The unemployed would be required to 'attend regularly' (no precise suggestion is made) at a reconstituted job centre to be presented with a selection of jobs (which would not only be of the workfare variety).

Item 3. represents a return to the pre-1973 UK system as detailed in Section I; while item 4. may be seen as an advocacy of the Swiss approach. Item 2.(a) smacks of the Swedish "youth workfare" model, and 2/(d) harks back to Beveridge's suggestion regarding the treatment of adult LTUs.

Howell's proposals for a UK workfare scheme are not dissimilar:³⁹

1. Every able-bodied adult would have a statutory right to work on workfare, (including training) after 6 months of unemployment; but failure 'to take advantage of the opportunities offered would result in total disqualification for benefit';

2. Special provision should be made as regards young people under workfare: work or compulsory training would be required of unemployed youngsters.

3. The administration of benefits and placements (including the new workfare element) should be re-integrated under the aegis of one government department. (Howell suggests that the new job centre/benefit offices should be called "work centres".)

In other words, the Howell proposal for workfare represents a straightforward restatement of the original Beveridge conception.

Arguments for Implementing Workfare

What cases may be made for the replacement of present arrangements in the UK by such workfare schemes as elaborated above? This Section does not seek to prejudge the issue of adopting workfare, but rather to set out the theoretical frame of reference in which that issue may be analysed from an economic perspective.

Five major arguments are here addressed: the effect of workfare on the moral hazard embedded in welfare systems; the effects on employment and unemployment; effects on morale, productivity and employability via training components of workfare; the provision of community benefit; and arguments concerning the net cost savings of workfare.

The "Moral Hazard" Case for Workfare

It is well-known in the field of commercial insurance that the provision of insurance is likely to make insurers less careful in guarding against the risk of loss. Those insured against burglary may be that less careful in guarding against such prospect of theft; just as comprehensive car cover may lead some car owners to be less diligent in maintaining their vehicle, or even to drive that little bit less than with full dilligence. Thus the effect of insurance is not simply to shift the cost of accident/mishap from the insurer to the insurance company, but to raise the total costs.

Precisely the same analysis applies to all types of social insurance organised by the state as applies to commercial insurance services offered on the market by private enterprises. Moral hazard is a feature of all insurance systems, not just commercial ones.

However, there is a difference as regards state and private insurance schemes, of relevance. The workings of the disincentive efforts of moral hazard may lead to rising total costs; but the private insurance company faces a bankruptcy constraint. While increased costs may temporarily depress insurance company profits, in the long run all costs must be covered and a normal rate of profit restored. Thus insurance companies react to increased claims by increasing premiums to their customers, and by tightening up on the conditions under which they will offer insurance (e.g. by requiring householders to fit security devices, etc.).

In the case of state social insurance schemes that are not fully funded, the bankruptcy constraint is removed. Thus rising total costs are not passed back to the direct beneficiaries, but may lead to rising costs for taxpayers (including future generations of taxpayers, in the case of such insurance schemes funded by issuing of bonds). Taxpayers, however, have a rational incentive to remain not fully informed as to all aspects of state provision and policy. Thus the scene is set in the field of social insurance for the gradual escalation of the costs of such programmes and mounting tax burdens. This process is perhaps reinforced by the "vote motive" of politicians and parties to expand such programmes so as to increase the size of the potential coalition of beneficiaries, whose electoral support would be welcome.

Whether or not this "public choice" analysis of the explosive tendency of social welfare/insurance spending is fully correct or not, it provides a case for workfare, in order to reduce the disincentive (moral hazard) effects of welfare dependence. This has certainly been one element in the move towards the introduction of workfare schemes in the United States over recent years.

From this perspective workfare may be viewed as the equivalent of the devices employed by private insurance companies to cut down on the laxity of insurers in protecting their own property from untoward occurrences and mishaps by, for example, bearing a proportion of the costs of replacement. Workfare requires that the costs of social insurance are not borne indefinitely by taxpayers, and in part are shouldered by (able-bodied) welfare recipients. Thus, in some US schemes, an explicit aspect of workfare is that welfare recipients 'work off their benefit'.

Much hinges, of course, on the true magnitude of recipient response to welfare assistance, i.e. the size of the workforce "at risk" from the workings of the poverty and unemployment traps. This matter, to say the least, remains controversial.

Parker has estimated that the number of adults at risk from these traps in 1979 was over 4.4 million (17% of the workforce) and that the 1982 figure was unlikely to be less than 5.5 million adults (over 20% of the workforce).⁴⁰ Brittan, drawing upon an earlier Treasury Committee Report, cites a figure of over 9 million adults at risk from the traps in 1979 - roughly double the Parker calculation.⁴¹

Either calculation would suggest considerable scope for a workfare system - along with other reforms of social security - in reducing unemployment. The difference between the estimates also suggests, however, that calculations of the adult calculation "at risk" are liable to be crude. They depend on an arbitrary judgement about who is "at risk" (e.g. is this with income at 20%, or 40%, above SB, and less?).

In terms of economic analysis, the question hinges upon two variables: first, the true level of the replacement ratio (which determines the size of the financial incentive to work/not work), and the elasticity of unemployment with respect to the replacement ratio. Uncertainty surrounds the empirical magnitude of both variables.

An average replacement ratio of the order of 60-70% is usually quoted for the UK. International comparisons also suggest that the average UK replacement ratio is 'substantially higher' than in the USA.⁴² Yet the size of the UK replacement ratio remains a matter of controversy. Dilnot and Morris report an average replacement ratio of 65% for a full year of unemployment in 1980 with two-thirds of the working population having a potential replacement ratio of between 50 and 80%.⁴³ Minford⁴⁴ and Ashton⁴⁵, drawing upon Liverpool model work, quote substantially higher replacement ratios, as the following quotation suggests:

'Our estimates show how acute the problem of the unemployment trap still is: an unemployed man with a wife and two children, for example, would find himself no better off taking a job at £6,650 p.a. With four children, an unemployed man taking a job with a salary of £8,000 p.a. would find himself worse off by over £1 a week.'⁴⁶

The Minford-Ashton calculations of replacement ratios as of December 1984 are shown in Table VI below.

[Table VI near here]

If these figures (above) are correct, then the incentive to participate in employment in the UK for the relatively lowly-paid workers are extremely weak, and also as compared to those countries in which there is a cap on benefits in relation to previous earnings. Workfare alone might not solve this problem, except at the cost of greatly enlarging the numbers in quasi-public sector employment, beyond the limits necessary. Some additional policy reforms - notably the cap principle - would seem to be called for also.

The elasticity of unemployment with respect to the replacement ratio is also unclear. Lazard and Nickell estimate this elasticity as 0.7,⁴⁷ while Minford arrives at a much higher order of effect, showing an elasticity of real benefits on unemployment of 2.6.

All of this means that we cannot compute unequivocally the volume of voluntary unemployment arising from the disincentive effects of the present UK welfare system; nor, by implication, the scope for workfare to reduce it by eliminating the moral hazard problem involved in unemployment insurance. The accompanying report on the US experience (p.12) sounds a similar note of caution as regards studies of workfare in that country.

Workfare and the Level of Unemployment

It follows pari passu that we cannot estimate quantitatively the effect of implementing a workfare system on the level of unemployment. What can be examined at the level of theory is how workfare impacts upon the equilibrium volume of unemployment, the so-called "natural rate" of unemployment. This analysis is important for three reasons:

(a) The case for workfare in economic terms is different from the usual political arguments advanced in its favour, and depends critically on market adjustments not recognised in such latter discussions;

(b) Likewise computation of the costings of workfare depend critically on the indirect market consequences, as we shall later see;

(c) Only in this analytical context does it become clear that the case for workfare rests upon different foundations from the standard arguments espoused for SEMs.

Diagram I below provides a simple graphical representation of a natural rate model of the labour market.⁴⁸ In effect this diagram is of the standard "demand and supply" variety, with both the demand for labour (D) and supply (S) represented as a function of the real wage (W); while the total labour force (L) is assumed fixed for the purposes of medium-run analysis.

[Diagram I near here]

The position of the supply curve of labour (SS) depends on a number of factors. $S_n S_n$ shows the supply curve of labour that would obtain in the complete absence of any benefit system; while $S_p S_p$ exhibits what occurs under present benefit arrangements. This is represented as being flat at relatively low wages, and lying above the "floor" set by the level of real benefits (b) available (or, rather, $UB+SB$, grossed up for the labour taxes on the employee), shown by the dashed line bb . In other words, as real wages fall more and more people find themselves close to benefit levels, and will prefer to claim rather than take low-paid jobs.

The equilibrium volume of unemployment under present arrangements (U_p) is shown by the horizontal distance between I and the intersection of DD and $S_p S_p$. (If there were no such benefit system, then the natural rate would lie at U_n). The effect of introducing workfare is shown by the intermediate supply curve, $S_w S_w$, which lies in between $S_p S_p$ and $S_n S_n$. In other words, the introduction of workfare makes market work more attractive for a portion of L - namely, some of the LTUs - because under such a system they face the choice of loosing all claim to benefit or of accepting a community job/job training. Some will prefer low-paid market employment to either alternative.

There are two further points to note about $S_w S_w$. First, its position will critically depend on a number of factors, such as the toughness of benefit denial procedures, the size of payments to workfare workers, the size and duration of benefit denial for those who spurn workfare job/training offers, and the existing extent of both voluntary unemployment and benefit frauds combined with work in the black economy. Second, we would expect the supply curve under workfare to cut the bb line (unlike $S_p S_p$) as the welfare system would no longer set a rigid floor of b for those LTUs faced with acceptance of workfare, acceptance of a low-paid market job, or withdrawal from the welfare system (perhaps into the black economy).

The effect of implementing workfare on equilibrium unemployment would be to reduce it from U_p to U_w ; the size of the reduction depending on the position of $S_w S_w$ in relation to $S_p S_p$. It is to be noted, however, how this effect comes about, which contrasts with orthodox expositions of the job creating nature of SEMs.

The orthodoxy has it that SEMs reduce unemployment by taking people off the register into SEMs.⁴⁹ It is accepted in this analysis that deadweight and substitution effects of SEMs may make the true effect less than the numbers supported by the scheme; so some (crude) allowance is made to obtain the net effect on unemployment.

The case for workfare as a means of reducing unemployment does not rest on this line of orthodox argument, but on the analysis of the labour market presented above. That is, measures directed at reducing unemployment will be effective in attaining that task in the medium to long run only if they succeed in altering the demand and supply of labour in ways compatible with that goal.

Specifically, workfare "works" by altering supply conditions in the labour market - by shifting the supply curve to the right, from $S_p S_p$ to $S_w S_w$. The consequence is that real wages are driven down, from W_p to W_w . It is this reduction of real wages (relative

to what they otherwise would have been) which encourages employers to offer new (low-wage) jobs that previously did not exist.

Thus, workfare generates a net increase in employment by exerting downward pressure on wages, and will only generate such a net increase to the extent that it does this, (subject to productivity effects, discussed below).

The difference between workfare and established SEMs such as CP, YTS, Job Release and the Job Splitting Scheme resides in this point: the latter do not put downward pressure on the wage level.

The difference is best explained by reference to CP, which some might view as a close cousin of workfare. Like workfare, CP offers LTUs public sector jobs - but at rates of pay they will accept without any compulsion.⁵⁰ Thus CP does not lead to any expansion of the demand for labour (unless it be assumed that the labour-intensiveness of CP projects is higher than that of the jobs that are lost, due either to the tax burden of financing CP jobs or the displacement of other public sector jobs).

This point stands in strong contrast to the orthodox argument for CP, as expressed by a wide array of authorities.⁵¹ The basis of this argument for CP and other SEMs is that the net exchequer costs of such measures is very low - of the order of £2,200 per place for CP and £1,400 for YTS (at 1985 prices) - once account is taken of "flowbacks": the savings to the Exchequer of UB and SB; and the gain to the Exchequer by the taxes paid by the newly employed workers. Thus SEMs of these sorts seem to generate jobs at bargain basement prices.

The fallacy in this orthodox argument has been pointed to by the Comptroller and Auditor General.⁵² It ignores the indirect or "second round" effects attributable to SEMs. That is, the net exchequer costs, even if low, are still costs, and have to be financed, either by increasing taxation or by reducing public expenditure in other directions. The first route will lead to a loss of private sector jobs, and the latter to the

contraction of existing public sector jobs. Assuming equal labour intensity in CP and YTS programmes to the average of private and public sector activities that are led to contract, then expenditure on SEMs - however low the net exchequer cost involved - will lead to a zero net effect on employment.⁵³

Thus workfare measures must be superior to SEMs of the CP and YTS type in terms of employment generation because they exert the necessary downward pressure on the wage level, while the latter do not.⁵⁴

As noted above, the unemployment-reducing capabilities of workfare depend on two key factors: the elasticity of the labour demand curve, and the extent to which the supply curve of labour under workfare shifts to the right, compared to that which obtains under present benefit arrangements. Neither of these matters may be assumed with any certainty. There is considerable evidence of a negatively-sloped demand curve for labour in the UK economy with respect to real wages, but estimates of its elasticity generally range from minus $\frac{1}{2}$ to minus unity for the economy as a whole (with results for manufacturing alone suggesting a larger elasticity).⁵⁵

The shift in the supply curve of labour induced by workfare would of course depend on the precise institutional arrangements adopted, and specifically the strengthening of benefit denial procedures, and the duration and severity of benefit denial.

Indeed, estimation of the employment consequences of workfare would be even more complicated than the foregoing implies, in that our analysis has been developed on the basis of a partial model of one market. Consideration of the full system effects of workfare would need to include consideration of the price of labour relative to capital and energy, and the output effects of any consequential changes in international competitiveness (amongst other things). For the foregoing reasons it is inadvisable, not to say impossible, to provide any quantitative estimate of the reduction of unemployment that might arise from the adoption of a workfare system in the UK.

Workfare and Enhancement of The Employability of Programme Participants

The problems of estimating the employment impact of instituting a workfare system referred to in the foregoing discussion are compounded by consideration of the impact of workfare upon the subsequent employability of programme participants.

As with CP, YTS and similar SEMs, workfare may enhance the employability of programme participants upon programme exit. This might occur through a number of routes. First, by raising the morale of those who have gone through workfare, providing them with the knowledge that they can do a job - however long they have been previously unemployed. This morale effect would be likely to increase the productivity of subsequent job search.

Second, the human capital of programme participants might be increased in a number of ways. Training may constitute an important element of programme objectives - as is the case in Sweden, and in many US workfare schemes. (This training may not be in technical but social skills, such as how to cope with interviews.) There may also be "learning by doing" on workfare jobs: participants improve their productivity over time, simply by working (at the most basic level, perhaps simply be learning the habits of work discipline and working in a team).

Third, employers may be more willing to employ a workfare participant - compared to someone who remains in LTU - on the screening principle that they think it more likely that the former would make a better employee. It is pertinent to note also, however, that workfare could reduce the acceptability of participants c.f. CP participants. The latter have entered the programme voluntarily, whereas workfare participants are required to join. Thus they might be viewed as more "motivated" workers than workfare participants by potential employers.

Some patchy evidence does exist regarding the sign and size of these effects, taken together. Sample surveys conducted by the DE on the subsequent employment paths of those leaving CP found that:

'Something like one-third of the people leaving the Community Programme very shortly afterwards obtain a permanent job and surveys (also) show that that is something like two or three times better than people of a similar duration of unemployment, who have not been on the Community Programme...'56,57

This result is, of course, not directly applicable to a compulsory workfare system, as the element of self-selection by participants which is involved in CP is absent under workfare. It does, however, suggest that community-type work does not at all necessarily detract from subsequent employability.

US experience with workfare provides, therefore, a more reliable indicator of the impact of the programme(s) on subsequent employability of participants. Fuller details are given in the accompanying appendix report, but attention is drawn here to some results taken from it. In Arkansas, the WORK workfare programme, instituted in 1982, seems to have achieved 'modest increases in employment and earnings' for programme enrollers, while the San Diego EPP and Job Search/EWEP programmes (again, both instituted in 1982) 'had substantially significant impacts on the proportion of AFDC applicants (subsequently) employed and the amount they earned.' The San Diego results are generally regarded as the best test of job search/work experience workfare programmes yet available, and may thus be read as substantial "plus" for the workfare idea in this regard. (It is also to be noted that the San Diego programmes were - unlike many current US "workfare" schemes - of large scale, and implemented as mandatory requirements for welfare recipients.)

Reference to these American results poses implicitly the question of whether American attitudes towards work are replicated in the UK. It could be that workfare suits the American spirit and work ethic; but not those of the UK. We return to this question of attitudes to workfare in Section III.

Workfare and the Costs of Unemployment

Howell has claimed that 'very considerable savings' could be made by instituting a workfare system in the UK.⁵⁸ He assumes that the cost (to the Exchequer) of unemployment in 1984/85 was

£14.5 billion, and that the total cost of employing all of the unemployed on workfare would be less than £13 billion, or £11 billion net of deductions of tax and national insurance. If, however, only half of the unemployed took up a workfare offer, then the cost of workfare would be under £6 billion. Adding in the revenue increase that might arise from reduction in the size of the black economy, he arrives at a saving from instituting workfare of perhaps as much as £8 billion.

These back-of-envelope calculations are dubious in a number of ways. First, the Howell figure for the cost of unemployment under present arrangements seems over-stated. It includes all regional and industrial assistance, and the entire cost of support to nationalised industries, for example, in the aggregate figure for the cost of unemployment. While doubtless there is an element of job support in such policy programmes, they are also addressed to other goals as well, such as the promotion of "hi-tech" in the case of some forms of industrial assistance, and the running down of jobs in the case of some contracting nationalised industries (redundancy payments in coal and steel). Second, the Howell calculation includes no qualitative estimate for the costs of running workfare - which are not necessarily puny.

A more cautious appraisal of the cost case for workfare, based upon a sophisticated empirical appraisal of replacement ratios, is provided by Ashton.⁵⁹ His analysis is based upon the implications of the natural rate model presented above: workfare "works" by the generation of new low paid jobs - jobs which, then supplemented by in-work means-tested benefits (such as rent and rate rebates) nevertheless would provide an income equal to or superior to benefit levels.

The cost implications are that each person taking one of the newly-emerged low-wage jobs in the private sector would provide a net saving in benefits that could be used to "finance" places on the workfare scheme. Ashton's calculations also presume that workers under workfare would receive precisely the same as they currently receive in benefits (plus an allowance for work expenses) and not "benefit plus". Under such an assumption

the cost of a place under workfare would be limited to the extra administrative costs, work expenses, and materials and equipment needed to run the workfare placement. Ashton assumes the sum of these items would add up to £750 per workfare place.

Under these assumptions, each individual taking a new low-wage job would "finance" something like 2 or 3 placements on workfare, as the average benefit saving to the state would be of the order of £2,000 per newly-emerged low-wage job.

The total cost of workfare then depends on what is assumed about the elasticity of the demand for labour. If 340,000 new private sector jobs were to emerge, 1 million LTUs could be provided with a workfare placement at a net cost to the state of zero. If demand for labour were less elastic and only 250,000 new jobs came about in the private sector, the net cost of workfare of the order of 1 million placements would be positive, and of the order of £250 million. But if demand were the more elastic - resulting in 500,000 new jobs, there could be, under Ashton's assumptions, a net surplus to the Exchequer of £440 million. The general implication is that 1¹/₄ million people in LTU could be taken off the unemployment totals by workfare at a nil or low net cost to the Exchequer.

These calculations are to be treated with caution, however, for a number of reasons. First, they are highly sensitive to assumptions about the elasticity of the demand for labour in the medium term - the new private sector jobs would not all spring up like mushrooms overnight - and about the benefit saving to the state of individuals moving from unemployment to private sector employment. The latter of course depends upon the characteristics of the individual involved - such as their marital status and size of family; their rent/rate payments etc.

Third, the assumption of an average overhead cost of £750 per placement (at 1984 prices) is of the "heroic" variety, in at least two ways:

(a) Given the great variety of activities typical of CP and workfare activities - ranging through social/cultural work through

environmental improvement to building and construction to training courses - the cost per workfare placement critically depends on the mix of activities that the workfare programme would assume. The proposal, made later in this study, for a Division of Operations to be appended to the MSC, engaged in utilising workfare labour for major construction and environmental improvement services, would certainly increase placement costs, due to the much heavier materials and equipment costs involved.

(b) There is no guarantee that the average costs of workfare placement would not rise if the target set for workfare enrolment in the UK were set at 1 million, as compared to the present CP target of 230,000. CP managers and other MSC officers interviewed in our field studies generally thought it would do so, plausibly, but emphasised that everything would depend on the mix and size of projects undertaken.

Fourth, the implications of Ashton's analysis for the costs of a workfare system in the UK makes no offset allowance, as do Howell's calculations for the gain to the Exchequer arising from the slimming effect on black economy activity. Here again, we are inevitably guessing in the dark, as estimates of the size of the UK black economy range from a low estimate of 2% of observed GDP to an upper estimate of 15% of observed GDP.⁶⁰ Nor do we know anything much about the proportions of the black economy accounted for by undisclosed labour income and undisclosed other income.⁶¹

Fifth, there would inevitably be administrative and associated costs in going over to workfare in the UK. It would require the eventual (re)integration of benefit, placement, training and workfare activities, as currently occurs under the Employment Office system in Sweden. Moreover, as the appendix report on US experience with workfare notes, the cost of support services to cover adequate child care needs to be added in to the picture if women with young children are to be included in workfare.

A cautious conclusion regarding the likely cost savings attributable to the implementation of a workfare system in the UK is warranted overall, in at least two senses. First, it may well not generate the large savings to the Exchequer indicated

by Howell. Second, so much depends on assumptions about uncertain variables, such as the elasticity of labour demand, and unknowable variables, such as the mix of activities adopted under the new workfare system. The American evidence supports these conclusions. Savings on welfare payments often seem rather modest (see pp. 35-36 of appendix report), and decidedly uncertain and, moreover, variable as between differing schemes.

This said, the conclusion also seems to be warranted that a workfare system that took 1 million LTUs out of unemployment in the UK could be instituted at low cost, provided that workfare pay was kept at present benefit levels (rather than some high "benefit plus" payment), and was accompanied by strengthened denial procedures. If operated laxly - as some US schemes seem to have been - with only a small proportion of LTUs actually obliged to enter a community job or lose all benefit, then this conclusion would not obtain.

The Community Benefits of Workfare

A popular criticism of the current UK welfare system is that it 'pays the unemployed for doing nothing'. In this regard a workfare system would seem to be superior, in that it 'pays the (long term) unemployed' for doing something - something of community benefit.' Howell puts the case on these grounds dramatically:

'Involuntary unemployment would be abolished (under workfare), while the untidiness, decay and dereliction that disfigures so much of society would gradually become a thing of the past.'62

To the extent that this could be made true, then the value of social benefits generated should be set against any costs of the scheme. This would further tip the balance in favour of adoption of workfare, especially if the social benefits were as large as presumed.

There are, however, some difficulties in adopting this hopeful vision of how workfare might operate for community benefit.

First, there is the problem of vested interest group opposition to workfare arising variously from unions, firms, and local authorities. This matter is analysed at greater length in Section III. The point of relevance here is if vested interests have the power to block the initiation of workfare projects of social value which are harmful to their direct interests, then workfare work may end up being confined to the more marginal and makework sort, of such insignificance that no group has enough incentive to oppose it.

That this is no idle speculation was confirmed amply by our interview studies with CP managers. Under current MSC arrangements, all CP project proposals are vetted by Area Manpower Boards, which include local representatives of unions, industry and public bodies. The Board has the power to veto any proposal put to it by CP managers; and the tendency is that if any faction represented on the Board is opposed to a project, then the rest will go along in rejecting it. The rate of rejection is not high, however, because MSC officers 'shy away' from presenting to the Board anything that they suspect may generate disapproval.

Local authority officers acting as sponsors of CP projects also revealed in interviews that they would be deterred from proposing anything that met with much public sector union opposition, lest a strike/go slow/'non-co-operation policy' ensued.

The strength and nature of these difficulties evidently varies from area to area, and from project to project. It is, furthermore, impossible to estimate how much needed construction, renovation, and environmental improvement work has been blocked in the history of the CP in favour of more nebulous social, arts and crafts, and voluntary sector projects.

What also was apparent from our interviews, however, was that CP and MSC managers felt that the likelihood and strength of opposition to environmental and construction projects, especially if large, would most certainly strengthen as the CP programme were expanded beyond 230,000 to 500,000 and so on. Thus a

workfare programme developed out of the present UK CP covering 1 million would either run into massive opposition, if aimed at "hard" projects, or become largely diverted into soft option, makework projects.

This difficulty is lessened (but not abated) in the USA by the lower degree of unemployment. In Sweden the emphasis upon training (which offends few), plus its long history of corporatist co-operation, also seems to defuse opposition to active labour market measures of the CP sort.

This difficulty of implementing workfare in the UK is analysed further in Section III, and policies to tackle them are there advanced.

A second problem is that it is simply not true that all types of workfare activity yield community benefit, even if they provide significant private benefits. Examples from the US include the extensive utilisation there of job search/job club programmes under the general rubric of workfare. These programmes, which help participants in learning how to get and hold down a job yield largely private benefits (i.e. to the participant) with little or any spillover community benefit.

Third, there are fundamental difficulties involved in defining, let alone measuring, "community benefit" (which economists refer to as social benefits). Thus the community benefit principle, which is central to the workings of the present CP, is difficult to operationalise. The definition of community benefit is left at the discretion of Area Employment Division Managers 'advised' by the 'Area Manpower Boards' with whom the ultimate power of definition resides. Notions of community benefit thus vary from MSC area to MSC area.

Social cost-benefit analysis cannot provide much of a guide out of this difficulty and, in any case, would be too costly to apply to the many small projects entertained under the present CP.

In short, it is not necessarily the case that a workfare system in the UK would lead to targetting upon projects of major national need, and could become diverted instead into much makework activity of at best ambiguous social benefit. This difficulty of implementation is further examined, and solutions proposed, in the next Section.

Conclusion

At the present state of our empirical knowledge regarding the workings of the economy in general, the labour market in particular and especially as regards the impacts of experiments with workfare and quasi-workfare in other countries, no dogmatic conclusions may yet be drawn about the case(s) for workfare.

That said, some sustainable tentative conclusions are as follows. First, there is a solid theoretical case for workfare based on economic analysis rather than normative notions about the obligations of welfare recipients. Second, workfare is superior to more orthodox SEMs measures as an unemployment-reducing policy, because it exerts downward pressure on the price of labour to employers in a way that (most) current SEMs do not. The latter tend to redistribute unemployment, workfare can lessen it in total. Third, whilst hopes that workfare may lead to massive savings to the Exchequer are probably optimistic, there is reason to believe that a workfare system might be implemented in the UK, which reduced LTU by 1 million in the medium term, at a low net cost to the Exchequer. Fourth, patchy evidence indicates that workfare also increases the employability of programme participants.

The discussion has also, however, indicated various difficulties of implementing a workfare system. To these we now turn.

III. DIFFICULTIES OF IMPLEMENTATION

If workfare were to replace the present system in the UK for dealing with LTU, what problems might be encountered, and what solutions suggest themselves?

1. The Social Acceptability of Workfare

A necessary condition for the credibility of any economic or social policy is that it is feasible. And for a policy to be feasible under political democracy it must be broadly acceptable by voter-citizens. Some, or many, for example, might see the concept of workfare as smacking of a "return to the workhouse" instead of a "return to Beveridge". What does the evidence indicate?

As the Appendix Report on US experience indicates, the introduction of workfare schemes has sometimes excited substantial controversy, as in California and Massachussets. Yet, overall, the US evidence also indicates substantial general acceptance of the idea and practice of workfare and, specifically and critically, by workfare participants in particular. As regards the Arkansas WORK scheme, for example, 'participants interviewed claimed they liked their jobs, believed they had learned something, and stated that they felt better about getting welfare when working for it' (p.23). In the case of the West Virginia CWEP, survey responses revealed that the scheme gave 'high levels of job satisfaction and acceptance of the fairness of the workfare principle' (p.45). 'The great majority (approximately 80%) of CWEP participants were satisfied with their jobs and thought that a work requirement was a "satisfactory" or "very satisfactory" arrangement' (p.45).

There are no known research studies that counter the impression that workfare in the US has proved to be acceptable, if not popular, to the general public and programme participants alike. Moreover, as indicated in Section I, the quasi-workfare systems operative in Switzerland and Sweden are not matters of controversy (if anything, the system in Sweden is there regarded as 'too lax on the workshy').

But would workfare prove to be acceptable in the UK, where a virtually uncontested "right" to benefits of indefinite duration may have become an established article of faith? We cannot, of course, know the answer before the system is tried out in practice - but attitudinal surveys at least are suggestive of the answer.

As part of the three MSC area case-studies conducted under the auspices of this report, CP programme participants, managing agents and CP managers and other MSC offices were asked about their attitudes to the idea of workfare in structured discussions. A clear majority of programme participants so interviewed were favourable, and some very favourable, to the notion of workfare. Comments such as, 'Well, it's only right that people should work if they're getting benefits,' (direct quotation) were common. Many regarded the idea as unexceptional, or blindingly obvious. Only a very small minority reacted virulently to the idea, immediately finding it coercive.

There was greater diversity of opinion amongst managing agents and staff running CP projects. Some were worried that they might get 'lumbered' with workfare participants whom they would not have taken on under present CP arrangements, which allows the agent freedom of choice regarding the hiring and firing decision. Others - specifically, local authority agents, were worried about trade union reaction to workfare, explaining that they had to 'tread carefully' with the unions in order to get CP projects accepted. Yet, many others welcomed the idea in general. Few were worried about problems or work discipline that might be involved in hiring the "hard core" of LTUs; although they accepted it might occur - as, indeed, it occurs at present, amongst a small percentage of CP participants.

The group least congenial to the idea of workfare proved to be CP managers and MSC officers, with a majority being against it, for one reason or another. Some reasons were instrumental, and mirrored the worries of managing agents: they felt attempts to 'impose' a workfare participant on an agent would be resented - and perhaps counter-productive, by reducing the agents'

willingness to engage in workfare activity. Others found the very idea 'coercive'. Few, if any, were enthusiastic about the idea, although many agreed that it could be made to be workable, if they were required to do so; as civil servants this was their duty.

A general impression sustained by this reporter, after numerous conversations and interviews with CP and other MSC officers at various levels, was that resistance to the idea of workfare amongst them is in part attributable to the idea of further change - to workfare - when the CP is already undergoing great change (in volume: from 130,000 to 230,000 target places over the past year); and with endless new directives and rulings issuing from MSC HQ in Sheffield all the meanwhile. Under such hectic circumstances, questions about switching over to an entirely new mode of operation, involving a quadrupling of programme participation, were perhaps considered somewhat "academic".

Reliance upon the attitudes of CP participants as an indicator of the general acceptability of workfare in the UK would be unwise, as this group constitutes the most highly-motivated portion of the LTUs (as participation in the programme is voluntary; and it was clear from our interviews that many had joined the programme because they were 'fed up with sitting around at home' or 'just wanted to do something'). To examine general attitudes towards the concept of workfare, therefore, a random sample of opinion was conducted as part of this study in three London areas of differing nature, comprised of some 300 respondents. Each respondent was asked about their knowledge concerning the present CP, and their attitude towards it. They were also asked about their attitudes towards the idea of "workfare", once this had been explained to them by the interviewer. Although the balance of opinion varied from area to area (perhaps due to random factors), the overall result was that approximately half supported the notion of workfare, and half did not. These attitudinal differences do not appear from our study to be correlated with any social characteristics of the respondents (eg, whether employed or unemployed), and

perhaps (it is surmised) reflect more deep-seated ethical judgements about work, obligations and welfare, produced in the process of socialisation.

In summary, the concept of workfare appears from our limited study to be "acceptable", if not favoured, by a much higher proportion of our sample populations than we had initially thought likely; but it is not overwhelmingly popular, and most resistance appears to be concentrated amongst the very administrators who would have to operate a workfare system. It could be, however, that once such a system was instituted in the UK, and become "bedded down", its acceptability would rise; as appears to be the case in the USA, where 'workfare ... has slowly evolved from a somewhat cranky conservative notion to one with broad support'.⁶³

Would There Be Enough Work for Workfare to Work?

The forecast coverage of DE SEMs (excluding YTS) in March 1986 was 390,000, with 210,000 on CP alone. The establishment of a workfare scheme for 1 million LTUs represents an entirely different order of magnitude of work creation. Could enough new work projects be dreamed up and implemented by the MSC and managing agents for workfare to work at the level of coverage aimed at?

The answer must be in principle in the positive. At the very worst, it would be always possible to follow Keynes' (joke) prescription in the General Theory of getting the unemployed to dig holes and fill them up again. Obviously, however, such a farcical activity would be viewed dimly by the general public, and predictably, would reduce the morale of workfare participants. An important aspect of the success or otherwise of workfare schemes in the US has been the ability of programme administrators to create job/training slots that motivate participants. In some cases in the US, it is not unusual for participants to do extra, unpaid work:

'... because they enjoy their jobs so much, they put in several additional days of work each month without pay'.⁶⁴

The real question, then, is whether or not jobs (training that represent something of value to both society and participants can be created in the volume necessary in the UK for a workfare scheme, without its degeneration into something that is perceived by the public and participants alike as a dead-end, makework schemes simply there to "police" the benefits system.

That a lot can be done of a genuinely constructive sort is evidenced more than amply by the history of the WPA after its establishment under the Emergency Relief Appropriation Act of 1935 in the USA. This was initially established in order to 'provide relief, work relief, and to increase employment by providing useful projects' - specifically, 'small, useful projects'. Work was to be temporary. Nor was there any suggestion of "workfare" about the WPA programmes; it did not involve work-for-benefit criteria. On paper, the WPA programme was not dissimilar to the CP in the UK today.

In practice, something different occurred under the WPA. Its Division of Community Service - involved in service active activities in the main (education, research, libraries, etc) - spent only 21.6% of the total budget. The bulk was taken by its Division of Operations (78%), which engaged in both small-scale and large-scale construction and environmental improvement programmes.

The Division of Operations undertook many projects, not least amongst them being the construction of New York's North Beach Airport (La Guardia), New York Central Park Zoo, San Antonio's and Chicago's Waterfronts, the Philadelphia Art Museum, San Francisco's Aquatic Park, and the restoration of Independence Hall in Philadelphia. The equivalents in the UK need only to be contemplated for a second to realise the scale and importance of the projects involved.

In addition, the WPA Division of Operations:

'... built 617,000 miles of new roads, enough to go 24 times around the world. It built or reconstructed 124,000 bridges and viaducts which, if placed end to end, would stretch over 800 miles. It built or reconstructed 120,000 public buildings, including enough new buildings (35,000) for ten in every county in the United States.'⁶⁵

Other projects undertaken by the WPA included the construction, reconstruction or improvement of 23,607 miles of sidewalks and paths, 25,073 miles of curbs, 2,302 stadiums, 1,668 parks, 3,085 playgrounds, 3,026 athletic fields, 805 swimming pools, 2,877 utility plants, 16,117 miles of water mains and distribution lines, 353 landing fields 30,556 road and street lights, and 937,282 traffic signs.

A similar menu of construction and improvement could be undertaken by a newly-established Division of Operations of the MSC involved in workfare. The inadequacy of our present infrastructure has been detailed elsewhere. ⁶⁶The Motorway network has a planned target of 2,000 route miles; yet only 1,660 miles have been constructed. It is estimated by the British Rail Board that by 1990 some 3,000 miles of track will be unusable. Most of the UK's water supply network is over 40 years old, and apparently is suffering from the continued neglect of preventive maintenance. Many sections of 160,000 miles of mains water piping require clearing, lining and patching, in order to reach normal service life. The sewerage system is under even worse condition, with 15% of pipes being a hundred years old or more. Port facilities could be improved. Programmes of environmental improvement could help both the inner cities and the rural areas. It is not difficult to think up things that need to be done, under a workfare scheme, of an environmental-improvement sort.

The provision of job search training, other training, personal social services, health care, education, and recreation are other avenues for workfare to expand into useful fields. There

should, however, be no shying away from the basic tasks of infrastructure provision and environmental improvement in a UK workfare system.

Vested Interest Groups and Workfare

The barrier to expansion of a workfare scheme along these lines lies in one main problem. There is vested interest group opposition to such expansion. Our interview studies revealed these problems with the CP, especially in areas of high unemployment. The nature of the problem has been put by Mr Jeremy Sur, Head of Special Measures of the MSC:

'... a very large step might cause people, whose goodwill we have at the moment, almost to take fright and withdraw the support they give to the programme. There are very real fears amongst the trade unions and employers and others that the Programme might become wholesale substitution ... if we were making claims that we really ought to be in the business in a large way of restoring the housing stock. I feel sure that in every sector voices would come forward and say, "That is somebody else's responsibility and resources should be devoted to carrying out that responsibility in an orthodox fashion." The same argument would be made if we looked towards building roads in a wholesale fashion.'⁶⁶

There can be no dodging of this issue; if workfare is to involve large-scale construction and renovation projects, with a Division of Operations on the WPA model, some toes will be trod on. If insufficient cooperation is forthcoming in terms of workfare job openings from local authorities and other public agencies, Parliament has the ability to lay down by statute requirements in this regard of local authorities, as it does already in the cases of education and social services.

Geographical Concentration of Long-Term Unemployment

The operation of a workfare scheme will make for the greatest difficulties in those MSC Areas where unemployment is highest.

'... within [certain] local authority areas there are wards where there are three times more unemployed. Within those wards there are housing estates where nearly everyone is unemployed'.⁶⁷

Thus a workfare system might lead to situation whereby "pools" of workfare jobs existed, with little else on offer. This problem might be reduced by twinning the operation of workfare with a system of mobility allowances for workfare participants in those areas especially affected by the concentration of long-term unemployment. The Enterprise Allowance scheme might also be seen as a part of the workfare system, used to re-generate enterprise in such areas and to prevent the development of a 'workfare culture'.

There was no evidence from our interview studies that the institution of a workfare system might create racial tension in those inner city areas/estates with high concentration of both unemployment and ethnic communities. To the contrary, the idea was surprisingly welcomed by many ethnic CP participants to whom we spoke. It is to be noted that the operation of workfare in the US has also not been a touchstone for racial violence and tension.

Phased Introduction of Workfare

The creation of 1 million workfare slots overnight would be administratively impossible and/or would lead to the spawning of numerous makework projects of low quality and which would call the entire scheme into disrepute.

The solution would seem to be to follow the model of the Social Welfare Amendments of 1985 in the USA, which envisages a three-year phasing-in period for workfare, with target participation (of all able-bodied AFDC recipients/applicants) set at 25% of fiscal 1986, 50% for fiscal 1987, and 75% thereafter.

An alternative plan might be to introduce workfare for a target of those with more than two years unemployment first, working down to 18 months and then those unemployed for one year or more. The American scheme seems preferable, however, in allowing greater operational flexibility.

The Role of Voluntary Organisations in Workfare

In Sweden, Switzerland, and the US, voluntary organisations play roles in the creation of work and training. A workfare scheme in the UK might similarly draw upon the voluntary sector, as does the operation of the CP already (approximately 20% of all community projects are sponsored by voluntary organisations in the UK).

There are, however, significant detractors from the over-extensive reliance upon the voluntary sector as a source of extra job creation/workfare, not the least of which is that the "voluntary" sector may become transformed into a quasi-public sector if swamped by injections of state cash. This and other problems have been revealed before the House of Commons Select Committee on Employment concerning SEMs at present in the UK:

'... SEMs have generated turbulence in voluntary bodies, from the inception of the Job Creation Programme in the mid 70s until the present. This stems from the incompatibility of the goals of the MSC which is employment oriented, and of voluntary bodies whose goals are highly diverse; from the "swamping" of small bodies with resources out of proportion to their capacity to manage them; from the hunger for resources that stems from the relative impoverishment of the voluntary sector; and, not infrequently, inexperience and lack of judgement of voluntary bodies; but most particularly from the insecurity of year-on-year funding by politically vulnerable programmes'.⁶⁸

The avoidance of such problems would seem to dictate the the main avenue for workfare job creation should be within the explicit public sector involving local authorities, public agencies, nationalised industries, education, health care, and Department of State.

Monitoring Workfare

There have been difficulties in monitoring SEMs in the UK, as revealed by a study of the Comptroller and Auditor General:

'Test examinations by MSC internal auditors ...
disclosed financial irregularities, and serious
failings by both sponsors and area offices' 69

Whilst monitoring procedures regarding the CP have recently been strengthened, the fact remains that evaluation of CP-type activities remains largely judgemental. This problem would be, inevitably, exacerbated by the extension of present SEMs into a workfare scheme covering 1 million plus people.

Consideration should therefore be given to the utilisation of external economic auditing studies of workfare projects and schemes, along the lines undertaken by the independent Manpower Research and Development Corporation in the United States of various operative workfare programmes at the state, county and city level.

IV. SUMMARY OF CONCLUSIONS AND MAIN RECOMMENDATIONS

'The West Virginia experiment clearly indicates that it is possible to introduce a universal work programme on the lines suggested by the Reagan administration' (Appendix Report, p.45). There is no reason why a similar workfare system might not be equally successful in the UK. Nor need the costs of such a programme be heavy to the Exchequer and taxpayer, although hopes that such a scheme might generate large potential tax savings are probably on the optimistic side. The US evidence on workfare suggests the costs of such schemes can be quite large, involving support services (for women with young children), education and training, and increased staffing requirements for welfare/employment services.

The current UK system for dealing with job centre placement, UB and SB claims, and re-entry to the labour market, clearly is not working to produce the levels of employment generally thought desirable. A workfare system, as suggested by Lord Beveridge more than 40 years ago in his report on social insurance, offers the possibility of reducing unemployment to more acceptable levels and, simultaneously, of reducing, over the long haul, the significantly large costs attached to running the welfare state along current lines. Such a system is certainly feasible, as witnessed by certain experiments in the United States, and indeed by the workings of the system in Switzerland and Sweden.

The main requirements for establishing such a workfare system in the UK are as follows:

(i) The re-integration of benefit, placement, and controls procedures under the aegis of a single organisation, which would probably be the existent job centres of the MSC. As suggested by Minford, this might be undertaken in the short run by placing DHSS officials dealing with unemployment (such as UROs) and benefits payments back in job centres.

(ii) The re-introduction of compulsory registration for all unemployed claimants, at job centres.

(iii) All long-term unemployed claimants would be offered a job/training slot, as guided by counsellors, and appropriate to their circumstances from a pool of "workfare" jobs and training/education openings. Those claimants lacking basic literacy as verbal English might, as in the current California workfare scheme, be required to enrol in language courses as designated by counsellors in job centres.

(iv) Workfare jobs would be created by the MSC, drawing upon the inputs of its Employment and Training Divisions, and also a new Division of Operations concerned with large-scale construction and environmental improvement projects of national importance.

(v) Denial procedures regarding unemployment benefit claiming would become tougher; and where refusal to take a workfare slot was involved for the long-term unemployed, automatic in the case of able-bodied/able-minded claimants. Testing these matters would increase the case-loads of Regional Medical Officers, UROs, and Job Centre Placement Officers, at as yet unknown costs.

(vi) Currently the CP and YTS operate as voluntary schemes, with sponsors offering to produce programmes and projects. It could be that a workfare programme in the UK for 1 million plus of the long-term unemployed would not find enough "takers" in the public sector, due to the opposition of vested interest groups. In this case Parliament might lay down by law requirements upon local authorities and other public bodies regarding the creation of workfare openings, as it does already with local authority provision of education for children.

(vii) While some use may be made of voluntary organisations in the establishment of a permanent workfare programme, there are

dangers for the organisations themselves in getting too heavily enmeshed in state financing. The main avenue for workfare jobs, therefore, should be the public sector.

(viii) Over-concentration of workfare in areas afflicted by especial concentrations of LTU might be handled/reduced by the offering of mobility allowances to some of workfare participants in such areas, and by expansion of the Enterprise Allowance scheme.

(ix) The difficulties of implementing a large workfare programme in the UK will be minimised by building upon experience with the CP and YTS, and by adoption of pragmatic targets for the initial scale of coverage of such a programme. Specifically, consideration would need to be given to the idea of a rolling/expanding target of coverage, as envisaged under the current Reagan Administration (1985) plans for the extension of workfare in the USA.

(x) In order to keep the costs of the programme within limits, average compensation under workfare should be set at the average level for benefit claim, with variations made for special skills/managerial capacity, etc.

(xi) Monitoring and evaluation of workfare activity needs to be undertaken not simply by MSC offices, their independent auditors, and sponsors, but also by independent research organisations and consultants, leading to published reports that may be subjected to professional scrutiny. This will give the clearest indication of success and failure in workfare projects, and yet (if conducted on a sample survey basis) need not add much to overall administrative costs.

(xii) The variegated nature of US schemes with workfare may lead to waste, mistakes, (etc.), but there is a role for experimentation in developing a UK workfare scheme. Mistakes cannot be detected if there is not the opportunity for comparison across projects and programmes. The generation of

workfare slots should thus be left at MSC Area Level as regards the Employment and Training Divisions, and indeed also much of the work of the envisaged Division of Operations. The latter would, however, have to consider major national schemes of material importance (yet of a labour-intensive nature).

Workfare will not on its own restore us to full employment. Many other measures, including the deregulation of the labour and housing markets, improvement of the UK educational system, benefit capping along the lines suggested by Minford, and measures to generate the spirit of enterprise, are doubtless of importance also in the task of avoiding further growth of unemployment in the UK. A well-constructed workfare programme could, however, add the general impetus of policy; in a quite feasible manner.

Footnotes

1. Charter for Jobs, We Can Cut Unemployment, London: Employment Institute, 1985.
2. Special Employment Measures and the Long-Term Unemployed, London: House of Commons, First Report from the Employment Committee, Session 1985-86, 199.
3. Until 1982 a further condition for the payment of unemployment benefit was that the claimant be registered for employment at a job centre. This condition was abolished under the Rayner reforms of that year (see later discussion).
4. Approximately 66% of all those on UB are currently also on supplementary benefits - the so-called 'topping up' phenomenon. The rules for stopping UB are defined under Section 20 of the 1975 Social Security Act.
5. F. Field, 'Control Measures Against Abuse', in F. Field (ed), The Conscript Army: A Study of Britain's Unemployed, London: Routledge and Kegan Paul, 1977, p.48.
6. It was also suggested that this is invariant across the country, being much the same result in a Yorkshire seaside town in the middle of winter as in the Thames Valley in spring.
7. Field, op.cit., p.48.
8. If a claimant has been refused UB on grounds on non-availability, then the SBC will follow the decision of the UB Adjudication Officer concerned, in applying the voluntary unemployment deduction (see above).
9. See Field, Table 4.2, p.50, op.cit.
10. Before the introduction of voluntary registration in 1982, UROs were concerned only with those on SB, but since then have been concerned with both those on UB and SB. Prior to that time, the job centres had the task of keeping the employment intentions of those on UB 'under review'.

11. Although the DHSS has the legal power to review the matter at any time.
12. The voluntary unemployment deduction under SB does, however, mean actual loss of benefit, and not just delay of benefit.
13. B. Shawler, The Public Employment Service, London: Longman Group, 1976, p.36.
14. R. Layard, Unemployment in Britain: Causes and Cures, London: Centre for Labour Economics, LSE, May 1981, p.6.
15. R. Howell, Why Unemployment? London: Adam Smith Institute, 1985, p.21.
16. M. Hill, Policies for the Unemployed: Help or Coercion?, Child Poverty Action Group, Pamphlet 15, London, April 1974.
17. B. Shawler, op.cit., p.77.
18. B. Jangenäs, The Swedish Approach to Labor Market Policy, London: The Swedish Institute, 1985, p.6.
19. 450 working days in the case of the insured unemployed aged 55 or above.
20. Jangenäs, op.cit., p.54.
21. Jangenäs, op.cit., p.58.
22. The Swedish Act on Employment in Youth Teams with Public Employers Stockholm: Ministry of Labour, 1985.
23. Jangenäs, op.cit., p.49.
24. K-O Andersson, 'A Bridge over Unemployment - On Relief Work' in A. Larsson (ed), Labor Market Reforms in Sweden, Stockholm: The Swedish Institute, 1979, pp. 54-57.
25. Youth team and relief work wages are stipulated by collective contract. Generally pay for these two groups is higher than KAS, though not always the maximum payable insurance benefit.

26. Y. Flückiger, A. Schönenberger, and M. Zarinnejadan, Low Unemployment in Switzerland: A Miracle?, University of Buckingham: Employment Research Centre, Occasional Papers in Employment Studies, No.3, 1985, p.3, Table I.
27. Only about 30% or less of Swiss workers are affiliated to trade unions, as against circa 45% in the UK and 90% in Sweden.
28. Cantons previously had the ability to make insurance compulsory for all employees within their individual boundaries, but only one canton did so.
29. This was doubled to 0.6 per cent in January, 1984: Switzerland: OECD Economic Survey 1984/85, Paris: OECD, Dec. 1984, p.58.
30. It is to be noted that there is no compulsory health insurance system in Switzerland; although cantons are empowered to declare such insurance compulsory for some or all categories of the population in their canton. Currently, over 500 health insurance funds exist.
31. OECD, op.cit., p. 58.
32. An average replacement ratio in the range of 60 to 70% is usually quoted in the case of the UK; with that in the US being some two-thirds to one-half of the UK figure. 'Unemployment and Family Income', Ch. VI of Employment Outlook, Paris: OECD, Sept. 1984.
33. J-F Charles, 'Social Security in Switzerland: Main Features of the Schemes and Current Problems': Switzerland: Federal Social Insurance Office, 1984.
34. Y. Flückiger et al, op.cit. The "concertina effect" of Swiss foreign labour regulations is also examined in this manuscript.
35. W. Wittman, 'Is Switzerland at a Crossroads?', Bulletin CS, pp. 8-9.

3. Sir William Beveridge, Social Insurance and Allied Services, London: HMSO, Cmd. 6404, 1942, p.57.
37. Ibid., p.58.
38. P. Minford et al, Unemployment: Cause and Cure, Oxford: Basil Blackwell, 1985, 2nd edn., ch.2.
39. R. Howell, Why Unemployment?, London: Adam Smith Institute, 1985.
40. Hermione Parker, The Moral Hazard of Social Benefits, London, Institute of Economic Affairs, Research Monograph 37, 1982.
41. Quarterly Economic Bulletin, Vol.4, No.3, Sep. 1983, p.22.
42. Economic Survey 1985/1986: UK, Paris: OECD, January 1986, p.32.
43. A.W. Dilnot and C.W. Morris, 'Private Costs and Benefits of Unemployment: Measuring Replacement Rates', Oxford Economic Papers, (Supplement), Nov. 1983.
44. P. Minford, op.cit., ch.2.
45. P. Ashton, 'Replacement Ratios and Unemployment Decisions', Quarterly Economic Bulletin, Vol.5, No.4, Dec. 1984, p.24.
46. Ibid., p.24.
47. R. Layard and S. Nickell, 'Unemployment in Britain', mimeo, May 1985.
48. Adapted from P. Minford, memorandum laid before the Committee, Employment Committee, Special Employment Measures and the Long-Term Unemployed: Moranda, London: HMSO, House of Commons, Session 1985-86, HC200, p.30.
49. See, for example, the account in the memorandum by the Department of Employment and the Manpower Services Commission in Special Employment Measures: Minutes of Evidence, London, HMSO, House of Commons, Employment Committee, Session 1984-85, HOC 487-i, pp. 1-17.

50. This is approximately true. In the 6 months preceding May 1984, only 887 people had their benefit reduced for refusing to accept a YTS placement - representing less than one per cent of those eligible for the scheme who at that time were unemployed. Source: House of Common, Hansard, WPQ.
51. See, for example, Charter for Jobs, We Can Cut Unemployment, London: Employment Institute, 1985; G. Davies and D. Metcalf, The Cost Effectiveness of Tax Cuts, Public Expenditure, and Special Employment Measures in Cutting Unemployment, London: Simon and Coates, 1985; First Report from the Employment Committee, Special Employment Measures and the Long-Term Unemployed, Session 1985-86, London: HMSO, HOC 199, 1986.
52. 'Memorandum of C&CG on Special Employment Measures', Fourth Report from the Committee of Public Accounts, Special Employment Measures Administered by the Department of Employment and the Manpower Services Commission, London: HMSO, Session 1982-83, HOC, 1983, pp.13-14.
53. Minford, op. cit., fn. 48, p.32.
54. Some SEMs, such as the Young Workers Scheme - which, ironically, was closed for further applications on 31st March 1986 - would have a similar wage depressing effect to workfare.
55. A summary of the research is contained in H.M. Treasury, The Relationship Between Employment and Wages, January 1985.
56. Employment Committee, Special Employment Measures: Minutes of Evidence, London: HMSO, Session 1984-85, HOC 487i, p.21, para. 16.
57. These figures could not be tested in the area case studies conducted under the auspices of this study, as they are not kept at the level of MSC Areas (or nationally).
58. R. Howell, Why Unemployment?, London: Adam Smith Institute, 1985, pp.24-26 in particular.

59. P. Ashton, 'Replacement Rations and Unemployment Decisions' Liverpool Quarterly Economic Bulletin, Vol. 5, No. 4, Dec. 1984.
60. Kent Matthews, 'GDP Expenditure vs. GDP Income: An Insight into the Black Economy', Liverpool Quarterly Economic Bulletin, 1 Nov. 1982.
61. Some limited evidence on tax evasion on earned income - but not other incomes - is presented in C.V. Brown et all, 'Tax Evasion and Avoidance on Earned Income: Some Survey Evidence', Fiscal Studies, Vol.5, No. 3, 1984, pp.1-22.
62. Ibid.
63. J.V. Lamar, jr, 'From Welfare to Workforce', Time, Feb 3, 1986, p.22.
64. J.V. Lammar, jr, ibid, p.22.
65. A.F. Briscoe, 'Public Service Employment in the 1930s: The WPA', in H.L. Sheppard, B. Harrison, and W.J. Spring, (eds), The Political Economy of Public Service Employment, London: Lexington Books, 1972, p.107.
66. S. Webley, Stiffening the Sinews of the Nations: Economic Infrastructure in the United States, United Kingdom, and Canada, London: British-North American Committee, 1985.
67. House of Commons, Employment Committee, Session 1984-85 Special Employment Measures, Minutes of Evidence, London: HMSO, HOC 487i, 3 July, 1985, p.34.
68. R. Dewhurst, quoted in Financial Weekly, January 16, 1986, p.20.
69. Memorandum submitted by the Volunteer Centre, Special Employment Measures: Minutes of Evidence, London: HMSO, House of Commons Employment Committee, 487-iii, Session 1984-85, p.51.

70. Committee of Public Accounts, Fourth Report: Special
Employment Measures, London: HMSO, Session 1983-84, p.xii.

TABLE I: CONSEQUENCES OF RECENT OPERATIONS
TO REDUCE UB FRAUD

	THAMES VALLEY	CHILTERN
Estimated Net Benefit Savings from Operation	£601,876	£714,014
Cases Considered for Prosecution	21	18
Savings Cases per Investigator	3.8	4.4

Source: DE, published figures

TABLE II: SECTION 25 PROSECUTIONS, 1975 TO 1984

Year:	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
No:	23	12	6	7	6	2	5	0	0	0

Source: DHSS

TABLE III: PEOPLE ENROLLING IN JOB CENTRES

Year	People Enrolling (M)
1981	2.5
1982	2.7
1983	0.8
1984	0.5

Source: DE

TABLE IV: AVERAGE NUMBER OF PEOPLE IN CERTAIN LABOUR
MARKET POLICY PROGRAMMES IN SWEDEN, 1955-1984

Year	Number in Labour Market Policy Programmes*	% of Labour Force	Unemployment According to Labour Force Surveys, %
1955	4,000	-	-
1959	16,000	-	-
1963	29,000	0.8	1.7
1968	65,000	1.7	2.2
1970	71,000	1.8	1.5
1973	112,000	2.8	2.5
1976	107,000	2.6	1.6
1979	153,000	3.6	2.1
1981	117,000	2.7	2.5
1982	142,000	3.3	3.1
1983	162,000	3.7	3.5
1984	178,000	4.1	3.1

* Refers to relief work, programmes to generate jobs for older unemployed people and the disabled, rehabilitation programmes, labour market training; and "youth teams" (beginning in 1984).

TABLE V:
UNEMPLOYMENT BENEFITS AND FINANCIAL CONTRIBUTION SINCE 1972
SWITZERLAND

Year	Max. Benefit As % of Wage Income	Max. Allowances in Fr. per Day/Month	Max. Duration in Days	Contribution in % of Wage
1972	60/65%	48/1248	90/315 ¹	12 Fr. Min.
1973	65/70%	80/2080	*	*
1975	*	120/3120	102 ² /150 ³	*
1976	*	*	150/180	*
1977 ⁴	*	150/3900	*	0.4%
1978	*	*	*	0.8%
1980	*	*	*	0.5%
1982	*	*	*	0.3%
1984	70/80%	/5800	82/250	0.6%

Source: Federal Office for Trade, Industry and Labour

- Motes:
1. Maximum number of daily benefits in 4 consecutive years.
 2. From April 16th.
 3. From November 17th. Only certain specific groups bearing high risks of unemployment qualify for the longer duration of benefit payments, e.g. people of a higher age than 55, invalids etc.
 4. Transitory regime from April 1st.

TABLE VI : THE ASHTON-MINFORD CALCULATIONS OF
REPLACEMENT RATIOS, DEC. 1984

Gross Earnings p.w. from Work	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150	£160	£170	£180	£190	£200
Single Person	1	.95	.9	.87	.82	.74	.68	.62	.58	.54	.5	.47	.45	.42	.4	.38
Couple with no children	1.24	1.06	1.01	.97	.94	.91	.89	.82	.77	.72	.67	.64	.6	.57	.54	.52
Couple with 1 child (under 5)	.96	.93	.93	.94	1	.97	.95	.93	.87	.81	.77	.73	.69	.66	.63	.6
Couple with 2 children (1 under 5, one 11-15)	.99	.97	.97	.98	.98	1.06	1.04	1.02	.99	.93	.88	.84	.8	.76	.73	.7
Couple with 3 children (1 under 5, 1 under 5-10, one 11-15)	.99	.95	.96	.96	.97	.97	1.07	1.04	1.02	.99	.94	.9	.85	.82	.78	.75

Sources: as cited in text

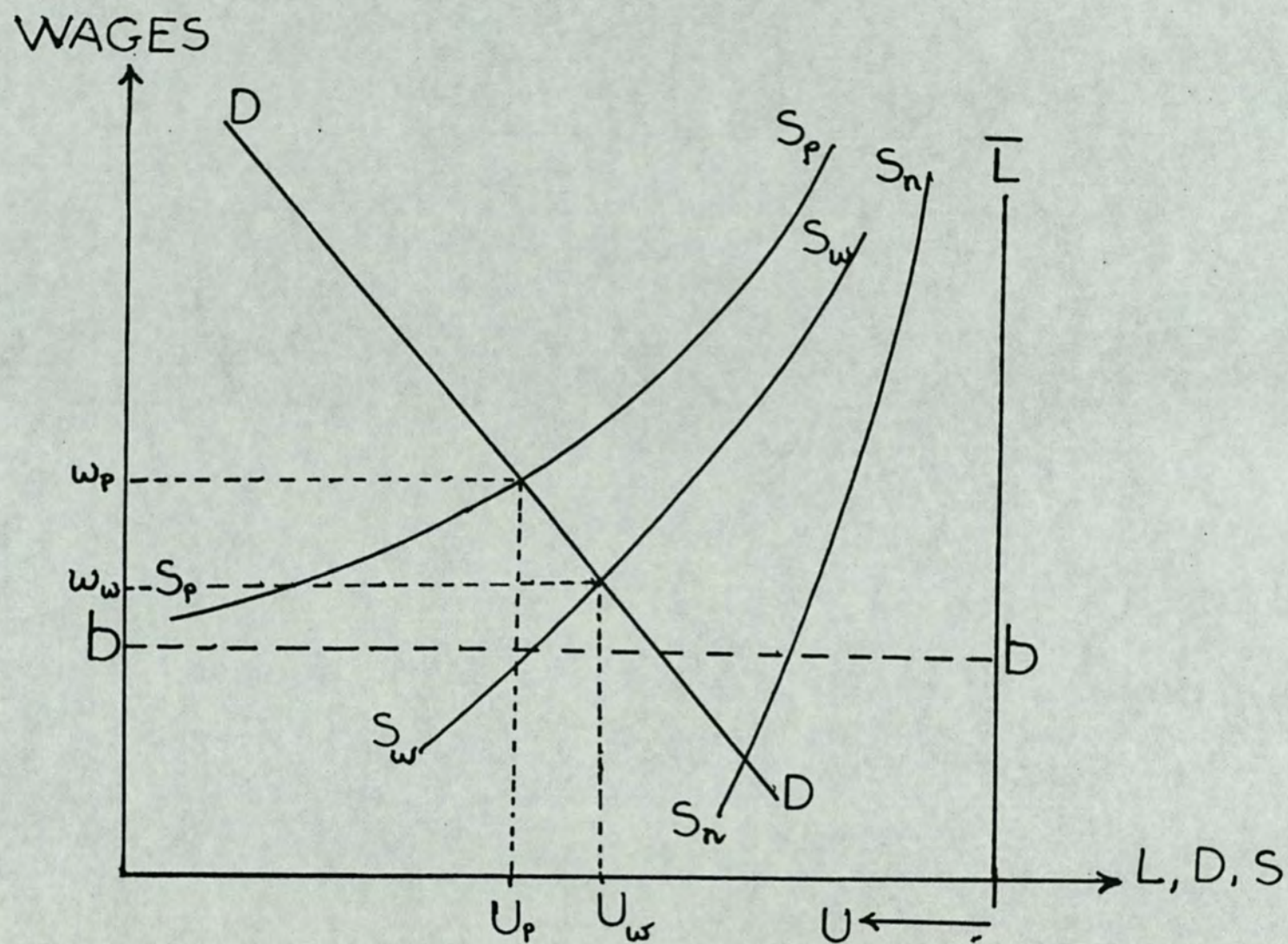


DIAGRAM I: WORK FARE
AND THE NATURAL RATE

WORKFARE: THE UNITED STATES EXPERIENCE

by

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SPECIAL NOTE

THE NEXT PAGES ARE GLUED
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I. Introduction

In this review, we present an outline of the U. S. experience with workfare or, more accurately, with welfare and work from 1962 to date. This historical perspective is mandated by the evolutionary nature of workfare experimentation in the United States. A simple focus on the current state of play would either miss this development or quickly become ensnared in a plethora of program titles, operating agencies, welfare category descriptions, and references to past programs with current operational content.

We have attempted to bring our discussion up to date but the nature of the system -- for example, the continuing evolution of workfare projects from demonstration to permanent status -- inevitably means that our discussion lags the experience. Clearly, more work is required here.

The plan of the report is as follows. We first trace the development of workfare in the years prior to the passage of the Omnibus Budget Reconciliation Act of 1981, which established the framework for current experimentation with workfare and work-related schemes for welfare recipients. That legislation is next discussed together with evidence on the proliferation of workfare projects in the 1980s. We then turn to examine the Reagan Administration's most recent proposals for regulatory reform that would make workfare mandatory for all states. Evaluation of these proposals is addressed against the backdrop of contemporary experience. The evaluative exercise is continued in the penultimate section of this report which examines three case studies, two of which provide perhaps the best analytical statement of workfare operation. In a concluding section, the threads of the preceding arguments are drawn

together. Finally, the report includes three appendices documenting Food Stamp workfare, descriptive information on eleven community work experience program demonstrations, and evaluative material on the scope of workfare in sixteen states, respectively.

II. A Chronology of Work and Training Programs for AFDC Recipients, 1962-81

Workfare as practiced in the United States has largely to be set in the context of that country's federal welfare program. Prior to the passage of the Social Security Act in 1935, there were no federal programs that provided families with cash benefits and therefore no federal work-for-benefit programs. That said, there is, of course, a long history of workfare at the state level for recipients of non-federally funded general assistance. As early as 1798, for example, the New York Manufacturing Society was organized for the purpose of requiring men and women to work on exchange for public aid. And during the 1930s and 1940s 'work relief' became Roosevelt's preferred means for tackling unemployment. Yet the Works Progress Administration, and the Public Works Administration, inter al., were not viewed as work-for-benefit programs. They differed from the state schemes of earlier vintage in that they paid wages (and offered jobs) for the provision of 'public goods.'

With the end of federal work programs after 1941, the sole source of welfare assistance was that made available to female-headed, single parent households. As a complement to the Old Survivors Insurance title of the 1935 Social Security Act, the Aid to Dependent Children (ADC) Program was established to provide income to the children of families headed by women in which there was no spouse to support the family. The law was later amended to provide support for the mother as well as her children and, accordingly, ADC became Aid to Families with Dependent Children, or AFDC. Note the assumption here that the mothers of these children were unemployable, even though the

Income received by an AFDC family was to be allowed for in calculating the family's grant (which until 1967 was reduced by one dollar for each dollar of other income received).

The AFDC eligibility limitation to mothers became a cause for concern in the 1950s on the reasoning that poor families might actually be encouraged to break up so that the mother and her children could then receive support. Accordingly, in 1961 the Social Security Act was amended to give states -- each of which was authorized to set its own benefit levels, with the federal government matching a share of the administrative and grant payment costs -- the option of broadening eligibility to include families of fathers who were involuntarily unemployed. Less than half of all states elected to establish an AFDC Unemployed Parent, or AFDC-U, program. Note, too, that very different eligibility criteria attached to AFDC-U than to what we might term AFDC-Basic. An applicant father had to have a recent work history and be willing to fill an available job. Eligibility would be lost by his turning down a job or by acceptance of a part-time job involving more than 100 hours of work per month.

Against this backdrop, let us now turn directly to the introduction of work programs for AFDC recipients during the 1960s and the 1970s. Such work programs emphasized improving the ability of welfare recipients to compete in the labor market and consisted primarily of training programs and social support services. Two important exceptions to this emphasis were the Community Work and Training (CWT) Program and its successor, the Work Experience and Training Program. The former was introduced as an amendment to the Social Security Act in 1962 and authorized state welfare agencies to establish CWT programs for AFDC unemployed parents. Work assignments were created in public agencies and welfare recipients could be required to work in them or risk being sanctioned. Although the purpose of the CWT program was to provide both work

and training, the states ran the projects primarily as workfare activities in which the AFDC unemployed father worked off his grant at the prevailing wage, thus strengthening the employment connection in the AFDC-U program.

The latter piece of legislation was introduced in 1963 and ultimately became Title V of the Economic Opportunity Act. Title V authorized 100 percent federal financing for work projects -- unlike CWT which had a 50-50 federal matching ratio -- and a range of educational and training services. Its funds could also be used to supplement CWT programs. (Participation in Title V was not limited to the (22) AFDC-U states, though it was hoped that its passage would encourage more states to create AFDC-U programs.)

In practice, all states elected to operate Title V programs, but the very large majority enrolled fewer than 200 welfare recipients. Three states -- Kentucky, West Virginia, and Puerto Rico -- accounted for one-quarter of all Title V outlays in 1965 and 1966, and included nearly one-third of Title V enrollees in 1967.

Note in all of this the strong employment expectation for AFDC-U fathers. In contrast, little was expected of AFDC mothers. This was shortly to change with a burgeoning AFDC caseload and the increasing numbers of AFDC families eligible for aid because of the absence of the father.

In 1967 a separate employment and training program for AFDC recipients introduced, known as the Work Incentive (WIN) Program. Operational authority for WIN was assigned to both the Department of Labor and the Department of Health, Education and Welfare and their counterparts at state level. The local social services departments provided social service support and welfare while the federally-funded Employment Security Agencies provided job preparation and training services. Under WIN, as initially established, all AFDC unemployed parents were required to register for training or jobs with the employment

service. Failure to register or participate would be grounds for reducing the family's AFDC grant. Initially, registration was voluntary for AFDC mothers, but amendments to the Social Security Act in 1971 required the registration of women with no preschool children. (Currently, WIN requires the registration of all AFDC recipients unless they are younger than 16, children in full-time schooling, ill, incapacitated, elderly, too far away from a project, needed at home to care for a person who is ill, providing care substantially full time for a child younger than 6, employed at least 30 hours per week, or the parent of a child whose other parent is required and has not refused to participate.)

'Special Works Projects', under which AFDC recipients registered with WIN could be assigned to public or nonprofit agencies at minimum wages or better were also authorized under the WIN legislation. However, only one state -- West Virginia -- established such projects, and in 1972 they were replaced by Public Service Employment.

A somewhat different kind of WIN work program more in line with workfare was introduced in the 1970s. Under WIN Work Experience a WIN registrant could be assigned to unsalaried job training in a public or nonprofit agency for a period of up to 13 weeks, with the possibility of assignment to additional work sites for up to 13 weeks. Participants were to be reimbursed for training-related expenses and given an incentive allowance for each day worked. The work could be full time or part time; the period was not linked to an implicit wage rate, and so the scheme did not in any sense require working off the grant.

WIN was financed by 90 percent federal funding, but the overall level of funding was such that only a relatively small share of all mandatory registrants received employment, training, or job referral services. As of March 1978, for example, one-quarter of the nonworking mandatory WIN

registrants were not participating in the employment or training component. Given this coverage, WIN was not in practice a truly mandatory scheme. Typically, only the most motivated and employable AFDC recipients were assigned to training.

Following the introduction of WIN, there was very little experimentation with AFDC workfare for the next 13 years. This outcome reflected rulings by the Department of Health, Education and Welfare (HEW) to the effect that WIN and its regulations removed the state's option of establishing workfare programs. Thus, in the case of the two major experiments next examined, HEW discontinued the demonstration status of California's Community Work Experience Program and withdrew federal funds from Utah's Work Experience and Training Program. (Utah's scheme was established not as a demonstration project but as a permanent requirement of that state's AFDC program.) Federal funds were withheld for two years, until the administration reversed the initial ruling, and approved the program in May 1976.

California's Community Work Experience Program (CWEP) was a three-year demonstration introduced as part of a major reform package to cut the rapidly rising costs of that state's relative generous AFDC programs. As its name suggests, the demonstration was run to establish the administrative practicability of workfare. Its goals were to reduce welfare dependency, discourage new welfare applications, and reduce welfare costs. It is widely believed that the California scheme is the genesis of most recent efforts to institute workfare, not least perhaps because the project was introduced under an earlier Reagan Administration. Prior to being assigned to CWEP, AFDC recipients were expected to search for unsubsidized employment. If they failed to locate a job, they were assigned to a specialized training program such as WIN. If neither jobs nor training were available, the Employment Service

(called the Employment Development Department) was to create public agency positions. The number of hours to be worked was a function of the size of the recipient's AFDC grant but was not to exceed 80 hours a month so as not to frustrate job search activity. Work-related expenses were covered by county welfare departments and the agencies for whom the participant worked.

In California, 27 of the 35 counties with workfare programs also had a WIN program; 21 also had an 'employables' program operated by the Employment Service to assist in the location of jobs and training. To repeat, AFDC recipients were assigned to workfare only in the event that they could not find suitable jobs or training under either program.

The intention was to enroll 30,000 participants in the first year of the program but participation amounted to less than 4 percent of the target. For the second year, the target was lowered to 5,500 but participation was less than 30 percent of this total. At no time did participation exceed 1 percent of the total AFDC caseload. In the 3 years of operation, there were some 9,627 assignments to work sites. Activity was highest in 1974 when 4,760 individuals participated -- 2.6 percent of those who were eligible and 0.2 percent of the AFDC cases in the 25 counties.

The factors that appear to have led to this modest outcome include legal challenges, actions of the state legislature (which voted to end CWEP in 1974, albeit producing a veto by Governor Reagan, and which mandated that WIN slots be filled to a certain level before AFDC recipients could be placed in workfare), lukewarm support by counties and opposition from social workers and county welfare directors, and highly selective screening at county level which reduced the number of referrals, job assignments, and sanctions.

Also in the early 1970s, Utah began its WEAT program, drawing on a work relief program run for its state-funded general assistance programs that had

operated since the 1950s. WEAT was directed at able-bodied WIN registrants not receiving WIN services (together with general assistance recipients). Such unassigned recipients are screened for WEAT assignments which may then be temporarily waived, the cases closed, or assigned on the basis of screening interviews.

A summary of AFDC activity for the period June 1974 through end-1980 suggests a greater measure of success than achieved in the Californian experiment. Over this interval some 25,387 AFDC WIN registrants were in the unassigned category and hence screened for WEAT assignments. In all, some 7,990 were assigned to WEAT, 13,075 assignments were temporarily waived, and the remaining 4,362 cases were closed during screening. The monthly average number of clients at work sites was 618. The most recent statistics for the six-month period July to December 1980 indicate that 79 percent of those requested to participate in WEAT were actually assigned to a work site.

Unlike the Californian workfare experiment, WEAT has occasioned little controversy, and is still in being. Utah officials argue that the program has many benefits for both participants and the AFDC program but they have not sought to document these benefits, or the associated costs of the program, and they have not attempted to determine whether the observed benefits may be attributed to WEAT alone.

Mention should also be made of a third exception -- Massachusetts -- and two demonstration programs funded by the Department of Labor in the mid-to-late 1970s. In 1978 Massachusetts launched a mandatory work program for its AFDC-U recipients requiring work experience for 3 days a week up to 13 weeks. As in California, substantial controversy attached to the program. Accordingly, participation was very low. A little over 3,000 of the 5,000 eligible AFDC-U were selected. Of these one-half attended for interview and some 1,000 were

emed appropriate for work experience. With a random research design in place, 754 of this group were assigned to work experience, but only 256 actually materialized at worksites.

The two demonstration programs funded by the Department of Labor sought mandatory participation in subsidized jobs at a wage not tied to the welfare grant. The Minnesota Work Equity Program was a mixture of training and work experience that also provided jobs to those not finding other employment and as such may be viewed as a (well-funded) WIN program with a large public sector employment component. Some 20 percent of those who participated in the program (including AFDC, General Assistance, and Food Stamp recipients) were assigned to jobs.

The second demonstration, the Employment Opportunities Pilot Project, operated in a number of areas. AFDC recipients were first required to participate in a job search assistance program and those unsuccessful could then be referred to and required to participate in either a subsidized job, on-the-job training, work experience, or classroom training. In total, 15 percent of program participants worked in a subsidized job.

There was, then, an hiatus in the development of workfare schemes between 1967 and 1981. This conclusion has to be modified in only two major respects. First, traditional workfare schemes continued in operation for the recipients of state or local general assistance. As of 1977, for example, state, county, city or township workfare programs were available in 19 states with general assistance for employed recipients. Second, from 1979 food stamp recipients have been required to work in exchange for their food stamp benefits. Details and analysis of the demonstrations authorized under the Food Stamp Act of 1977 together with recent changes that authorize state and local jurisdictions to

implement workfare as a permanent feature of the food stamp program are given in Appendix 1.

III. The Current Legislative Environment

From the outset, the Reagan administration proposed that states be required to operate AFDC workfare programs. But under the most recent legislation, namely the Omnibus Reconciliation Act (OBRA) of 1981, states were merely given the option of setting up Community Work Experience Programs (CWEPs). The CWEP was but one of twenty-two OBRA provisions on AFDC. The general thrust of OBRA was of course to reduce costs and create disincentives to welfare dependence (e.g., by decreasing the amount a person could earn and still receive AFDC benefits).

OBRA authorized CWEP in an amendment to section 409 of the Social Security Act. In a CWEP states may require certain AFDC recipients to work at unpaid jobs in order to continue receiving their welfare benefits. CWEP is a straightforward case of workfare, although in implementing it states can choose to approximate all or some of the goals of a workfare program.

OBRA also offered an alternative approach to WIN, namely WIN demonstration projects. These differ from regular WIN programs (see Section II) in that they are administered by the state AFDC agency rather than the state employment agency; the aim being to discover whether WIN, which has been limited in its success, would be more effective when run by the welfare agency which is closer to the needs of recipients. They also provide the states with more flexibility in program design. Accordingly, WIN demonstrations usually offer a mix of components, such as education, job search, work experience, classroom and on-the-job training. CWEP may also be run as part of a WIN demonstration project as indeed may two other programs established since 1981, namely Job Search (which requires participants to look for a job in a structured manner

either individually or as part of a team) and Work Supplementation or Grant Diversion (which allows the participant's welfare grant to be diverted and used to subsidize an on-the-job training position, often in the private sector, which may become unsubsidized employment). CWEP, Job Search, and Grant Diversion if run independently of WIN demonstrations are funded under the regular AFDC program.

It should be noted that CWEP demonstrations are also authorized under section 1115(a), of the Social Security Act. Under the authority of section 1115(a) the Secretary of Health and Human Services may agree to waive a demonstration's compliance with the requirements of certain sections of the Social Security Act regarding eligibility for benefits, sanctions, and exemptions and use federal funds for the costs of a demonstration that would not ordinarily be covered in the AFDC Federal matching formula (e.g., work related expenses in excess of \$25 per month).

At the time of writing thirty-eight states have implemented one or more of the above options since 1981. Twenty-two states have implemented CWEP, eight on a statewide basis. Thirteen states have implemented AFDC Job Search, with nine programs involving applicants and twelve involving recipients. Thirteen states have implemented Grant Diversion programs. Twenty-six states operate WIN demonstration programs. The states in question are given in Table 1. Note that thirteen states and the District of Columbia operate regular WIN programs alone, with no OBRA content.

[Table 1 near here]

In the first of three reports on workfare and work-related projects for AFDC recipients, the General Accounting Office (GAO, 1983) considered some eleven CWEP demonstrations either active in fiscal 1982 or approved for fiscal 1983. (Background information on these demonstrations is provided in Appendix

The pessimistic conclusion of the GAO was that oversight of the demonstration by the monitoring agency, the Department of Health and Human Services, had not produced information that allowed conclusions to be drawn as to the efficacy of the demonstrations (the purpose of which was clearly evaluative). In short, the exercises had not provided evidence to support or refute the expectation that expanded workfare programs would affect welfare costs and AFDC caseloads.

IV. Proposals for Reform

The Reagan administration has always sought to make CWEP a compulsory requirement for employable AFDC recipients, unlike WIN which has proved unable to place in work or training many of the AFDC recipients who are required to register with it -- at the end of fiscal 1980, for example, nearly one-half of the 1.6 million WIN registrants were classified as unassigned while 62 percent of the adult AFDC population was not required to register for WIN. Thus, in a stream of budget documents and legislative proposals, the administration has continued to request changes that would give the states less flexibility with respect to CWEP. The most recent proposals for fiscal 1986 are enshrined in The Social Welfare Amendments of 1985 (S.1081 and H.R. 2944). The proposed bill requires all states to have work programs in which all able-bodied AFDC applicants/recipients would be expected actively to participate. That said, the states were to have considerable flexibility in program design. Thus, in addition to such work activities as the Community Experience program, grant diversion (the pooling of welfare benefits of a number of welfare recipients to provide wage subsidies was introduced under the 1984 Deficit Reduction Act), job search (an option made available to states under the 1982 Tax Equity and Financial Responsibility Act), and job training under the 1982 Job Training Partnership Act (JTPA) (which allocated some training funds to welfare

recipients), states could design alternative work-directed activities or develop innovative projects using demonstration authority.

All AFDC applicants, unless exempted, were to participate in employment or job search and AFDC recipients, again not otherwise exempted, were to participate in one or more employment-related programs to include job search, CWEP, work supplementation, and JTPA training, in addition to any approved state-developed work directed initiatives. Those exempted from participation were essentially the same groups as specified under OBRA -- typically, the disabled, the aged, and those with very young children. However, states could require caretaker relatives with children aged between 3 and 6 to participate, given child care availability.

The Act envisaged a three-year phasing-in period, ultimately to achieve a participation rate of 75 percent. Participation was set at 25 percent for fiscal 1986, 50 percent for fiscal 1987, and 75 percent thereafter. Penalties were to be imposed on states that failed to meet these targets. Effectively, the state would be adjudged to have made erroneously excessive AFDC payments -- to have increased the so-called AFDC 'error rate'. This in turn could decrease federal funds to the state.

Since the bill either replicates or permits most work activities conducted under the authority of WIN and WIN demonstrations, it was proposed to repeal these two programs.

Federal funding for the administrative costs of work activities was set at \$145m. for the first year with funding in subsequent years rising with program participation rates. The amount provided individual states was a function of the number of employable AFDC recipients in the relevant state. (In addition, fixed amounts, totalling \$948m. for fiscal 1986, were provided each state for the administrative costs of the AFDC program.)

Other features of the bill included the removal of an employable parent/caretaker from AFDC rolls when the youngest child reached aged 16 and a requirement that, with certain exceptions, minor mothers live with their parents in order to receive AFDC benefits.

In her testimony before the Congressional Subcommittee on Intergovernmental Relations and Human Resources Committee on Government Operations, July 9, 1985, Jo Anne Ross, Associate Commissioner for Family Assistance in the Social Security Administration, estimated that the administration's Work Opportunities proposal would result in a net Federal AFDC saving of \$52m. in fiscal 1986. This outcome reflected welfare caseload savings associated with the enhanced employability of welfare applicant/recipients. For its part, as we shall see, the General Accounting Office (1985) was altogether less sanguine (see also Appendix 3).

It would appear that the administration's latest proposals have a basis in five studies: a 1978 job search evaluation; a 1981 food stamp workfare evaluation; a study of an ongoing job search project in Oregon; and a preliminary report on the San Diego demonstration project. In its wide-ranging analysis of the administration's proposals, the GAO examines each of the above studies. First, it notes that the food stamp evaluation itself acknowledged that its sample was geographically unrepresentative. Moreover, the food stamp clientele differed from the AFDC population. (See also Appendix 1.) Second, the evaluation of Utah's ongoing WEAT project (see p.8, above) is based on that state's own management reports. These do indicate that 11,143 AFDC grants were closed or reduced between 1974 and 1980. However, no formal analysis of the Utah program was performed and so the source of the grant reductions is unclear. Third, while the analysis of the job search projects indicated that the intensive services provided did achieve significantly higher placement

rates for the experimental group vis-a-vis its control, only the most job-ready recipients were selected. A mandatory AFDC program on the other hand, would have to draw upon those confronting serious employment barriers as a result of their low education and skill levels. Fourth, Oregon's job search program was associated with a reduction in the AFDC caseload of some 1,900 families over the period 1982-85. Unfortunately, the effect of job search per se is less than transparent because the sample period encompassed changes in program eligibility following OBRA and the commencement of a WIN demonstration. Furthermore, the project is a case study with no control group. Finally, the GAO noted that the most promising project of all for evaluative purposes -- the San Diego job search and work experience program -- was targeted at AFDC applicants rather than recipients. For this reason the findings cannot be generalized to the total welfare case load. Applicable groups include a higher proportion of individuals who will quit welfare after a comparatively short period of time. Also, the experimental group had prior work histories and educational levels that exceeded those of the welfare population generally (see below).

But the scope of the GAO report is considerably wider than the above critique. It examines Social Security Administration files for no less than 34 work-related demonstration projects and assembles information on 3 other projects. The GAO concluded that the recommendation that demonstration projects could be implemented on a mandatory basis nationwide was premature because 33 projects were still in progress, while those that had been completed yielded inconclusive or unreliable outcome data. It recognized that some work projects (e.g., in San Diego, Maryland, and Massachusetts) had demonstrated their ability to enhance the employment and earnings of welfare women and to reduce welfare dependency. That said, it again drew attention to the special

conditions obtaining in these jurisdictions and chose to emphasize the following problems encountered in implementing work projects in the wider sample:

Support Services. Adequate child care (and transportation) is critical if women with young children are to be included in a work program. While in some programs the Federal government had matched part of the expenses of these services, they could still be costly to the states and/or participants unless other sources of Federal funding (e.g., Social Services Block Grant (Title XX) funds) could be tapped. The GAO found a very wide variance in the extent to which sites provided such services. Some clearly had to exempt people from participation because of insufficient day care slots or the unavailability of inexpensive transportation.

Education and Training. Basic educational or skills background is often lacking thus limiting participation in work programs, even for performance of the basic tasks required in workfare sites. GAO noted that Baltimore's program usually requires a high school education or its equivalent for participation in its training programs.

Work Slot Development. It was reported that in five of the twelve workfare programs investigated difficulties were encountered either in generating work sites at all or in finding suitable sites. One program had as many as 35 eligible participants for each slot.

Workers' Compensation. In two workfare projects the failure of the state initially to provide workers' compensation for participants apparently affected local agencies' willingness to provide sites.

Staffing Problems. Returning to a continuing theme in its earlier reports, the GAO reported that inadequate staffing has led to implementation delays and lower participation rates. In one state's WIN demonstration program, for

example, lack of staff due to funding shortages in two sites severely curtailed the program by limiting the number of participants the program served. Other state programs were delayed because welfare staff had difficulty in adjusting to new tasks for which they had not been trained (e.g., developing work sites).

Relationships With Other Programs. The GAO observed that programs with limited resources often had to draw upon other program resources. However, when differing objectives among programs precluded smooth cooperation then obviously the work programs' implementation could be impeded. The GAO cited the example of two workfare projects that depended on WIN staff for client referrals. Here, the projects experienced participation problems because the WIN staff frequently referred clients who were unsuited to the program. Similarly, grant diversion projects that depended on Job Training Partnership Act (JTPA) staff encountered difficulties when they referred clients whom the JTPA staff considered unemployable and were reluctant to place.

These problems clearly impact on the Reagan administration's most recent proposals, notably in the areas of funding, participation, and training. We have earlier seen that the proposed first year funding for the new program is significantly less than current expenditures for WIN (allocated \$267 million in Fiscal '85). Yet workfare programs have often drawn upon WIN funds to provide such support services as child care. Again, the Social Services Block Grant -- a significant source of funding for child care -- is scheduled to have level funding through the rest of the decade, while states have apparently decreased their allocations for day care. The net effect of the administration's proposals is clearly to shift work program cost to the states. The issue is whether or not states can compensate for lost federal funds, given that the level of funding often appears to have been critical in resolving implementation problems.

Achieving a participation rate of 75 percent would appear to be a difficult undertaking on the basis of the demonstration projects analyzed by the GAO. Few programs have attained their participation goals, many of which appear quite modest alongside the administration's threshold. Clearly, achieving a successful participation rate is related to the feasibility of implementing a program statewide. The minority of extant schemes have this status, and the demonstrations have also underscored the problems encountered in rural sites.

Finally, the reduced funding levels and shift in emphasis away from training and education toward job placement could hamper program development. States are basically encouraged to rely on training under JTPA. While JTPA is required to target a proportion of AFDC recipients for its services, it remains unclear whether or not that program can serve all the training needs of the new AFDC program. Most JTPA Service Delivery Areas do not apparently pay substantial attention to that program's mandate to serve those most in need of its training services, namely the seriously disadvantaged (a category that would presumably include many AFDC clients).

V. Further Evaluation

Despite the proliferation of workfare and work-related schemes for AFDC recipients in the wake of OERA, enough has been said to indicate that hard information on such schemes is limited. There is no generally available summary material that reports in a consistent manner and across states the growth in unsubsidized jobs for AFDC recipients following exposure to CWEP, CWEP impact on AFDC costs, and deterrence effects, inter al. Information necessary to assembling such a general impact statement is becoming available but the multiplicity of schemes, their evolution from demonstrations to permanent features of the welfare program, the limited resources for evaluating

the true effects of programs at state level coupled with general funding difficulties will always mean that any overall evaluation will be patchy at best. Accordingly, in the case study material that follows we comment on specific projects with a view of isolating those issues of interest to British policymakers that are perforce somewhat opaque in the broad sweep of the foregoing.

ARKANSAS

In October 1982, Arkansas began its WORK Program for single heads of households receiving or applying for welfare under the AFDC program. WORK is a WIN demonstration (see Section III). The proposal was implemented in eight counties, encompassing 33 percent of that state's population and 39 percent of adults on AFDC. The material in this case study is taken from the final report on the WORK program issued by the Manpower Demonstration and Research Corporation (MDRC, 1985a) and focuses on the effects of WORK in two counties.

WORK requires participation of new welfare applicants and recipients who have recently been determined mandatory (primarily because their youngest child has turned three). WIN volunteers (usually so classified because they have younger children) are also encouraged to participate. For welfare applicants who are judged mandatory, registration with WORK is a prerequisite for completion of the application process. Failure to comply with staff assignments to activities provides a basis for sanctioning the adult's share of family benefits.

WORK has a fixed sequence of required activities: a two-week group job search followed by up to 60 days of individual job search. In the two counties surveyed in the MDRC report, enrollees who were still unemployed at the termination of these activities were assigned to unpaid work experience (i.e.,

conventional workfare) for up to 12 weeks. Altogether four of Arkansas' eight counties operated this workfare component.

With the passage of OBRA, CWEP became available. Although CWEP was originally planned for the WORK Program, Arkansas officials decided that CWEP hours (AFDC benefits divided by the minimum wage) would be too restrictive to be useful given the state's low AFDC payments. They therefore opted for WIN Work Experience which allows for 20 to 30 hours of weekly work with the component being limited to 12 weeks. That said, work experience was used infrequently in the WORK program. In a second step intended to extend the reach of WORK, Arkansas obtained a federal waiver to apply mandatory status to mothers whose youngest child was aged three years or more (rather than six, as under WIN proper). In the two-county sample over one-half of the enrollees were parents of a child under six.

In its analysis of WORK, the MDRC examines processes (e.g., did the program meet its objective of expanding the reach of employment services to a broad segment of the eligible case load?), impact effects (e.g., how effective was the program in increasing enrollees' employment and earnings?) and program benefits and costs. To obtain reliable answers to these broad questions, the MDRC analysis established experimental and control groups. During the WORK program enrollment interview, eligible individuals were randomly assigned to an experimental group, for which participation was required if assigned program activities, or to a control group which was excluded from participating in WORK activities for the duration of the research. Random assignment began on 20 June 1983 and continued through 31 March 1984, during which period 1,153 applicants and recipients contend the main research sample.

For the impact effects' component of the study, the employment and welfare outcomes for all experimentals (both participants and nonparticipants) were

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individual job search, or work experience. Neither measure indicates on a monthly basis the percent of program registrants actively engaged in job search or work experience as required in proposed national legislation (see Section IV).

It is reported that overall, during the nine-month follow-up, 38 percent of WORK program entrants took part in the three main program activities, surpassing the participation rates under an earlier, conventional WIN program. Rates of participation increased over the follow-up period, although the majority of those who participated did so in the first month after enrollment.

Although the aim of the WORK program was to extend services to as many enrollees as possible it was recognized that limited resources meant that this could not be achieved quickly. Accordingly, staff were given guidelines to work with the more employable enrollees first and then draw into active participation those groups confronting greater employment barriers. The increase in participation rates on a monthly basis appears to indicate that this policy was indeed followed.

Interestingly, 45 percent of the later enrollees (those entering in early 1984) participated in WORK activities within three months as compared with 32 percent of those entering in the summer of 1983. MDRC speculate that one factor in this upturn could well have been the introduction of new guidelines by the central welfare administration that put greater pressure on local offices to increase levels of participation.

Turning to the second measure of participation, at the end of the sample period 23.7 percent of the sample was still registered in the program but had yet to participate in any WORK component. It appears that this proportion remained inactive largely because of the discretion granted local staffs to "unofficially" excuse certain enrollees from participation on grounds of

illness, pregnancy and illiteracy. In short, many of this inactive population were judged unemployable.

Sanctioning did not emerge as a major source of departures from the WORK program. Only 88 sanctions were issued among the 1,733 assessed in one of the counties (through September 1984) to produce a sanctioning rate of 5 percent. The rate in the other county was only 3 percent.

Similar proportions of applicants and recipients were active in the program over the nine-month interval, namely 37 percent and 40 percent, respectively.

Interestingly, enrollees were seldom assigned to work experience in either county. Overall, only 3 percent participated and this value clearly reflects the staff's low priority for the workfare component of WORK. Moreover, the program guidelines failed to define clearly who among enrollees should be assigned. Again, the job developers charged with operating the component had many competing responsibilities. Those who participated in workfare reported that their jobs were important and not make-work. Participants interviewed claimed that they liked their jobs, believed they had learned something, and stated that they felt better about getting welfare when working for it. That said, most respondents perceived that the agencies got the better end of the deal.

Impact Effects

At the outset recall the limited recent labor market activity of both applicants and recipients, particularly the latter. Note also that welfare benefits (the 'standard of need') in Arkansas are amongst the lowest in the nation, so that virtually any full-time employment will render a family ineligible for welfare.

MDRC computed the short-term impacts of WORK by comparing the behavior of all enrollees -- both participants and nonparticipants -- in the experimental group to that of the control group after a nine-month follow-up.

As can be seen from Table 2, the WORK program achieved modest increases in employment and earnings. All short-term employment indicators were higher for the experimental group over the nine-month follow-up interval. A little under 19 percent of experimentals were working during the second and third quarters as compared with 14 percent of the controls, yielding a net impact of 5 percent. The earnings of experimentals also rose by \$78 -- from \$213 for controls to \$291 for experimentals. Nevertheless, both overall employment and earnings remained low.

[Table 2 near here]

Turning to welfare receipts, it can be seen that the effect of the program built up over time: few differences in the proportion receiving welfare are evident between the two groups during the quarter of enrollment, but as more enrollees began their job search activities experimentals began to leave welfare at a faster rate than controls. At the end of the follow-up period (Quarter 3), 64 percent of the control group versus 57 percent of the experimentals were receiving welfare. Over the entire nine-month span, controls received welfare payments for five and one-half months on average, compared with five months in the case of experimentals. Matching this reduction in welfare receipt was a corresponding reduction in payments. Total benefits paid in the third quarter averaged \$289 and \$246 for controls and experimentals, respectively, for a true welfare saving of 15 percent. At least three-quarters of the savings arose from a reduction in the numbers receiving benefits, the residual coming from the lower average payments made to experimentals who were still receiving benefits. Again recall the low standard

need in Arkansas in the context of the dominance the former factor. It should also be noted that welfare reductions for enrollees appeared to continue beyond the nine-month observation period, though this is not shown in Table 2.

Data contained in Table 3 allow us to examine the impacts of WORK on the categories of recipient and applicant. Despite the poorer work record of recipients when they entered the program, recipients had more sustained employment gains. With the assistance of the WORK program, recipient experimentals were able to find jobs they would not otherwise have found. Hence their lead over recipient controls. On the other hand, applicant controls even without special program assistance were often able to regain lost jobs or find new ones, thereby shrinking the experimental-control differences. Normal employment patterns would seem to explain these findings and the lower ability of recipient controls to increase their employment levels unaided. (Moreover, within the applicant subgroup, those with lower employability experienced employment gains of a similar magnitude to those of recipients, although this is not reported in Table 3.)

[Table 3 near here]

Short-term reductions in welfare receipt among experimentals were much larger on average for recipients than for applicants. In fact, nearly all the welfare savings achieved by WORK came from the savings for recipients: although recipients were only 40 percent of the full sample of program enrollees they accounted for 80 percent of the total nine-month welfare savings achieved by the program. By the end of quarter three the dollar difference in payments per recipient was \$77 (down from \$415 for controls to \$338 for experimentals) to yield a 19 percent reduction in benefit expenditures for that quarter. The corresponding reduction for applicants was only \$16 or a saving of 8 percent.

These results can be explained in part by AFDC eligibility and turnover. About 40 percent of applicants who enrolled in WORK never received any welfare during the sample period. For these individuals participation in WORK would have made no difference. Also, few applicants were deterred by the program requirements -- a statistically insignificant 2.9 percent of applicants. Moreover, applicant controls who received welfare often received it for only a short period. Recipient controls, on the other hand, left welfare more slowly so that the program intervention made more of a difference here.

Other impact results merit brief discussion. The program worked just as effectively for mothers with preschool children as it did for parents with children of school age. The federal waiver that lowered the exemption criterion expanded enrollment -- over half of the total sample had a preschool child, 70 percent in the case of recipients by 1984 -- but was not associated with smaller employment and welfare impacts for enrollees with preschool children.

Finally, the WORK program appeared more successful in one county than in the other. MDRG suggest that the principal reason for differential success lay in the intensity of program treatment.

Benefit-Cost Analysis

The potential benefits of WORK include the value of the net output from work experience jobs, the increase in earnings from regular jobs, changes in the taxes paid by experimentals, changes in their AFDC, Medicaid and Unemployment Insurance payments, and savings in the costs of administering these transfer programs. (The Arkansas study does not compute program effects on Food Stamps and General Assistance.)

Estimated program costs include the resources expended for enrollees' assessment, job clubs, individual job search and other local staff activities;

cost of monitoring by the central office of the WORK program and by the Department of Human Services; and the allowances and incentive payments made to experimentals. (The costs incurred by the JTPA program in serving referrals made by one of the counties are also included.)

In what follows it is important to note that all benefits and costs were estimated on a per experimental basis and are net of the benefits and costs attributed to the control group. Also, projections were made for benefits and costs generated after the data collection ended; the time horizon being five years from the point of random assignment.

Expected benefits and costs are analyzed from the perspective of experimentals, taxpayers, and society. The relevant matrix is given in Table 4.

[Table 4 near here]

Before turning to net value estimates, note two limitations of the benefit-cost analysis. First, the program's impact on earnings is perforce estimated with less reliability than the other impacts. Second, the extent to which program impacts will persist following the nine-month follow-up period is difficult to predict. According, MDRC made alternative estimates, using different assumptions concerning the persistence of program impacts on earnings and welfare receipt. One estimate, drawing on other MDRC findings, is that the magnitude of the impacts observed during the last two quarters of follow-up will persist thereafter. A second is that the impacts will decay by 30 percent a year (roughly that observed in a national study of female welfare clients in the conventional WIN program.). Additional estimates using only observed data assume that no benefits will accrue beyond the follow-up period.

The major findings are summarized in Table 5. Taxpayers experienced a net gain from WORK that ranged from \$209 to \$1,177 per enrollee over five years.

Taxpayers gains were reported for both counties. The main benefits stemmed from reductions in AFDC and Medicaid payments to experimentals. A reduction in AFDC administrative costs provided another measurable source of benefit, as was the small increase in taxes paid by the experimentals employed in unsubsidized jobs.

However, unlike taxpayers, experimentals did not appear to have benefited financially from the program. Increases in earnings net of taxes as a result of the improved rates of unsubsidized employment among experimentals were offset by reductions in their AFDC and Medicaid benefits. (Again note that given the uncertainty attaching to the earnings estimate, the net effect for experimentals is estimated with considerably less precision than the taxpayer effects.)

The net value to society as a whole ranged from \$41 to \$642, although these results were produced by positive net values for one county that exceeded negative net values obtained for the other.

The net value of the WORK program from the perspective of the government budget was positive, although since this value differs from that recorded for taxpayers only insofar as it ignores the output produced in program related jobs and since the value of work experience and JTPA output was only \$20 the budget and taxpayer net values are quite similar.

Finally, the average cost of the WORK program was low--at \$158 per experimental. This low cost reflects the small size of the program staff in each county and the fairly low intensity of program services (e.g., few individuals received work experience).

[Table 5 near here]

Finally, let us briefly return to the 38 percent participation rate noted earlier under 'program participation'. Note that this understates the success

OF WORK in one obvious sense. A large number of enrollees did not participate simply because they entered the welfare system only briefly. Indeed, the majority (57.6 percent) of the sample did not remain registered in the program, one reason being that 40 percent of the applicants (both controls and experimentals) were never approved for welfare and were immediately deregistered. In the follow-up period, many of those approved and those who were already recipients left the rolls on their own without ever being active via normal caseload turnover. That said, the 23.7 percent of the sample who were still enrolled but never participated constituted around 56 percent of all those enrolled in the program at March 1984.

SAN DIEGO

The Employment Preparation Program (EPP) and the Experimental Work Experience Program (EWEP) introduced in San Diego provide perhaps the best test of job search and work experience yet available. Again, MDRC (1985b) have provided an exhaustive analysis of these two work-related projects for AFDC recipients. Their report forms the basis for what follows.

Since 1982, the County of San Diego in California has operated a demonstration to test the effectiveness of two program strategies designed to enhance the employability of welfare recipients and reduce the cost of public assistance. The first and earlier program, EPP, emphasizes job search and is conducted mainly in workshops where applicants are taught how to locate and obtain unsubsidized jobs. The second also offers job search but is followed by EWEP in which welfare recipients work in public or nonprofit agencies in exchange for their benefits. Participation in both programs is mandatory and sequential; that is, job search is required of all WIN - mandatory applicants for AFDC -- both single parent (AFDC-Basic) and two parent (AFDC-U) households. In practice, the majority of AFDC-U cases are headed by married men. Individuals assigned to the job search/EWEP model who fail to find regular jobs through the workshops are then assigned to EWEP work experience.

The San Diego programs provide an opportunity to test the reach of job search and work experience on a large scale. And since both programs were implemented as mandatory requirements, they also allow examination of the feasibility of operating a participation and work requirement for the welfare population.

Both program models began at the point of welfare application. Job Search involved one-day job placement assistance at the welfare office followed by registration with EPP (which in 1980 replaced WIN), followed by a three week

job search workshop consisting of one week of orientation and training and two weeks of self-directed job search in a group setting. Job search/work experience involved an unpaid EWEP position in the event of unfruitful job search. Monthly work hours in EWEP were determined by the family's AFDC grant divided by the minimum wage; but EWEP restricted the work obligation in that it applied only to those welfare recipients who failed to locate a job in the first phase (as relatively small share of all applicants) and applied only for 13 weeks. Also, there was an hours limitation of 32 hours per week so as to leave one day free for ongoing job search.

As in the case of the Arkansas study, the MDRC research design focuses on a process analysis, an impact study, and a benefit-cost analysis. Eligible welfare applicants were randomly assigned to one of two experimental groups (Job Search, whose members were required to participate in this activity alone and Job Search/EWEP) or to a control group which was offered minimal WIN services.

For the process study, the two experimental groups were followed using program data from the state's EPP Information System and the county's special EWEP logs, supplemented by a large survey of a subset of applicants, case file studies, and a special survey of a random sample of EWEP participants and their supervisors. For the impact study, the employment and welfare experience of experimentals and controls was compared by using data from computerized AFDC payment and Unemployment Insurance earnings records. Finally, for the benefit-cost study, program impacts on a broad array of measurable outcomes, including the value of the goods and services produced by EWEP participants, were compared with program operating costs using impact and process results coupled with fiscal and administrative records.

Random assignments took place between October 1982 and August 1983, enrolling 7,004 application for welfare into the research sample (3,596 AFDC-Basic's and 3,408 AFD-U's). The composition of the sample was as follows. The AFDC-U group was, as noted earlier, primarily male, married and living with a spouse. Many had recent work experience. Roughly half of the AFDC-U's were white, 33 percent were Hispanics, and 9 percent black. Over 60 percent had high school or General Equivalency diplomas (GED), and 42 percent had received welfare hitherto. By contrast, the AFDC-Basic sample was predominantly female and white (57 percent) with a slightly higher proportion of blacks than Hispanics (21 versus 18 percent). Thus group had a more limited work history and a greater degree of prior welfare dependency, although its educational level was similar to that of AFDC-U's.

The two programs were directed to welfare applicants. Random assignment was conducted at the time of welfare application rather than at program registration or the point of welfare approval. Program impacts and benefit-cost comparisons were estimated for the full group of applicants, including those who did not participate or were not approved for welfare -- about one-half of the applicants did not participate in program activity and approximately one-fifth did not receive welfare. Data on program participation, however, are presented not for the applicants but primarily for the 86 percent of the experimentals who registered with the EPP program since they were the only ones who could be assigned to the workshops and EWEP.

Program Participation

Program participation rates were substantial but not universal. As noted above, 86 percent of the experimentals who applied for welfare registered with the program. Among these registrants, one half participated in some activity, typically job search, within the nine-month follow-up period. Almost all

individuals eligible for EWEP were referred to the program and 61 percent of these did participate in mandatory work assignments. This proportion is the equivalent of 15 and 19 percent of AFDC and AFDC-U registrants, respectively. The MDRC notes that these EWEP rates, which increased overtime, were comparable to or exceeded those in most prior special demonstrations of community work experience.

Participation rates were higher for the AFDC-U registrant group than for AFDC-Basic's -- 60 percent and 55 percent respectively -- but there were no consistent differences between the two groups within each assistance category.

By the ninth month, 91 percent of the AFDC-Basic and 94 percent of the AFDC-U registrants had either completed program participation requirements or were no longer subject to these requirements; that is, they had found jobs, were deregistered, or were no longer on welfare (see Figure 1).

[Figure 1 near here]

Apparently, program staff granted few exemptions and deferrals and effectively identified non-cooperation with program requirements. Almost three-quarters of a random sample of Job Search/EWEP registrants was identified at some point as not being in compliance with program requirements, although only 10 percent of noncomplaints were subsequently sanctioned. Overall, sanctions were requested for from 5 to 10 percent of registrants.

Let us turn finally to some findings on the work experience component of Job Search/EWEP. As noted above, around 61 percent of welfare recipients referred to EWEP actually worked in a job. There did not appear to be any shortage of job slots. Of those who worked, over 40 percent completed at least 80 percent of their assigned hours. Program data show that 18 percent of EWEP participants reported finding a job while in EWEP; 43 percent completed their 13-week job assignment without finding employment. The remainder were either

noncompleters or still working in EWEP at the end of the twelve-month follow-up period.

Most EWEP jobs were entry level and did not result in skills improvement, largely because participants possessed the required skills when they began their assignments. However, the small number identified as lacking required skills did acquire them as a result of EWEP. Supervisors reported EWEP participants to be "as productive" or "more productive" than regular new employees.

More than three-quarters of the supervisors judged the work performed by participants as important to the daily functioning of their agencies (this is reflected in the benefit-cost analysis, below). Participants responded favorably to the EWEP jobs and affirmed the fairness of a work requirement (less so among AFDC-Basic's than for the AFDC-U group).

Impact Effects

For the impact analysis, longer-term estimates were based on an early group of applicants (October 1982 through March 1983), the majority of the full sample, for whom roughly one year of data were available (cf. the process analysis).

The impacts of the two programs were estimated by comparing the behavior of applicants in each of the two experimental groups with that of the control group. In addition, the incremental effect of EWEP was obtained by comparing the outcomes for the two experimental groups.

Approximately 60 percent of the sample were tracked for one year following welfare application. Welfare impacts were measured for the full 12 months and employment outcomes for the three calendar quarters after the quarter of application. Shorter-term impacts for the full sample were examined to

determine whether or not later applicants were differentially affected by the programs.

We consider the results for the AFDC-Basic and AFDC-U categories in turn. AFDC-Basic's. Between 83 and 85 percent of experimentals and controls received assistance at some point during the 12-month follow-up period. However, many subsequently left welfare and/or found jobs: at the end of the year, less than half were on welfare and over a third were employed. On average, by the end of the year, earnings were a more important source of income than welfare grants.

As Table 6 shows, both Job Search and Job Search/EWEP had substantial and statistically significant impacts on the proportion of AFDC applicants employed and the amount they earned. Quarterly employment rates for experimentals were between 5 and 10 percentage points above those for the controls, representing a 16 to 40 percent increase in those working. Quarterly earnings gains ranged between \$96 and \$213, also substantially above the average earnings of controls.

However, both programs resulted in only modest reductions in the percent on welfare of between 1 and 7 percentage points in the different follow-up quarters. Welfare savings were larger but, as shown in Table 6, these were only statistically significant for the Job Search/EWEP group; for whom the 12-month welfare savings totaled \$206 per experimental, or a 7 percent reduction from the benefits paid to the control group over the same period. (The fact that large earnings gains translated into only small welfare savings reflects the child-care and other deductions used in calculating grants for working welfare recipients.) Finally, the impacts on welfare payments and earnings appeared to be stable for AFDC-Basic's over the 12-month follow-up period.

[Table 6 near here]

AFDC-U's. Data for both experimentals and controls show that between 80 and 82 percent of applicants had their welfare grants approved. However, by the end of the 12-month follow-up, approximately 60 percent were off welfare and about half were employed, with average earnings more than double those of AFDC-Basic applicants.

As shown in Table 7, neither the job search nor the Job Search/EWEP sequence had a sustained impact on AFDC-U employment rates or earnings. There were some significant effects in the first quarter, but these decreased through time. However, both programs led to significant 12-month welfare savings, particularly for the Job Search/EWEP sequence which led to welfare savings totaling \$350 per experimental -- a 14 percent reduction in welfare benefits. (These large welfare savings despite small earnings gains reflect the higher benefit reduction rates on earnings and stronger sanctioning penalties for noncompliant AFDC-U's than for AFDC-Basic's.) Finally, there are signs that program impacts were less stable for AFDC-U's than for AFDC-Basic's.

[Table 7 near here]

When the data are summarized across both recipient groups, three principal findings emerge. First, there is no suggestion that mandating EWEP produced substantial additional impacts over those resulting from the job search workshops. The major exception to this statements is in the area of AFDC-U welfare payments, where large incremental though statistically insignificant reductions in welfare payments were observed. (The problem here of course resides in the longer sequence of program activities for the Job Search/EWEP group.) Second, earnings impacts resulted from increased employment, not increases in wages. Third, preliminary analysis confirms findings from other studies that the programs have their largest impact on those who have little recent employment experience.

Benefit-Cost Analysis

The following benefit-cost analysis uses data for the full sample but is preliminary because it looks at results only through December 1983. (In a final report, to be published later in 1986, the MDRC will report on extended findings.) In view of the fact that most of the program costs but only part of the program benefits are measured, the results shown in Table 8 are impressive.

Using the same accounting perspectives as employed in the Arkansas study, it can be seen that social benefits were substantial and exceeded social costs for both assistance categories in both programs, except for the AFDC-U experimentals in the job search only program. - For this latter category short-term benefits fell short of the net costs by \$70 per experimental. For other groups, the program's net social benefits ranged between \$98 and \$280 per experimental.

The programs also had a striking distributional effect. For AFDC-Basic's both Job Search and Job Search/EWEP produced net benefits for applicants that exceeded \$300 per experimental group member. However, taxpayers incurred some net costs, amounting to \$87 and \$215 for Job Search/EWEP and Job Search experimentals, respectively.

For the AFDC-U's the major beneficiaries were taxpayers, with applicants incurring substantial losses as a result of the program's effects in reducing the transfer payments they received.

It is interesting to note that very substantial benefits came from the value of the goods and services produced at EWEP worksites. The estimated value of EWEP participants' work was \$229 in the case of AFDC-Basic's and \$360 for AFDC-U's, after averaging over both participants and nonparticipants.

A central benefit of the two programs was their effect on employment. This was associated with increases in earnings for experimentals of between

\$500 and \$461 per experimental through December 1983. As can be seen from Table 8, the gain to welfare applicants was reduced by increased taxes, which in turn was a gain to taxpayers.

Clearly, the dependence of experimentals on transfer programs was reduced. This was partly because of the program's effects on employment. Average welfare payments decreased by between \$173 and \$378 per experimental through December 1983. On the other hand, average Food Stamps and Unemployment Insurance payments (included in 'Other Reduced Transfer Payments') to AFDC-Basic applicants rose, virtually offsetting the reductions in AFDC payments for that group. Unemployment Insurance payments also increased for AFDC-U applicants assigned to Job Search but fell for those assigned to Job Search/EWEP.

What is very clear is the very modest operating costs of the two programs. Thus, Job Search cost between \$366 and \$480 per experimental -- again, including participants and nonparticipants -- while the EWEP costs were \$73 and \$85 per AFDC and AFDC-U experimental, respectively. (Note that these values include the net costs of registration and assessment -- over and above what it cost for controls -- the costs of operating search workshops and EWEP, the costs of sanctioning noncompliant applicants, total administration costs, and the small costs associated with allowances and support services provided to applicants.) The cost of serving an experimental who completed the entire sequence of demonstration activities was around \$1,100 for registration and job search, and \$500 for EWEP.

The governmental budget effects are a mirror image of the taxpayer effects in the case of job search (implying a net budget cost of \$215 for AFDC-Basic's and a net budget gain of \$24 in respect of AFDC-U's.). But budget effects in the case of Job Search/EWEP are obtained by subtracting EWEP output benefits from the net value of the program to taxpayers. This calculation indicates a

budget loss of \$316 per AFDC experimental and a budget gain of \$197 per AFDC-U experimental.

Note in all of this the failure to take account of displacement effects, inter al. This, then, is a very partial benefit-cost analysis.

The final report on San Diego has yet to be published by the MDRC, but in the interim California has gone ahead statewide with a program modeled after the San Diego experiment.

[Table 8 near here]

WEST VIRGINIA

West Virginia is one of three states that has elected to operate CWEP to nearly the full extent authorized under OBRA: on a statewide basis, requiring eligible recipients to "work off" their entire grants at public or nonprofit agencies (with the maximum hours per month being determined by the size of the welfare check divided by the minimum wage), and with the work obligation to continue as long as the client receives welfare.

West Virginia launched its large-scale CWEP program for members of the AFDC-U category in early 1982 under the WIN Demonstration provision. At that time there were about 5,000 AFDC-U cases in the state all of whom were eligible for CWEP. A considerably smaller CWEP for AFDC-Basic's began in July 1983; of the 21,000 such AFDC cases in the state, some 7,000 were eligible for CWEP.

This case study, which is again taken from an MDRC (interim) evaluation exercise (MDRC, 1984), assesses the implementation of two special CWEP demonstrations that West Virginia is operating within its statewide program. Again note that West Virginia is untypical in that it operates only a workfare program with essentially no other components.

The first of the two demonstrations, begun on 1 March 1983, tests the feasibility of "saturation", or making the work-for-benefits approach universal

for the AFDC-U category. The project operates in four Department of Human Services administrative counties (out of 27). In February 1983, these areas contained 1,200 AFDC-U families, or roughly one-fifth of the state's caseload.

The second demonstration covers AFDC-Basic's in some nine administrative areas, to include the four AFDC-U saturation areas. This demonstration encompasses some 40 percent of the state's AFDC-Basic caseload and began at the same time as the statewide scheme.

Unlike the previous MDRC reports, this particular case study focuses on processes rather than impact analysis and benefit-cost evaluations. A final MDRC report, to be issued later in 1986, will consider the latter elements. Nevertheless, the initial process analysis is interesting in its own right because of the full-scale work requirement, at least for AFDC-U's.

In what follows, we concentrate on program participation and implementation although brief mention will also be made of worker and supervisor perceptions at the worksite.

In discussing participation, a distinction is drawn between caseload and individual registrant analysis. The former has to do with the proportion of the CWEP eligible caseload that participated in each month, while the latter focuses on the CWEP participation rates of individual registrants during a specified follow-up period. This latter approach has the advantage that each individual's probability of CWEP participation, regular job placement, or sanctioning is based on the same length of exposure to the program. The longitudinal AFDC-U sample comprised 1,615 individuals (1141 prior registrants and 474 new registrants) and the AFDC-Basic sample consisted of 1,307 individuals (997 current registrants and 310 new registrants). The AFDC-Basic's had a follow-up period of only 3 months, compared with 8 months in the case of AFDC-U's.

Let us first consider the caseload analysis -- this was not performed for AFDC-Basic's whose program was not intended to be a saturation experiment. In 1982, when the statewide CWEP program began, participation reached 2,000 or 40 percent of the states AFDC-U recipients by the fourth month of operation. When the central office authorized staff in the four AFDC-U saturation areas "to fill as many CWEP slots as you have with AFDC-U recipients," the staff reacted with some speed. As indicated in Table 9, and Figure 2, the saturation areas raised their caseload participation rate from 46 percent in February 1983 to 69 percent by June of that year. This was accomplished by reaching out to agencies that had not earlier sponsored participants and by requesting current sponsors to use more CWEP participants. It can also be seen that the caseload participation level achieved in June fell thereafter, dropping 10 percentage points in February 1984. One factor behind this was a very substantial increase in the AFDC-U caseload statewide -- in the saturation areas the caseload jumped 35 percent between June 1983 and February 1984. Thus, not only did more recipients have to be assigned each month to maintain the participation level but also staff had to spend more time processing paperwork to register these men in the WIN program.

[Table 9 and Figure 2 near here]

Area staff made a strong effort to keep up with the rising caseload. Increasing numbers of AFDC-U recipients were assigned to CWEP. Thus, the number of participants rose from 720 in June 1983 to 826 in February 1984, or by 14 percent. But as Figure 3 indicates the staff effort was even greater than implied by the increase in the numbers participating in CWEP activity. Staff had to assign substantially more clients because of the normally high turnover in welfare rolls. In September 1983, for example, 691 AFDC-U recipient were participating in CWEP, while 705 participated in October.

Although the net increase was only 14, the saturation areas assigned far more individuals than that because 66 individuals began to take part in CWEP in October and 52 ceased participating, either temporarily or permanently. On average, after the rapid build up through June 1983, the saturation areas assigned 68 participants to CWEP each month, a far larger number than the 20 per month net increase.

[Figure 3 near here]

Next consider the longitudinal analysis for individual participants, taking AFDC-U and AFDC-Basic participants in turn. An examination of the program activity of individual AFDC-U registrants reveals that 65 percent of the sample participated in CWEP within the uniform eight-month follow-up period. As can be seen from Table 10, participation rates were higher for prior registrants than for new registrants. These were the individuals already on board in the early months of 1983 when the area staffs began the rapid build-up of CWEP assignments.

[Table 10 near here]

Thirty percent of AFDC-U registrants reportedly found employment within the eight-month follow-up period. (Note, however, that this sample does not include the later recipients who contributed to the large increase in the AFDC-U caseload, namely those who applied for welfare in the last half of 1983.) Apparently, longer-term recipients (included within the prior registrant category) responded no differently in employment behavior than new registrants who had just started their spell on welfare.

Almost 8 percent of the AFDC-U registrants in the registration areas were sanctioned in the follow-up period. Thus the demonstration suggests that high levels of participation can be achieved without high levels of "sanctionable" behavior.

Finally, prior registrants and new registrants showed cumulative participation paths of very similar shape, all having a rapid rise in participation in the first four months of follow-up but different average rates of participation. Figure 4 indicates that the earliest registrants, already on welfare for at least six months before the demonstration started in March 1983, participated at very high rates. The cumulative participation rates for the next later group, September - November 1982 WIN registrants, were not quite as high. These individuals were less well-known to caseworkers and it is likely that the number of potential jobs was reduced by the high participation rates of the earliest registrants. These factors probably also account for the lower cumulative participation rates of the three later groups, each of which displayed nearly identical participation paths. Also, of course, these later registrants had higher rates of welfare turnover.

It appears that one can conclude from these cumulative participation paths that those on welfare for a fairly long period had as much as an 80 percent chance of participating in CWEP and that the probability of any individual participating in CWEP during the first five or six months of welfare was in the order of 50 percent.

[Figure 4 near here]

Turning briefly to AFDC-Basic's, a very much smaller percentage of this group participated during the follow up period: 16 percent overall. For those who were reappraised between July and November 1983 the participation rate was 18 percent, as compared with 10 percent of new WIN registrants (see Table 11). But note that it was never intended that high participation rates would be achieved for AFDC recipients: there were no caseload participation targets and a decision was made not to provide child-care funds. It is clear that the higher priority attached to AFDC-U's. (This substantially explains the

fourfold difference in caseload participation rates statewide.) Moreover, caseworkers seemed to select the more employable women, particularly those with a recent work history and a higher level of education.

Data on the cumulative participation rates of a small sample of AFDC-Basic's are given in Figure 5. Note the steep jump in participation for the women randomly assigned in July 1983 which occurred between 90 and 120 days after assignment and covered the 30-day period spanning October and November when school was in session. Area caseworkers had a long period of time in which to locate worksites, resulting in a high participation rate that leveled off after four months, at around 30 percent. Women randomly assigned in the next two months (52 percent of the analysis sample) showed a similar pattern, except that the cumulative growth of their CWEP participation was smaller and steadier, rising to around 22 percent after five or six months. It appears that a woman's chance of participating in CWEP was most likely to occur within four months of registration or reappraisal. But Christmas vacation and mid-semester school breaks slowed CWEP assignments making it difficult to project longer-term probability of participation. MDRC offer a guess that the cumulative long-term CWEP-Basic participation rate is likely to be in the range 25-27 percent.

[Figure 5 near here]

Four principal findings emerge from a survey of 94 CWEP participants and their supervisors conducted during a nine-month period beginning in July 1983. First, the great majority of supervisors, and an even greater majority of participants, believed that work made a valuable and usually necessary contribution to the sponsoring agency. Second, supervisors reported that both male and female CWEP participants were "the same" or "better" than new regular employees on most dimensions of job performance, attendance, behavior, job

skills and maturity. (These judgements were made when the average male CWEP participant had been at the worksite 35 weeks and the average female worker for 13 weeks.) Third, most of the CWEP jobs demanded a range of general working skills such as punctuality, working well with others, taking instruction and working quickly. A smaller share of the jobs required reading, writing, or mathematical skills. With the exception of two of the skill areas, at least three-quarters of the participants were judged to be "adequate" or better in these skills when they first showed up for their job assignments. Of the one-eighth to one-quarter who lacked a particular skill, nearly all had reached a level of adequacy by the time their supervisors were interviewed. Thus, CWEP jobs appeared to offer skills improvement to the small proportion of participants needing it. Fourth, the great majority (approximately 80 percent) of CWEP participants were satisfied with their jobs and thought that a work requirement was a "satisfactory" or "very satisfactory" arrangement. Participants' reactions were a function of whether they thought CWEP would help them obtain a job in the future.

Overall, these survey responses closely resemble those reported by the MDRC in their San Diego evaluation (MDRC, 1985b, Chapter 3). The suggestion would appear to be that CWEP in general gave relatively little skills development, but high levels of job satisfaction and acceptance of the fairness of the workfare principle.

The West Virginia experiment clearly indicates that it is possible to introduce a universal work program on the lines suggested by the Reagan administration. At issue, and ignoring differences between schemes for AFDC-U's and AFDC-Basic's, is whether such a program can be replicated nationwide. In this context, MDRC draw attention to eight characteristics that contributed to the smooth implementation of CWEP statewide and to the

achievement of high participation rates for AFDC-U recipients in the saturation demonstration:

- (i) Strong support, from the commissioner to the local-office level, for a mandatory work program for men;
- (ii) A strong sense of professionalism and long tenure among senior officials at the central and local-office levels;
- (iii) A long institutional history, almost unique among states, of Departmental implementation of mandatory work programs for men;
- (iv) A centrally administered WIN Program, staffed by individuals who had helped run earlier work programs, some of them having had prior experience as area-office welfare directors;
- (v) Increased staffing (by nearly 40 percent) to handle the growing workload in the CWEP saturation areas;
- (vi) An aggressive Departmental involvement in the WIN Program (dating back to 1971) in which the Department had played a stronger role than the state Employment Service in day-to-day management. Applying for WIN Demonstration status and taking over the WIN Program entirely in 1982 was the final stage in a 12-year evolution;
- (vii) An ethnically homogeneous state with a traditionally strong work ethic, and the nation's highest unemployment rate in 1983, with the result that many experienced workers were applying for benefits;
- (viii) The recession (felt strongly in a state depending on energy production), cutbacks in federal revenue-sharing, and the demise of the CETA Public Service Employment Program. All these

factors created a potential demand for subsidized CWEP workers among local government and nonprofit agencies.

While noting that not all these conditions were unique to West Virginia, MDRC concluded that the combination was.

This small sample of case studies reveals the progress that has been made in implementing workfare and work-related schemes for welfare recipients in recent years and provides tangible evidence of success. Indeed, other schemes that depart from the workfare concept have been credited with even greater success. A case in point is provided by Massachusetts's so-called ET (Employment and Training Choices) Program, which offers assessment and career counseling, education and skills training, on-the-job training through supported work, and job placement, and as such is more in line with a traditional (though particularly well-run) WIN program. ET began in October 1983 and since then is reported to have placed 20,000 individuals in unsubsidized jobs. Seventy-two percent of the placements have been in full-time jobs, yielding an average salary of \$9,800 as compared with an average yearly welfare grant of \$4,800. Apparently, 86 percent of those exiting welfare via ET are still off welfare one year later. State officials estimate that without ET the welfare caseload would have risen to 93,200 by July 1985 instead of dropping to 84,700, and that the program has saved some \$60 million in welfare and Medicaid costs, split roughly 50-50 with the federal government. These are impressive statistics by any reckoning. But a number of questions remain unanswered. For example, the role of normal caseload attrition and the contribution of that state's very low unemployment rate have formally to be isolated. Considerable injections of state funds and past program experience also limit generalizations as to the wider applicability of ET.

But the evaluation process is proceeding apace. Thus, for example, the MDRC is to issue final reports on California, Maine, and West Virginia in 1986 and on Illinois and New Jersey in 1987. The Maine study is particularly interesting in that it examines the impact of Grant Diversion. The study will be supplemented by a wider analysis of this OBRA option encompassing six states, which is also to be published in 1986. These and other analyses will substantially augment our understanding of the success and limitations of workfare experimentation, and allow firmer inferences to be drawn than at present.

VI. Conclusions

This report has considered almost one-quarter of a century of experimentation with workfare and work-related schemes for welfare recipients. Our focus has not been upon the recipients of non-federally funded general assistance programs. Were that the case we would have had to range far beyond the time frame of the present study. Instead, we have chosen to locate our discussion in the context of the main welfare program, namely Aid to Families with Dependent Children (AFDC), although we have discussed food stamp workfare in some detail. For this group we have traced the development of workfare and work related programs distinguishing as appropriate between AFDC-Basic's and AFDC-U's, while recognizing that only 23 states pay benefits to two-parent families in which the principal bread-winner is unemployed.

We have seen that, after a 13-year hiatus in workfare experimentation following the introduction of WIN in 1967, there has been a massive proliferation in workfare schemes for welfare recipients. Since 1981, 22 states have implemented community work experience programs (CWEPs), 8 on a statewide basis. The CWEP option is but one of four -- the others being WIN demonstrations, Job Search, and Grant Diversion -- and because of the

flexibility of the system may be combined with one or more of the other options. For this reason alone it is inaccurate to depict the workfare experiment as heralding the re-emergence of the workhouse. Analysis of pure CWEP schemes would also refute this crude caricature.

This rapid burst of experimentation with workfare and work related schemes owes its genesis to the Omnibus Reconciliation Act (OBRA) of 1981. OBRA was designed to secure a reduction in the burgeoning costs of the welfare program, and workfare was but one component of this overall strategy. Interestingly, despite a marked deterioration in welfare benefits to recipients engineered by OBRA, there are no signs of increasing welfare dependence (GAO, 1984b) which is surprising given certain changes it introduced which, by increasing the tax rate on earnings, might have been expected to provide a disincentive to work. This observation has a parallel in the reduced net earnings of those welfare recipients who have successfully graduated into full-time or part-time work following exposure to workfare. We have identified a number of instances of this in our report.

We are currently far from being able to provide a consistent measure of the success or otherwise of the variety of workfare and related schemes. We do not know the extent to which a workfare stipulation has discouraged welfare applications or otherwise removed from the existing welfare rolls those with a disinclination to work or already working off the books. This was clearly one aim of the OBRA provisions. We do not know the extent of displacement, even though the administrative regulations are fairly firm on this. We have more information on the success of workfare in taking people off the welfare rolls through job placement but even here the absence of control groups, the role of normal caseload attrition, and the contribution of an expanding economy make generalizations hazardous.

But it is demonstrably the case that workfare can work, even though precise quantification of the costs and benefits remains elusive. However, success depends on a number of factors identified in this report that include administrative streamlining, commitment, the establishment of performance standards, resources and, more controversially, a degree of coercion. Workfare is emphatically not an expensive program, although the wider work-related projects involve much greater expenditure at least in set-up costs. But resources are not unimportant in determining outcomes. Here, we note that the Reagan administration's current proposals (and continuing budget exigencies) involve funding cuts. It is of course consistent with the 'new federalism' that states take up the slack. The extent to which they do so will in part determine what may be expected of workfare and the other work-related programs. Arguably, the extent to which CWEP benefits from other programs has not been taken adequately into account by the administration. The administration's insistence upon performance standards seems both consistent and entirely appropriate. At issue, however, is the scope for a uniform standard. More narrowly, further research is required on the factors that have hindered program implementation in some jurisdictions and the special circumstances obtaining in others before any mandatory targets can unambiguously be set. But one thing is clear: mandating that welfare recipients be required to enter (not simply register with) various employment and skill augmenting programs is altogether less contentious an issue than it was prior to OBRA. One might further argue that this new environment is also propitious for increasing acceptance of the narrower concept of workfare.

Table 1: AFDC Work Programs by State, October 1985

STATE	WIN DEMO	CWEP	JOB SEARCH	GRANT DIVERSION
Alabama		X		
Arizona	X			X
Arkansas	X			
California	X	X	X	
Colorado		X		X
Connecticut	X			X
Delaware	X			
Florida	X			X
Georgia	X	X		
Idaho		X		
Illinois	X	X		
Indiana	X			
Iowa	X	X		
Kansas		X	X	
Maine	X		X	X
Maryland	X		X	X
Massachusetts	X		X	X
Michigan	X	X		
Minnesota		X		X
Nebraska	X			
New Jersey	X			X
New York	X	X		X
North Carolina		X		
North Dakota		X		
Ohio		X	X	X
Oklahoma	X	X	X	
Oregon	X		X	
Pennsylvania	X	X		
South Carolina		X		
South Dakota	X	X		
Tennessee	X			
Texas	X		X	X
Utah			X	
Vermont		X	X	X
Virginia	X	X	X	
Washington		X	X	
West Virginia	X	X		
Wisconsin	X			
TOTAL	26	22	13	13

(ARKANSAS)

TABLE 2: SUMMARY OF IMPACTS FOR RESEARCH SAMPLE

Outcome and Follow-Up Period	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 3 (%) ^a	18.8	14.0	+ 4.8**
Average Number of Quarters With Employment, Quarters 2 - 3 ^a	0.30	0.22	+ 0.08**
Ever Employed (%) ^a			
Quarter of Enrollment	18.1	11.8	+ 4.3**
Quarter 2	14.8	9.8	+ 5.0***
Quarter 3	15.2	12.2	+ 3.1*
Average Total Earnings, Quarters 2-3 (\$) ^a	280.63	212.84	+77.70*
Average Total Earnings (\$) ^a			
Quarter of Enrollment	98.78	83.33	+15.46
Quarter 2	140.77	86.38	+54.38**
Quarter 3	140.88	126.55	+23.31
Ever Received Any AFDC Payment, Quarters 1 - 3 (%)	72.8	75.9	- 3.1
Average Number of Months Receiving AFDC Payments, Quarters 1 - 3	4.98	5.48	- 0.53***
Ever Received Any AFDC Payments (%)			
Quarter of Enrollment	66.6	69.0	- 2.4
Quarter 2	65.6	71.4	- 5.8**
Quarter 3	56.8	63.8	- 6.9***
Average Total AFDC Payments Received, Quarters 1 - 3 (\$) ^a	771.68	864.55	-92.86***
Average AFDC Payments Received (\$) ^a			
Quarter of Enrollment	249.66	258.31	- 0.65
Quarter 2	275.57	316.79	-41.22**
Quarter 3	246.46	289.44	-42.98***

SOURCE: MDRC (1985a), Table 5.1, p. 84.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

A two-tailed t-test was applied to differences between Experimental and Control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

^a Quarter 1, the quarter of enrollment, may contain some earnings from the period prior to enrollment and is therefore excluded.

(ARKANSAS)

TABLE 3: SUMMARY OF IMPACTS FOR RESEARCH SAMPLE, BY WELFARE STATUS

Outcome And Follow-Up Period	Applicants			Recipients		
	Experimental	Control	Difference	Experimental	Control	Difference
Ever Employed, Quarters 2-3 (%) ^a	23.7	18.1	+ 4.8*	11.5	6.7	+ 4.8**
Average Number of Quarters With Employment, Quarters 2-3 ^a	0.38	0.30	+ 0.07	0.20	0.10	+ 0.10**
Ever Employed (%)						
Quarter of Enrollment	22.0	16.4	+ 5.6**	7.0	5.5	+ 1.5
Quarter 2	17.9	12.8	+ 5.1**	9.7	5.0	+ 4.7**
Quarter 3	18.8	16.8	+ 1.8	10.3	5.3	+ 5.0**
Average Total Earnings, Quarters 2-3 (\$) ^a	348.34	302.15	+46.19	189.90	87.25	+112.65**
Average Total Earnings (\$) ^a						
Quarter of Enrollment	132.84	128.89	+ 4.06	45.86	18.78	+27.08
Quarter 2	167.75	115.85	+52.10	98.34	45.71	+52.63**
Quarter 3	180.58	186.48	- 5.91	101.56	41.54	+60.02**
Ever Received Any AFDC Payment, Quarters 1 - 3 (%)	56.8	61.8	- 2.9	93.9	95.8	- 1.8
Average Number of Months Receiving AFDC Payments, Quarters 1 - 3	3.48	3.76	- 0.29	7.20	7.88	- 0.78***
Ever Received Any AFDC Payments (%)						
Quarter of Enrollment	43.6	50.2	- 1.3	93.7	96.1	- 2.4
Quarter 2	52.8	57.1	- 4.5	85.3	92.1	- 6.8**
Quarter 3	45.2	48.5	- 3.3	74.3	85.7	-11.4***
Average Total AFDC Payments Received, Quarters 1 - 3 (\$)	559.91	588.96	-29.05	1,091.57	1,282.88	-171.31***
Average AFDC Payments Received (\$) ^a						
Quarter of Enrollment	154.52	144.60	+ 9.92	393.34	422.60	-29.26**
Quarter 2	219.46	242.05	-22.59	360.27	424.92	-64.65***
Quarter 3	185.94	202.32	-16.38	337.97	415.37	-77.40***

SOURCE: MDRC (1985a), Tables 5.4 and 5.5, pp. 95 and 99.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

A two-tailed t-test was applied to differences between Experimental and Control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

^aQuarter 1, the quarter of enrollment, may contain some earnings from the period prior to enrollment and is therefore excluded from the measures of total follow-up employment and earnings.

(ARKANSAS)

TABLE 4: EXPECTED BENEFITS AND COSTS
PER EXPERIMENTAL, BY PERSPECTIVE

Component of Analysis	Perspective		
	Experimentals	Taxpayers	Society
Benefits			
In-Program Output	0	+	+
Earnings	+	0	+
Tax Payments	-	+	0
Transfer Payments	-	+	0
Transfer Program Administration	0	+	+
Costs			
Program Operating Costs	0	-	-
Participant Costs	+	-	0
JTPA Operating Costs	0	-	-

NOTE: Components are listed as benefits and costs according to whether their expected effect is a net benefit or cost from the social perspective. Within each perspective, a positive sign (+) indicates an expected gain to that group, a negative sign (-) indicates an expected loss, and a zero (0) indicates neither a gain nor a loss. For each component, the gain or loss to society is obtained by summing the effects on experimentals and taxpayers.

(ARKANSAS)

TABLE 5: OBSERVED AND EXTRAPOLATED
NET VALUE ESTIMATES FOR BENEFIT-COST ANALYSIS, BY PERSPECTIVE

Type of Estimate	Perspective		
	Experimentals	Taxpayers	Society
Observed Net Value ^a	\$-168	\$209	\$41
Total Net Value Assuming 30% Decline in Impacts ^b	-363	711	224
Total Net Value Assuming No Change in Impacts ^c	-535	1177	642

SOURCE: MDRC (1985a), Chapter 6 and Table 6.5.

NOTES: Costs were estimated for the same five year period as benefits although most costs were incurred in the first year after random assignment.

Results are for Pulaski South and Jefferson samples combined and are expressed in 1984 dollars.

Within each perspective, positive numbers indicate gains to that group and negative numbers indicate losses.

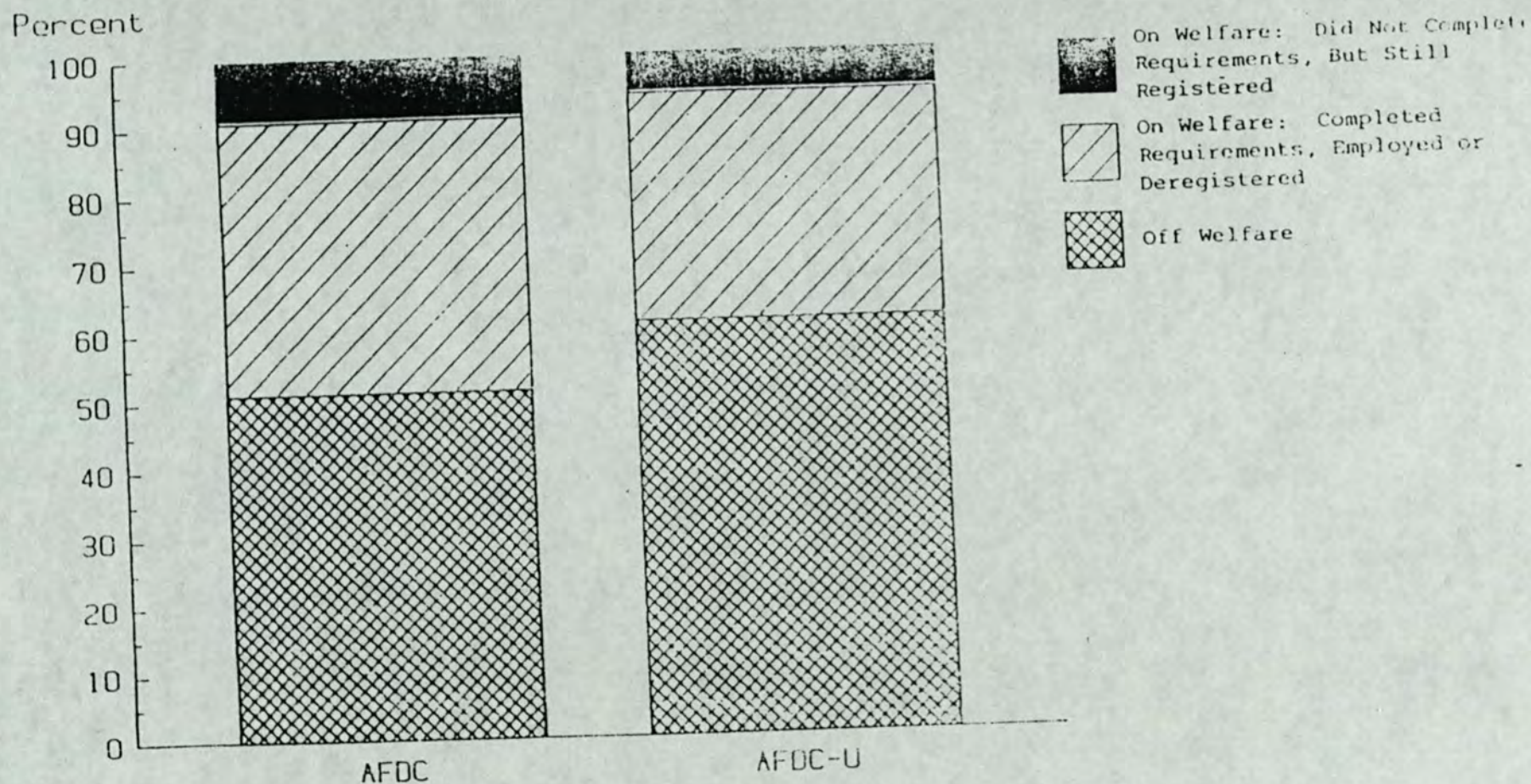
^a Sum of observed gains and losses.

^b Sum of observed and extrapolated gains and losses, assuming an annual 30 percent decline in program impacts during the extrapolation period.

^c Sum of observed and extrapolated gains and losses, assuming no change in program impacts after data collection ends.

FIGURE 1

PERCENT DISTRIBUTION OF EXPERIMENTAL REGISTRANTS^a BY PROGRAM, WELFARE, AND EMPLOYMENT STATUS IN THE NINTH MONTH AFTER WELFARE APPLICATION



SOURCE: MDRC (1985b), Table 4.1, p. 80.

NOTE: ^a Includes both Job Search - EWEP and Job Search Experimentals.

(SAN DIEGO)

TABLE 65 AFDC APPLICANTS: SUMMARY OF PROGRAM IMPACTS

Outcome and Follow-Up Quarter	Job Search - EWEP			Job Search		
	Experimentals	Controls	Difference	Experimentals	Controls	Difference
Percent Employed During						
Second Quarter ^a	32.4	25.6	+ 6.8***	35.6	25.6	+ 10.0***
Third Quarter	37.6	26.7	+ 9.0***	36.3	26.7	+ 7.6***
Fourth Quarter	40.7	33.4	+ 7.3***	35.8	32.4	+ 3.4*
Ever Employed During Three-Quarter Follow-up Period (%)	81.8	42.2	+ 39.6***	80.4	42.2	+ 38.2***
Average Total Earnings (\$) During						
Second Quarter ^a	434.84	304.87	+ 130.27***	501.89	304.87	+ 197.32***
Third Quarter	516.22	480.68	+ 137.38**	594.13	480.68	+ 213.25***
Fourth Quarter	730.17	606.74	+ 123.43*	702.67	606.74	+ 95.93
Average Total Earnings During Three-Quarter Follow-up Period	1782.27	1392.29	+ 389.98**	1898.69	1392.29	+ 506.40***
Percent Who Ever Received Any AFDC Payment During Quarter of Application ^b						
Second Quarter	77.0	81.3	- 4.3*	79.3	81.3	- 2.0
Third Quarter	64.7	69.0	- 4.3*	66.1	69.0	- 2.9
Fourth Quarter	64.2	68.7	- 4.5*	61.9	68.7	- 6.8**
Fourth Quarter	47.8	48.6	- 0.8	45.8	46.6	- 0.8
Ever Received AFDC Payment During Twelve-Month Follow-Up	82.8	85.0	- 2.2	83.7	85.0	- 1.3
Average AFDC Payments (\$) Received During Quarter of Application ^b						
Second Quarter	721.60	736.35	- 14.72	723.91	736.35	- 12.47
Third Quarter	689.43	763.89	- 74.55**	706.43	763.89	- 57.56
Fourth Quarter	606.36	668.25	- 61.89*	604.17	668.25	- 64.08
Fourth Quarter	536.53	562.95	- 26.42	542.55	562.95	- 20.40
Average Total AFDC Payments Received During Twelve-Month Follow-Up (1)	2555.88	2761.66	-205.78*	2577.08	2761.66	-184.58

SOURCE: MDRC (1985b), Table 5.5, p. 120.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

^a These data are for the first calendar quarter after the quarter in which a person applied for welfare.

^b The first month of the first quarter is the month in which an individual applied for welfare.

*Statistically significant at the 10 percent level.

**Statistically significant at the 5 percent level.

***Statistically significant at the 1 percent level.

(SAN DIEGO)

TABLE 7:

AFDC-U APPLICANTS: SUMMARY OF PROGRAM IMPACTS

Outcome and Follow-Up Quarter	Job Search - EWE ^a			Job Search		
	Experimentals	Controls	Difference	Experimentals	Controls	Difference
Percent Employed During						
Second Quarter ^b	44.8	39.3	+ 5.3*	43.5	39.3	+ 4.2
Third Quarter	50.2	48.9	+ 1.3	48.8	48.9	- 0.1
Fourth Quarter	53.1	52.5	+ 0.7	49.8	52.5	- 2.6
Ever Employed During Three-Quarter Follow-up Period (%)	55.9	54.4	+ 1.5	52.7	54.4	- 1.6
Average Total Earnings (\$) During						
Second Quarter ^b	789.71	740.88	+ 48.83	803.08	740.88	+ 162.18*
Third Quarter	1233.21	1244.73	- 11.51	1337.05	1244.73	+ 92.32
Fourth Quarter	1537.20	1518.31	+ 18.89	1548.98	1518.31	+ 30.67
Average Total Earnings During Three-Quarter Follow-up Period	2570.12	2501.91	+ 68.21	2689.10	2501.91	+ 187.19
Percent Who Ever Received Any AFDC Payment During						
Quarter of Application ^b	73.6	76.8	- 3.2	77.2	76.8	+ 0.4
Second Quarter	58.2	61.4	- 3.2*	57.8	61.4	- 3.6
Third Quarter	44.4	48.6	- 4.2**	46.1	48.8	- 2.6
Fourth Quarter	27.8	41.1	- 13.3***	41.0	41.1	- 0.1
Ever Received AFDC Payment During Twelve-Month Follow-Up	80.0	89.4	- 9.4	81.7	82.4	- 0.7
Average AFDC Payments (\$) Received During						
Quarter of Application ^b	566.76	623.72	- 56.96	594.48	623.72	- 29.24
Second Quarter	601.11	699.59	- 98.48**	623.75	699.59	- 75.84
Third Quarter	490.62	631.36	- 140.74***	520.25	631.36	- 111.11**
Fourth Quarter	474.79	557.44	- 82.65**	508.24	557.44	- 49.20
Average Total AFDC Payments Received During Twelve-Month Follow-Up (\$)	2232.47	2582.11	- 349.63***	2356.80	2582.11	- 225.31*

SOURCE: MDRC (1985b), Table 5.6, p. 121.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences to rounding.

^a These data are for the first calendar quarter after the quarter in which a person applied for welfare.

^b The first month of the first quarter is the month in which an individual applied for welfare.

* Statistically significant at the 10 percent level.

** Statistically significant at the 5 percent level.

*** Statistically significant at the 1 percent level.

(SAN DIEGO)

TABLE 8: ESTIMATED SHORT-TERM BENEFITS OF JOB SEARCH AND JOB SEARCH-EWEP THROUGH DECEMBER 1983,^a BY ASSISTANCE CATEGORY, RESEARCH GROUP, AND ACCOUNTING PERSPECTIVE

Component of Analysis	Job Search - EWEP			Job Search		
	Accounting Perspective			Accounting Perspective		
	Social	Applicant	Taxpayer	Social	Applicant	Taxpayer
AFDC SAMPLE						
Benefits						
Value of EWEP Output	\$229	\$ 0	\$229	-91	\$ 0	-91
Increased Earnings	481	481	0	438	438	0
Increased Tax Payments	0	-85	85	0	-82	82
Reduced AFDC Payments	0	-187	187	0	-173	173
Other Reduced Transfer Payments	0	177	-177	0	127	-127
Reduced Transfer Administrative Costs	-2	0	-2	1	0	1
Reduced Use of Training Programs	50	-6	56	45	-7	52
Costs						
EPP Operating Costs	-386	0	-386	-383	0	-383
EWEP Operating Costs	-73	0	-73	b	0	b
Allowances and Support Services	0	22	-22	0	12	-12
Client Out-of-Pocket Expenses	-15	-15	0	0	0	0
Net Value	\$280	\$367	-\$87	\$86	\$313	-\$215
AFDC-U SAMPLE						
Benefits						
Value of EWEP Output	\$380	\$ 0	\$380	\$ 1	\$ 0	\$ 1
Increased Earnings	270	270	0	324	324	0
Increased Tax Payments	0	-45	45	0	-54	54
Reduced AFDC Payments	0	-378	378	0	-307	307
Other Reduced Transfer Payments	0	-250	250	0	-83	83
Reduced Transfer Administrative Costs	48	0	48	27	0	27
Reduced Use of Training Programs	55	b	55	58	b	58
Costs						
EPP Operating Costs	-475	0	-475	-480	0	-480
EWEP Operating Costs	-65	0	-65	b	0	b
Allowances and Support Services	0	21	-21	0	8	-8
Client Out-of-Pocket Expenses	-16	-16	0	0	0	0
Net Value	\$157	-\$400	\$557	-\$870	-\$891	\$24

SOURCE: MDRC (1975b); Tables 6.7 and 6.8, pp. 178 and 179.

NOTES: Benefits and costs reflect estimated experimental-control differences. See Chapter 6 for data sources and estimation procedures. Because of rounding, detail may not sum to totals.

^a Because of the limited time period covered by this preliminary analysis, most of the program costs, but only part of the program benefits, have been estimated.

^b Estimated value of component less than \$0.50.

(WEST VIRGINIA)

TABLE 9: NUMBER OF CWEP PARTICIPANTS IN AFDC-U SATURATION AREAS AS A PROPORTION OF THE AFDC-U CASELOAD,
BY ADMINISTRATIVE AREA AND CALENDAR MONTH

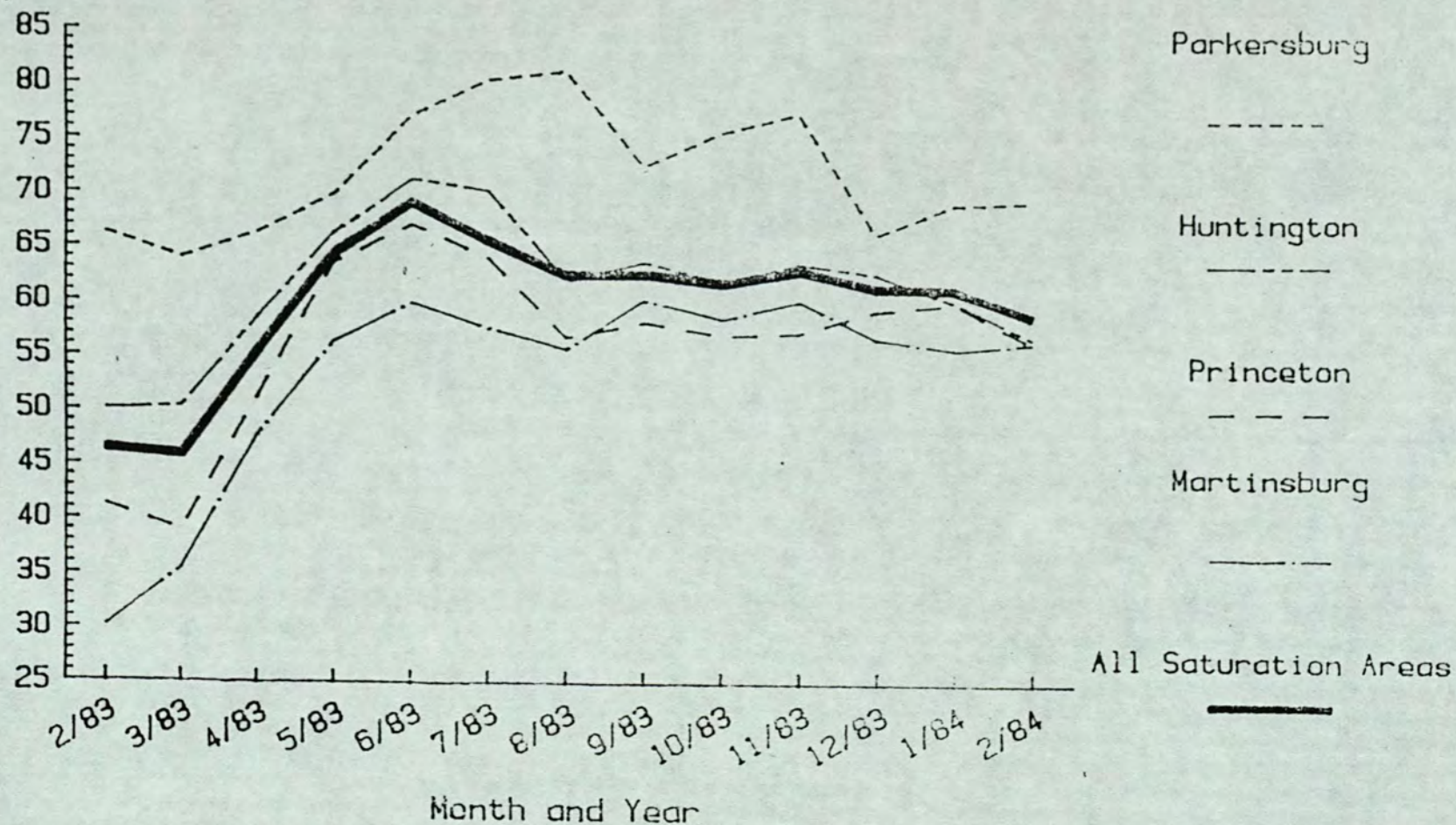
Administrative Areas	Feb- ruary 1983	March 1983	April 1983	May 1983	June 1983	July 1983	August 1983	Sept- ember 1983	Oct- ober 1983	Nov- ember 1983	Dec- ember 1983	Jan- uary 1984	Feb- ruary 1984
Huntington													
CWEP Participants	168	171	199	204	199	192	209	221	222	232	226	240	249
AFDC-U Caseload	336	340	341	308	280	315	338	348	360	366	362	401	440
Participation Rate (%)	50.0	50.3	58.4	66.2	71.1	70.0	61.8	63.5	61.7	63.4	62.4	59.9	56.6
Martinsburg													
CWEP Participants	59	79	99	99	86	70	61	60	56	60	65	71	77
AFDC-U Caseload	196	223	208	176	144	122	110	100	96	100	115	128	137
Participation Rate (%)	30.1	35.4	47.6	56.3	59.7	57.4	55.5	60.0	58.3	60.0	56.5	55.5	56.2
Parkersburg													
CWEP Participants	143	147	155	155	160	162	154	138	147	156	148	168	175
AFDC-U Caseload	216	230	234	222	208	202	190	191	195	202	224	244	253
Participation Rate (%)	66.2	63.9	66.2	69.8	76.9	80.2	81.0	72.3	75.4	77.2	66.1	68.9	69.2
Princeton													
CWEP Participants	186	189	244	285	275	263	263	272	280	289	298	317	325
AFDC-U Caseload	451	486	477	449	411	412	465	469	493	506	504	530	579
Participation Rate (%)	41.2	38.9	51.2	63.5	66.9	63.8	56.6	58.0	56.8	57.1	59.1	59.8	56.1
Total for Saturation Area													
CWEP Participants	556	586	697	743	720	687	687	691	705	737	737	796	826
AFDC-U Caseload	1,199	1,279	1,260	1,155	1,043	1,051	1,103	1,108	1,144	1,174	1,205	1,303	1,409
Participation Rate (%)	46.4	45.8	55.3	64.3	69.0	65.4	62.3	62.4	61.6	62.8	61.2	61.1	58.6

SOURCE: MDRC (1984), Table 4.3, p. 80.

FIGURE 2

TRENDS IN THE PERCENTAGE OF AFDC-U CASELOAD
PARTICIPATING IN CWEP, BY SATURATION AREA,
FEBRUARY 1983 - FEBRUARY 1984

Participation Rate

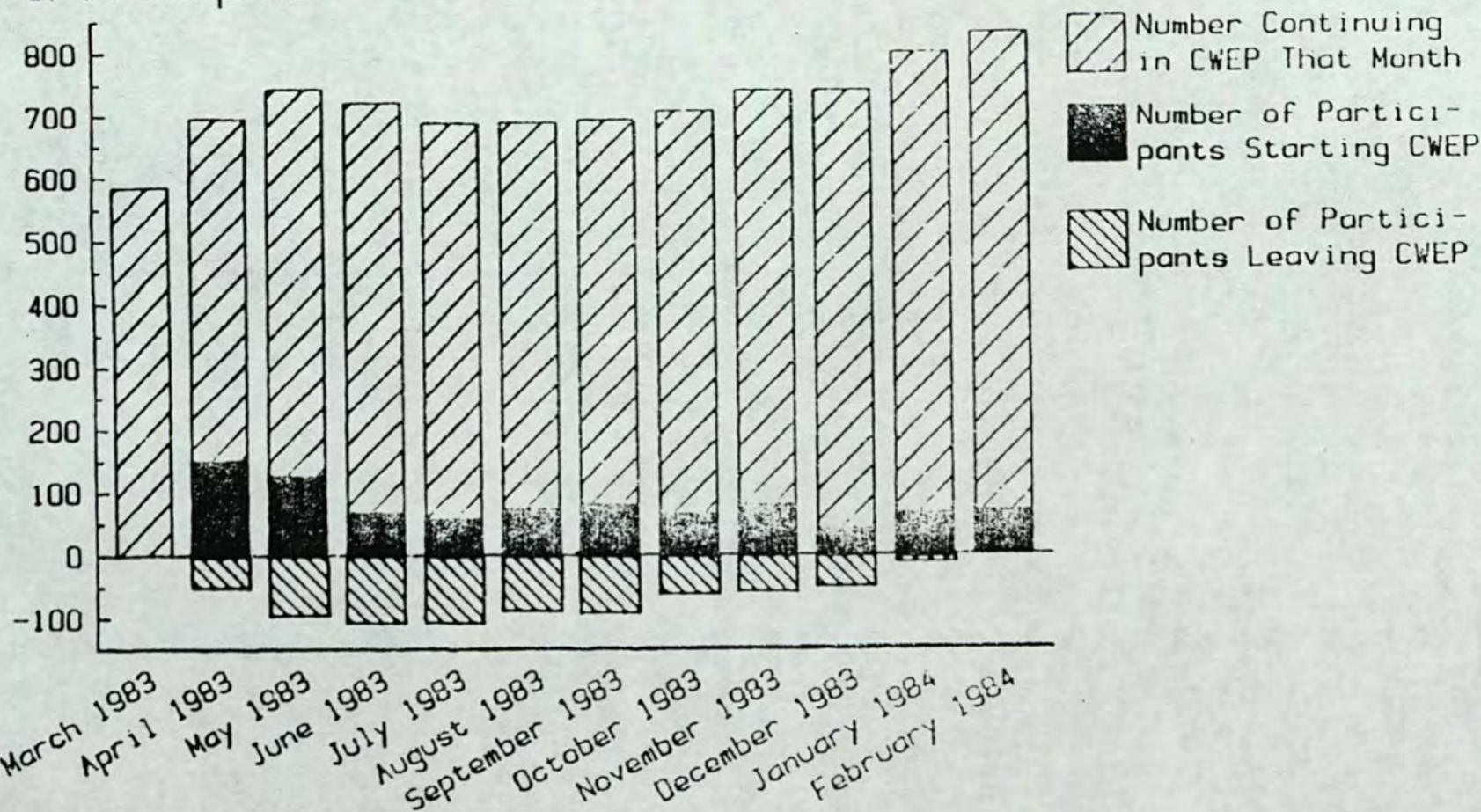


Source: Table 9.

(WEST VIRGINIA)

FIGURE 3
 NUMBER OF AFDC-U REGISTRANTS
 PARTICIPATING, STARTING, AND LEAVING CWEP
 IN SATURATION AREAS, BY CALENDAR MONTH

Number of Participants



SOURCE: MDRC (1984), Figure 4.3, p. 84.

NOTE: Data for full set of calculations unavailable for March 1983 and February 1984.

(WEST VIRGINIA)

TABLE 10: KEY PERFORMANCE INDICATORS OF THE AFDC-U ANALYSIS SAMPLE,
WITHIN EIGHT MONTHS AFTER RESEARCH START
(MARCH - JUNE 1983 SAMPLE)

Performance Indicator	Prior Registrants	New Registrants	Total
Participated in CWEP (%) ^a	70.6	51.7	65.1***
Reported Placed in a Job (%) ^b	29.3	32.3	30.2
Sanctioned (%)	7.3	9.5	7.9
Total Sample	1141	474	1615

SOURCE: MDRC (1984), Table 4.4, p. 91.

NOTES: Prior registrants are those individuals who were registered with the WIN program as of March 1, 1983. Their research start date is March 1, 1983. Research start date for each new registrant is his/her WIN registration date.

^aParticipation is defined as working at a CWEP worksite for at least one day.

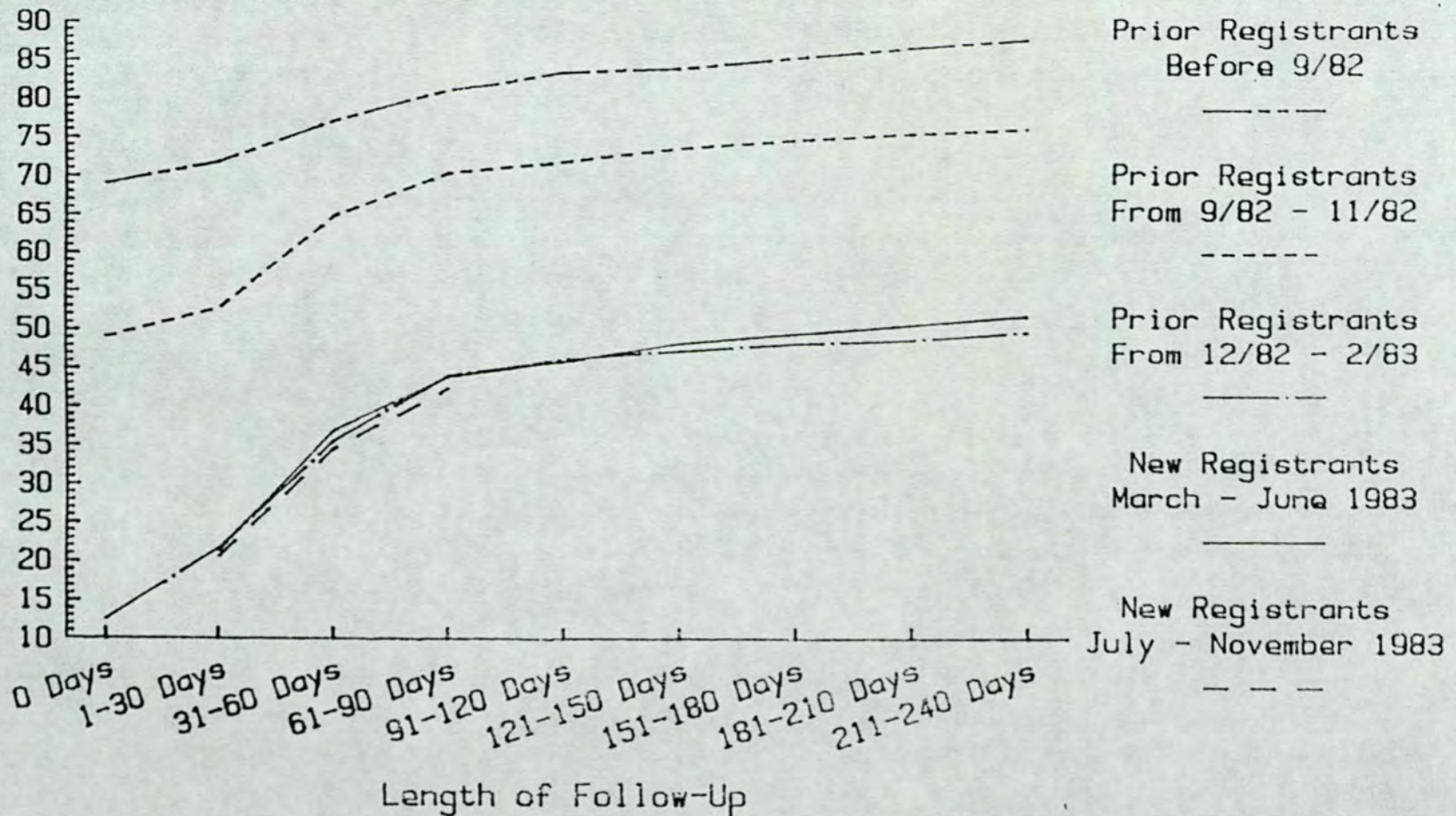
^bProgram placement information is based on employment that is reported to program staff by the registrant or the Department of Economic Services.

***Differences between prior registrants and new registrants are statistically significant at the 1 percent level using a two-tailed t-test.

Figure 4

CUMULATIVE PERCENTAGE OF AFDC-U SAMPLE MEMBERS PARTICIPATING IN CWEP, BY DATE OF WIN REGISTRATION

Percent Participating



SOURCE: MDRC (1984), Figure 4.6, p. 99.

NOTES: Participation shown at "0" days indicates the percent of the sample participating when the demonstration started.

Follow-up for all prior registrants starts on March 1, 1983. Follow-up starts at WIN registration for new registrants.

(WEST VIRGINIA)

TABLE 11 : KEY PERFORMANCE INDICATORS OF THE AFDC ANALYSIS SAMPLE
 WITHIN THREE MONTHS AFTER RANDOM ASSIGNMENT
 (JULY - NOVEMBER 1983 SAMPLE)

Performance Indicator	Re-Appraised Current Registrants	New Registrants	Total
Participated in CWEP (%) ^a	18.4	10.0	16.4***
Reported Placed in a Job (%) ^b	5.8	7.1	6.1
Sanctioned (%)	0.4	1.0	0.5
Total Sample	997	310	1307

SOURCE: MDRC (1984), Table 5.2, p. 113.

NOTES: Random assignment for current registrants is at re-appraisal.
 Random assignment for new registrants is at WIN registration.

^aParticipation is defined as working at a CWEP worksite for at least one day.

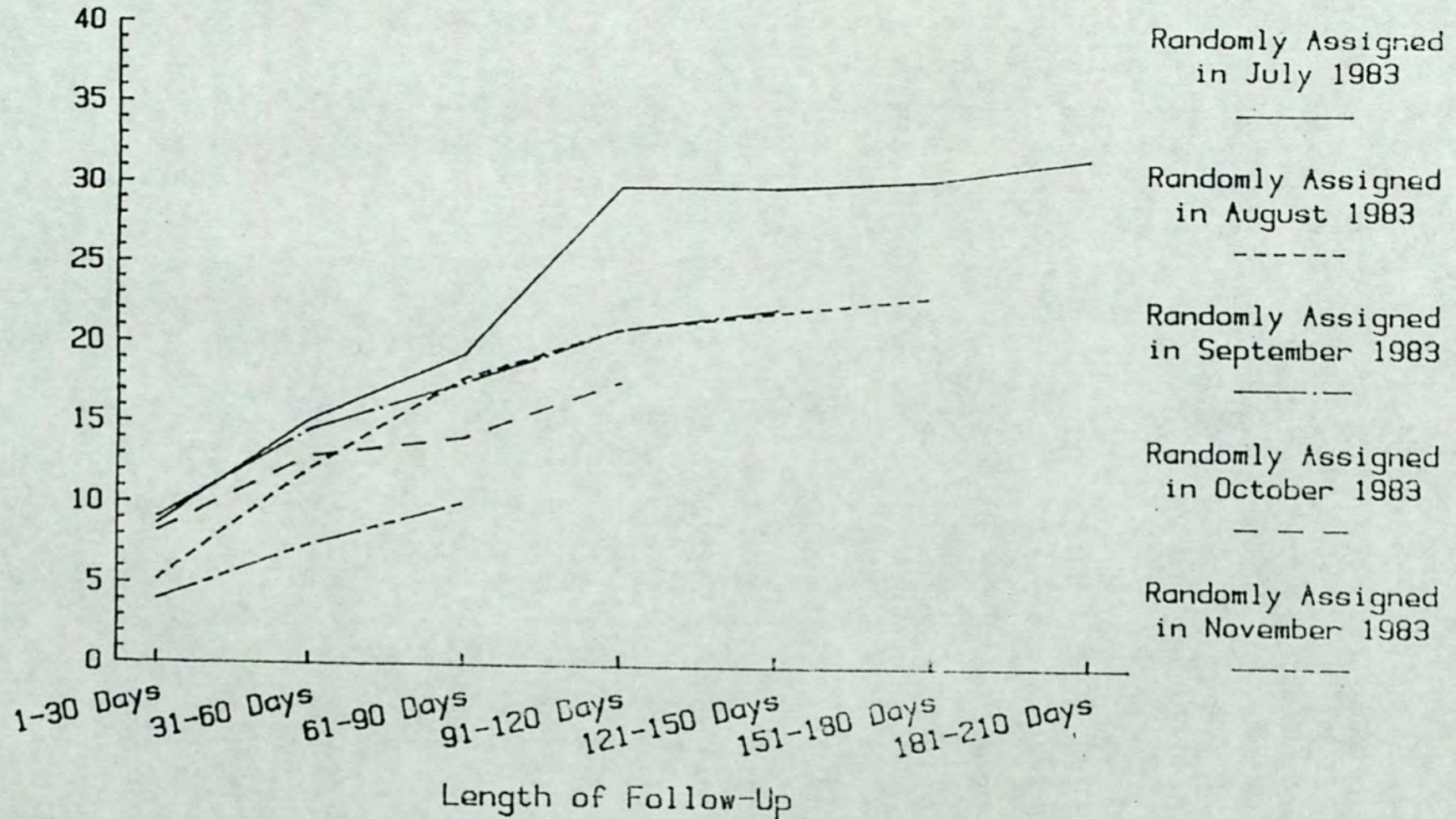
^bProgram placement information is based on employment that is reported to program staff by the registrant or the Department of Economic Services.

***Differences between current registrants and new registrants are statistically significant at the 1 percent level using a chi-square test.

Figure 5

CUMULATIVE CWEP PARTICIPATION RATES OF AFDC ANALYSIS SAMPLE MEMBERS
RANDOMLY ASSIGNED EACH MONTH, BY LENGTH OF FOLLOW-UP

Participation Rate



SOURCE: MDRC (1984), Figure 5.i, p. 119.

References

- GAO (1981), Insights Gained in Workfare Demonstration Projects, CED-81-117, Washington, D.C., July 31.
- GAO (1982), Food Stamp Workfare--Cost Benefit Results Not Conclusive; Administrative Problems Continue, CED-82-44, Washington, D.C., February 19.
- GAO (1983), Does AFDC Workfare Work? Information Is Not Yet Available From HHS's Demonstration Projects, GAO/IPE-83-3, Washington, D.C., January 24.
- GAO (1984a), CWEP's Implementation Results to Date Raise Questions About The Administration's Proposed Mandatory Workfare Program, GAO/PEMD-84-2, Washington, D.C., April 2.
- GAO (1984b), An Evaluation of The 1981 AFDC Changes: Initial Analyses, GAO/PEMD-84-6, April 2.
- GAO (1985), Evidence Is Insufficient to Support The Administration's Proposed Changes to AFDC Work Programs, GAO/HRD-85-92, Washington, D.C., August 27.
- MDRC (1984), Interim Findings on the West Virginia Community Work Experience Demonstrations, New York: Manpower Demonstration Research Corporation, November.
- MDRC (1985a), Arkansas: Final Report on the WORK Program in Two Counties, New York: Manpower Demonstration Research Corporation, September.
- MDRC (1985b) Findings from the San Diego Job Search and Work Experience Demonstration, New York: Manpower Demonstration Research Corporation March.

Appendix 1: Food Stamp Workfare

Under the Food Stamp Act of 1977 recipients of food stamps were to be required to work on public service jobs for the value of their benefits in 14 pilot or demonstration projects. Food stamp recipients subject to workfare were identified by the food stamp office and, after a thirty-day job-search period, were assigned to work in state and local government agencies or with private, nonprofit organizations. Workfare participants were notionally employed at the minimum wage rate for sufficient hours to earn their households' food stamp benefits. Those who failed to report for work were referred back to the food stamp office to determine whether sanctions be imposed. In the absence of "good cause" (e.g., absence of transportation, illness, and conflict with employment, training, or job search) the individual was rescheduled for work. Referrals who refused either to be assigned or to carry out obligations were sanctioned by being denied food stamp benefits for one month, although other members of the family would continue to receive benefits. If the individual continued to ignore the workfare obligation, sanctions of one month's duration were to be applied every other month. Ten categories of food stamp recipient were exempted from workfare participation:

- (i) those aged less than 18 and those aged 60 and above;
- (ii) those physically or mentally unfit for employment;
- (iii) those subject to and participating in WIN;
- (iv) those parents responsible for the care of a dependent child under 12 or an incapacitated individual;
- (v) those parents or other caretakers of a child under 18 in a household where another able bodied parent is registered for work or is exempt as a result of unemployment;
- (vi) those receiving unemployment benefit;

- (vii) regular participants in a drug addiction or alcoholic treatment and rehabilitation program;
- (viii) those employed or self employed and working a minimum of 30 hours per week or receiving weekly earnings at least equal to the Federal minimum wage multiplied by 30 hours;
- (ix) students enrolled at least half time in any recognized school, training program, or institution of higher education;
- (x) households whose earned income is low enough to qualify for food stamps but which is equal to or exceeds their monthly food stamp benefits.

Experience with food stamp welfare at the seven (rather than fourteen) demonstration projects actually operated during the first year of the program has been documented by the General Accounting Office (GAO, 1981). The GAO analysis focuses on exemptions, waiting periods, sanctions and administration. Taking each in turn, the GAO first recommended a change in certain of the exemptions listed above. Specifically, it singled out items (iii), (vi), (ix), and (x) as automatic exemptions. In the total of 1,900 certifications sampled by the GAO in the project areas, no less than 1,675 (88 percent) were exempt from workfare participation and of these 470 fell within the four exempt categories. The GAO made its recommendation in the light of the generally low workfare obligation -- typically less than 5 days (40 hours) a month. Such a modest time involvement, reasoned the GAO, was unlikely to create a real conflict with participants' efforts to look for a job, go to school, or engage in part-time employment or training. Second, the GAO argued that the 30-day job search allowance given new referrals to the workfare program prior to being assigned to a workfare job was excessive. The basic problem here was that households were in many cases approved to receive food stamp benefits for only short periods at a time so that many individuals would not be affected by

workfare. It was reported that out of a sample of 805 workfare referrals, 130 did not start a workfare job because their food stamp certification period ran out before they could be assigned. Accordingly, the GAO recommended that all those eligible for workfare should report to the workfare office for interview and work assignment as an integral part of the certification procedure for food stamps. Third, with respect to sanctions, the GAO argued that the existing rules did not provide an effective deterrent to workfare noncompliance and suggested the possibility that food stamps be denied for a specified number of months or until all past workfare obligations were satisfied. Indeed, it was even suggested that benefits be denied to the entire household for similar periods of time. Fourth, much was made of the administrative weaknesses attaching to the program. The workfare program was administered by the Department of Agriculture. Criticism was made of both Federal and local project design and administration. At the Federal level, Agriculture did not require demonstration sites to examine their existing food stamp caseload to identify and refer all eligible participants to workfare jobs as soon as possible. Furthermore, Agriculture did not develop criteria for determining whether welfare participants performed satisfactorily on their assigned jobs. Typically, merely showing up at the job site constituted compliance. Again, Agriculture had not required demonstration projects to verify the validity of "good cause" reasons for nonattendance at workfare interview or job. At the local level, individual project sites were shown to have experienced several types of administrative difficulties involving delays in interviewing participants and in notifying food stamp offices of required sanctions. Two locations were detected to have been handling sanctioning requirements incorrectly. Other failings included a lack of continuity in the workfare office -- staffing shortages in two sites suspended or curtailed demonstration activities -- and a lack of full local support of demonstration objectives.

The GAO also commented on the cost effectiveness of food stamp workfare. While noting that data on costs and benefits at the seven demonstration projects were very sketchy, the GAO estimated the annual project operating costs at \$360,000 (some \$120,000 of which represented special evaluation costs). The GAO was able to identify additional costs directly attributable to the workfare project at only four of the seven projects in the form of the salaries of full time staff in the workfare office. Other workfare costs and all food stamp office costs were based on allocations and estimates. As for the benefits side, the value of work performed and sanctions applied was crudely set at \$115,900. This value did not include savings resulting from individuals not applying for food stamps or leaving the program because of their disinclination to participate in workfare. The savings in food stamp benefits resulting from recipients finding regular jobs, and as a result leaving the program or receiving lower benefits, were also not computed. Nor for that matter was any account taken of the value of any work training or work ethic acquired by workfare participants. It was noted that changes in the law, in program regulations, and in administration could only impact favorably on the benefits and effectiveness of workfare.

In 1982 the GAO issued a second report on food stamp workfare drawing on an expanded sample of demonstration projects made possible by a one-year extension of the demonstration authorized by the Food Stamp Amendments of 1980. The report (GAO, 1982) broadly confirmed the conclusions of the earlier report that expanded workfare eligibility criteria, shorter job-search periods, stronger penalties for noncompliance, and better local administration would increase participation in the food stamp workfare program and provide additional program benefits.

During the period in which the report was prepared, legislation was passed -- the Agriculture and Food Act of 1981 -- which authorized states and local

jurisdictions to implement workfare as a permanent feature of the Food Stamp Program. In addition to ending the demonstration, the Act contained many of the legislative changes recommended by the GAO in its earlier report (GAO, 1981) and Congressional testimony. The Act removed several of the exemptions for participation, eliminated the mandatory 30-day job-search period, and strengthened the penalty for not fulfilling workfare obligations. The GAO recommendations that the automatic exemptions for households based on earned income and student status be eliminated were not enacted into law, but some change was made with respect to the earned income exemption.

Four specific points of the GAO report might usefully be adumbrated here. First, at the four sites investigated, enough jobs existed for workfare participants. Specifically, the number of hours that participants were required to work varied from 8.5 percent to 63.1 percent of the total hours available, and at each site less than half the assigned hours were completed. Second, the evaluation of workfare costs and benefits remained sketchy. The evaluative exercise prepared by Agriculture in its April 1981 report to Congress had revealed results from a Government perspective that ranged from a net gain of \$5 per person to a net cost of \$9 per person referred to the Workfare Demonstration Project. The following items comprised costs and benefits:

- (i) reduction in food stamp benefits payable (including sanctions imposed) and lower administrative costs ranged from \$21 to \$29 per person;
- (ii) tax revenues ranged from an increase of \$13 per person to a decrease of \$13 per person;
- (iii) net work benefits were about \$21 per person (\$23.50, less a 10 percent imputed cost for worksite supervision);

- (iv) total administrative costs were about \$50 for each person referred to workfare.

As before, the GAO noted that changes in program policies, procedures and practices (including the separate administration of workfare and work registration) could significantly alter the benefit-cost relationship. But its main point was that the data indicated workfare to be administratively feasible. As for the future, it recommended that Agriculture should seek to evaluate alternative program designs: an endeavor that would require establishing and reporting on workfare goals that were explicit and measurable. These goals included returning something of value in exchange for Government or community support; introducing individuals to a work environment; and deterring applications for benefits by those who could work but chose not to work. Third, the GAO tentatively concluded from a reduction in the job search period to 10 days in one demonstration that participation was boosted, allowing the project to react faster in both assigning and sanctioning households. Finally, the GAO noted the emergence of union opposition to workfare despite the fact that the food stamp workfare legislation prohibited workfare participants from being assigned to a job site having employees on layoff status who formerly performed the same or equivalent tasks. (Identical restrictions apply in the case of hiring freezes unless open positions resulting from the freeze occurred because of a lack of funds to sustain staff levels, not solely because work participants were available.) In two of the locations examined it was found that when unions objected -- even when the functions to be performed by workfare participants were not usually performed by regular personnel -- workfare directors and the job sites yielded to union insistence that assignments not be made to those organizations.

Appendix 2: CWEP Demonstrations by State, 1982

The following material summarizes information on eleven CWEP demonstrations and is taken verbatim from the General Accounting Office report Does AFDC Workfare Work? Information Is Not Yet Available From HHS's Demonstration Reports (GAO, 1983).

1. CALIFORNIA

The San Diego County Experimental Work Project (EWEP) was approved for fiscal year 1983. It will be operated in coordination with an existing demonstration project that has intensive job search and placement assistance components and is called the Private Sector Alternative to Welfare Dependency program, or PSA. After 3 weeks in the job search program, participants may be assigned to EWEP for up to 32 hours a week for 3 months. The program will be targeted primarily toward recipients of AFDC-UP benefits. EWEP will be tested both separately and as a component of the broader employment strategy.

The program has four objectives: to reduce AFDC caseload size and cost for the category of recipients who are required to participate, improve the public perception of welfare recipients, increase the recipients' self-reliance and self-esteem, and determine the costs and benefits of this approach.

Final decisions about the evaluation design will be made with the assistance of an independent contractor. At this point, specific criteria for judging success on each objective have been tentatively defined. It is also anticipated that participants will be assigned randomly to experimental and control groups in order to determine EWEP's effect.

Special Federal 1115(a) project funds amount to \$108,000, and no waivers have been granted.

2. MICHIGAN

Michigan's demonstration is a component of its WIN demonstration. The combined program is called the Employment and Training Program (ETP) and was

approved in March 1982. The CWEP component of ETP replaces a previous CWEP demonstration that was approved in January 1982 but never implemented. All employable AFDC and General Assistance recipients in the State must register for ETP unless exempted by the regulations. Caseworkers assign registrants for up to 40 hours a week to one or more of three activities--"looking" (as in participation in a job club), "working" (as in employment under CWEP), and "learning" (as in enrollment in an adult education program).

According to the Social Security Administration's Office of Family Assistance, all waivers for ETP apply to CWEP participants. Waivers that have been granted allow the State to require an adult with a child as young as 6 months to participate in CWEP and to remove an entire family from the AFDC rolls for one month the second time the responsible adult refuses to participate in CWEP. The one waiver that applies only to CWEP participants is an agreement in which the Federal Government will pay 50 percent of work-expense reimbursements greater than \$25 a month.

Michigan did not propose and SSA did not request that the CWEP component of WIN be evaluated separately or that the effect of all the waivers on CWEP participants be evaluated. SSA did, however, set conditions for the approval of the increase in the \$25 work-expense allowance. One is that the cost of work expenses may average no more than \$45 a month for an average monthly total of 5,000 clients 16 to 21 years old. Another is that the evaluation methodology must contain one control group and two treatment groups. These conditions and the details of an acceptable evaluation plan are being negotiated.

There are no special Federal 1115(a) project funds.

3. NEW MEXICO

The objective of the Las Cruces Work Experience Project is to design, implement, and test a CWEP for 42 AFDC recipients in Las Cruces and its

vicinity that will prepare them for regular employment. Approved for fiscal 1983, its emphasis will be on training, job development, and job search. Four target groups were identified, but the selection of participants will be mainly from women who have been receiving AFDC benefits for longer than 5 years and whose youngest child's age will make them ineligible within a year. Participants will be at a work site for 13 weeks. Their placement there will be evaluated at the end of 4 weeks.

No specific criteria for the program's success have been defined and its results have not been anticipated. The job developer is expected to interview each participant and obtain an oral status report from the job supervisor every 2 weeks. No evaluation plan has been presented, but one condition of the demonstration's approval for fiscal 1983 was that an acceptable evaluation plan be developed.

Special Federal 1115(a) project funds amount to \$52,850, and no waivers have been granted.

4. NEW YORK

New York has the only demonstration that was approved in the first group of solicitations for 1982 and then funded in the second group for fiscal 1983. The second demonstration differs from the first only in that it includes an evaluation plan that compares the CWEP results with statistics from similar districts that have no CWEP and from another employment program. The first demonstration did not include an evaluation plan because New York expected to develop one in cooperation with another evaluation project that SSA never funded.

CWEP's have been approved for 14 local districts that volunteered to participate in the demonstration. The districts are expected to differ in the way they administer CWEP and in the support services they provide. This difference is considered to be an important feature of the State's program.

program's objectives are to offer work and training that will ease the recipients' transition to regular employment, to test the relative effectiveness of various models of CWEP in the several districts, and to test the extent to which CWEP removes from the welfare rolls employable recipients who have chosen not to participate.

Because New York did not have an amended State plan for implementing CWEP when it first applied, the demonstration's approval required waivers for making participation in a work program a condition of AFDC eligibility in some counties. The waivers also allow some counties to use sanctions other than those usually allowed in CWEP's. One sanction removes the individual from the grant calculation for 60 days for each instance of noncompliance, except that the shelter allowance is not affected. Another removes from the grant for 30, 60, and 90 days (for the first, second, and third offenses) people who refuse to participate.

Special Federal 1115(a) project funds amount to \$68,834.

5. NORTH CAROLINA

Approved in January 1982, North Carolina's program consists of six projects administered by counties. Its goal is to design and test an approach to help AFDC recipients enter the work force that would be feasible and cost-effective if it were used statewide.

The State received waivers that allow it to operate a CWEP without an approved State plan. The program differs from those established under the basic CWEP legislation in that all participants can be required to work the same fixed number of hours. It differs also in that an agreement to participate is a condition of eligibility not only for recipients but also for applicants, although they cannot be required to participate unless they become recipients.

The State's application for the program indicated that the demonstration would be related to four research efforts. The first is a public opinion survey on the effect workfare has on public attitudes toward welfare and welfare recipients. The second is a study of families who have lost their grants by not participating. (North Carolina applied for a waiver that would have allowed it to apply sanctions against entire families for noncompliance, but it was not granted.) The third research activity is to develop a Markov model for describing participants' progress through the various program stages. The fourth research activity is to assess the project's deterrence of welfare participation. Little information on how these efforts are to be carried out was provided in either the application or our visit to the State. It is also unclear whether all or any of the efforts will be attempted, except that the study of sanctioned families has definitely been abandoned because of the waiver's denial.

No special Federal 1115(a) project funds have been granted.

6. OHIO

Ohio's demonstration, approved in January 1982, is being operated by Bowling Green State University in Wood County. The Wood County Welfare Department refers all employable AFDC recipients to the project. Those who are referred are tested for job skills, placed on a 120-hour orientation program, and assigned to CWEP job sites. Ohio needed waivers because the project does not operate under an amended State plan.

The demonstration's evaluation plan was designed to describe the accomplishment of the following five activities:

- the establishment of a community work experience program for AFDC recipients in Wood County,
- the provision of a 120-hour program orientation to approximately 500 AFDC recipients,

- the placement of at least 75 percent of the program's participants in public service jobs,
- the employment of at least 30 percent of the program's participants in unsubsidized jobs within 6 to 12 months after they entered CWEP, and
- the reduction of the number of AFDC recipients in Wood County

There are no plans for comparing these statistics on CWEP's participants with outcomes for recipients not in CWEP.

The demonstration has no special Federal 1115(a) project funds.

7. OKLAHOMA

Oklahoma's Work Experience Program is one component of its WIN demonstration, which is called the Employment and Training Program, and it was approved in December 1981. Caseworkers assign AFDC and General Assistance recipients to CWEP only if they believe that these people need this particular kind of work experience.

The State received a waiver for both WIN and CWEP with which it can require the parent of a child younger than 6 years old to participate in CWEP. Its waiver request included a plan to evaluate the effectiveness of requiring the participation of mothers whose children are younger than 6 years old. The intention was to demonstrate that those mothers are more employable than AFDC mothers whose children are older than 6 and also that it is more cost-effective to register all AFDC applicants (except those who meet other exemption criteria) than to omit those with young children.

No separate evaluation of the overall effectiveness of the CWEP component of the WIN demonstration is planned. Program officials expect that any data-collection focused solely on CWEP will be quite limited.

There are no special Federal 1115(a) project funds for this demonstration.

8. PENNSYLVANIA

The CWEP in Pennsylvania is called the Pennsylvania Community Work Experience Program: Incentives for Employment. It will be instituted in fiscal 1983 in the context of a new State-administered welfare reform program for the AFDC and General Assistance populations. In addition to the services provided by Pennsylvania's Department of Public Welfare, three other departments will have a role in CWEP. The Department of Community Affairs will develop CWEP job slots, the Department of Labor and Industry will provide work registration and employment search services, and the Department of Revenues will administer a program through which employers receive tax credits for employing CWEP participants or for providing or paying for day-care services. The demonstration was proposed as a way of answering the following questions:

"What are the advantages and disadvantages of an interagency approach for administration of a work registration and work experience program?

"Following participation in CWEP, are there differences in the rate of placement in gainful employment among the categorical assistance groups?

"Are CWEP participants who receive incentive payment vouchers and/or supplemental employment services and training more likely to obtain gainful employment than CWEP participants who do not receive incentive payment vouchers and supplemental services?"

SSA's approval was conditional on the State's deleting from the evaluation plan all activities not related to CWEP. According to SSA's Office of Family Assistance, the meaning of that condition was to be negotiated after approval.

The evaluation plan calls for structured interviews with executives, program staff, job sponsors, and participants to address the first question. The second question will be answered by examining outcomes for different groups of CWEP recipients, but no comparison is planned with similar participants of programs other than CWEP.

Special Federal 1115(a) project funds amount to \$68,000, and no waivers have been granted.

9. SOUTH CAROLINA

Approved for fiscal year 1983, South Carolina's CWEP is expected to serve 2,000 recipients in two counties. In addition to providing work experience, it will offer an 18-module course in how to find, obtain, and keep a job. The program will involve all unassigned WIN registrants in one county and all employable recipients in the other county, which does not have a WIN program.

Three research and evaluation questions were posed in the application. The first is whether the project is successful in meeting its goal of being cost efficient. The definition of "cost-efficient" was that savings in governmental payments to participants because of CWEP are greater than the cost of CWEP. Savings are to be determined by comparing CWEP recipients with people who applied for welfare in the 3 months preceding CWEP. The difference over 12 months in AFDC, Medicaid, Title XX, and Food Stamps costs is to be attributed to CWEP participation.

The two other questions are "What are the reasons the project succeeded or failed?" and "How could the project have been more successful?" The answers to these questions are expected to come from questionnaires given to caseworkers and clients and from an analysis of data on the characteristics, participation, and job placements of the program's recipients.

Special Federal 1115(a) project funds amount to \$73,786, and no waivers have been granted.

10. VIRGINIA

Virginia's CWEP demonstration, approved for fiscal year 1983, is intended to demonstrate that a program of unpaid work experience coupled with self-directed job search will increase the number of people with jobs, can be operated cost-effectively and result in substantial welfare savings by reducing

ants and closing cases, and can be successful in urban and rural areas and with diverse populations.

Because the State plan was not amended to include CWEP, waivers were granted to allow the imposition of a work requirement in part of the State on mothers with children between the ages of 3 and 6 years old.

The evaluation plan calls for the random assignment of participants to experimental or control groups at each site. Evaluation hypotheses will be tested at each project site and for the whole program.

SSA's application approval set three conditions related to the evaluation. First, the evaluation plan proposed that employable recipients be assigned randomly to treatment groups (CWEP for 12 weeks, then self-directed job search) or control groups (self-directed job search only) in each of six welfare jurisdictions; SSA's approval required that the job search activity precede CWEP. Second, SSA required that the evaluation plan be modified "to ensure that there are sufficient size samples for the research design." Third, SSA required that the demonstration maintain the sample size and research budget for the project.

Special Federal 1115(a) project fund amount to \$75,000.

11. WASHINGTON

The target population for Washington's project is unassigned WIN registrants in two counties. It was approved for fiscal 1983. Its objectives are to assist recipients with little or no work skills to gain skills, determine the extent to which participants secure unsubsidized jobs, compare the participants' rate of employment with the rate for participants in other employment programs, and assess costs and benefits.

The evaluation methodology emphasizes both the process of implementation (including problems that may be encountered) and the outcomes. Outcomes will be assessed by an experimental design in which eligible participants are

assigned randomly to CWEP, to another employment program, or to a no-treatment control group. SSA's approval letter requested that their assignments come after, rather than before, the job search. Data collection will include a 6-month post-program study of all clients (by a telephone or a mail survey) and repeated interviews for in-depth case studies of 40 to 50 cases.

Special Federal 1115(a) project funds amount to \$64,530, and no waivers were granted.

Appendix 3: An Evaluation of CWEP Implementation, February 1983

In 1984 the General Accounting Office (GAO) issued a report on CWEP implementation in all 16 states that had operational programs as of February 1, 1983 (GAO, 1984a). The three principal questions addressed by the GAO were as follows:

- (i) have the states implemented programs in which participants work off the value of their AFDC grants in unpaid jobs;
- (ii) are all employable AFDC recipients required to participate in the CWEP;
- (iii) does CWEP reduce AFDC program costs and provide other social benefits.

First, the GAO reported that most participants do not in practice work off their grants at unpaid jobs. In only three of the sixteen states -- Delaware, Idaho, and West Virginia -- was this expectation met. (The projects in these states were limited in other ways. Thus, for example, West Virginia's CWEP, though operating as a statewide scheme, only applied to two-parent families so that most of the women in AFDC households were exempt from CWEP.)

In other CWEPs, participants could substitute job search or training activities for time at a work site, receive compensation that exceeded work expenses, or work less time than would be required to work off a grant. The various state procedures that limited the time spent by participants at the work site are given in Table A2.1, some of which are geared to increasing participants' employability.

[Table A2.1 near here]

Second, the GAO found that no state operated a program that required all employable AFDC recipients to participate in workfare. Recall that the 1981 federal statute and its regulations only define which participants may be required to participate; they do not require that each and every CWEP require

them all to do so. The states can decrease or increase the number of employable adults in their CWEP programs according to whether they implement the CWEP statewide and the scope of their eligibility criteria. As shown in Table A2.2, as of February 1983 only few states included all their counties in CWEP, although in Alabama, Georgia, Iowa, North Carolina, South Carolina, South Dakota, and Washington these were clearly pilot schemes in advance of intended statewide implementation. In other states, participation depended in practice upon county interest.

[Table A2.2 near here]

Most states chose eligibility criteria for their workfare programs similar to those used in existing work and training programs for AFDC recipients, typically WIN (see main text, pp. 4-5), although six states -- Michigan, New York, North Carolina, Ohio, Oklahoma, and South Carolina -- had expanded their eligibility criteria to require CWEP participation of AFDC recipients who have children younger than six (three, in the cases of Michigan and Oklahoma), given the availability of child care.

Using criteria for participation similar to those of WIN exempts many potentially employable adults. Because of this and the generally small-scale implementation of CWEP, participation in workfare has been limited. Table A2.3 indicates the extent of participation as of February 1983 in those states for which data are available. It can be seen that only one state, Alabama, included as many as one-half of the AFDC cases defined as eligible to participate, and that no state had as many as 20 percent of its AFDC cases participating in CWEP. In short, even statewide programs include only a fraction of the employable recipients of public assistance.

[Table A2.3 near here]

The GAO reports that this low participation reflects a number of factors. One is the fact that states have to pay everything in excess of \$25 for the

work-related expenses of the program; to economize therefore states have lessened the participation requirements or even exempted AFDC recipients who could work but who have expensive child-care or transportation needs. Another is that some states require participation from those eligible only if officials believe that the work experience would be beneficial.

Finally, what of AFDC costs in the wake of CWEP? Here the GAO draws attention to usable data from the San Diego experiment (see main text, pp. 30-39), but in general emphasizes the dearth of evaluative data on CWEP. Not surprisingly, the anecdotal evidence is mixed. For example, Alabama's pilot project was not extended beyond one county because its administrative costs substantially exceeded the original calculation of savings from terminating and reducing AFDC grants. On the other hand, Oklahoma officials asserted that the eligibility waiver that permitted them to include parents irrespective of the age of their children in that state's WIN demonstration (which includes CWEP) had resulted in net savings of approximately \$150,000 in one year. Even here the GAO cautions that Oklahoma planned to reduce the size of CWEP because of its cost.

The GAO notes the difficulty of assessing the effectiveness of CWEP because of the plethora of cost related issues including the administrative burden of supervising CWEP participants at the work site and the costs to other workers displaced either directly or indirectly. As for the somewhat narrower issue of AFDC costs, the problem is complicated by the levels of government involved. Thus, for example, the cost of AFDC benefit payments is shared by the federal and state governments according to a formula which varies for each state by its average per capita income. On average, however, the federal government pays approximately 55 percent of each benefit dollar. Some states pay the residual while others shift it forward in part to local governments. Similarly, while the federal government pays 50 percent of the administrative

costs of CWEP for all the states, it pays 90 percent of the costs under the WIN program. Thus those states operating CWEP as a component of WIN pay only 10 percent of the administrative costs of WIN. They share almost equally with the federal government whatever savings accrue from reduced AFDC caseloads. Table A2.4 shows the administrative relationship between CWEP and WIN for the sixteen-state sample. The range of benefits from operating CWEP in conjunction with WIN is substantial. Thus WIN staff may undertake and pay for the initial screening and employability assessments (with only the AFDC recipients who are not accepted into WIN being forwarded to CWEP), or WIN may provide CWEP with staff and office facilities, or CWEP may be an integral part of a WIN demonstration and have full access to its resources.

[Table A2.4 near here]

Table A2.1: State Procedures that Reduce the Time CWEP Participants Spend
at Work Sites

Procedure	State
Deduction from AFDC grant before dividing by minimum wage	California South Dakota
Hours to be worked determined by dividing usual wage for work rather than minimum wage	Michigan New York
Weekly or monthly limits on hours worked	California (32 hrs/week) Colorado (36 hrs/week) Georgia (48 hrs/month) Iowa (32 hrs/week) Michigan ^a North Carolina (50 hrs/month) Washington (128 hrs/month)
\$25 monthly limit on work-expense reimbursement	Alabama Iowa ^b New York
Substitution of other CWEP activities for work- site hours	Georgia New York North Carolina Ohio South Carolina

Monthly limit on time in program

California (3)

Iowa (9)^b

Ohio (6)

Oklahoma (6)

Washington (4)

Notes: ^aUsually 40 or 80 hrs/month; some counties require only 10 with
assignment to non-CWEP activities for the residual

^bFive-county AFDC-Basic pilot program; work expenses reimbursed at
\$25 plus 15 percent of basic grant.

Source: GAO (1984a), Table 2, p. 13.

Table A2.2: The Geographical Scope of State CWEPs by County

No. of counties		Statewide
Less than one third	Greater than one third	
Alabama (1/67)	Michigan (81/83)	Delaware
California (1/58)	Iowa (34/99) ^a	Idaho
Colorado (12/63)		Oklahoma
Georgia (10/159)		West Virginia
Iowa (5/99) ^a		
New York (18/58)		
North Carolina (6/100)		
Ohio (1/88)		
South Carolina (2/46)		
South Dakota (15/67)		
Washington (2/39)		

Notes: ^aCounty-operated programs for AFDC-UP

^bPilot program for AFDC-Basic

Source: GAO (1984a), Table 4, p. 17.

Table A2.3 The Percentage of AFDC Recipients Eligible for and Participating in CWEP, February 1983

State	No. of participants	Percentage of total AFDC cases	Percentage of adults eligible for CWEP
Alabama	237	11	67
Colorado	268	3	n.a.
Delaware	20	1	1
Georgia	120	7	37
Idaho	379	5	29
Iowa			
AFDC-UP	428	3	n.a.
AFDC-Basic	57	2	5
Michigan	6,849	3	3
New York	1,095	3	9
North Carolina	621	13	27
Ohio	162	19	n.a.
Oklahoma	2,097	9	13
South Carolina	74	1	3
South Dakota	174	6	16
West Virginia	2,600	13	46

Note: California and Washington limited the number of CWEP participants, and are not included.

Source: GAO (1984a), Table 7, p. 20.

Table A2.4: Administrative Relationship Between CWEP and WIN

CWEP benefits from WIN resources		Independent programs
As a component of WIN	Using WIN resources in other ways ^a	
Delaware	Alabama	California ^b
Michigan	Colorado	Georgia ^c
Oklahoma	Idaho	Iowa ^d
South Dakota	Iowa ^e	Ohio
West Virginia	North Carolina	
	New York	
	South Carolina	
	Washington	

Notes: ^aIn counties that have WIN and CWEP, recipients who are mandatory WIN registrants but not assigned to a WIN component are referred to CWEP, except in North Carolina, where CWEP benefits from using WIN funds to pay staff and fund some activities

^bWIN and CWEP co-exist in San Diego county, but eligible clients are assigned randomly to WIN, job search, a job search and CWEP

^cGeorgia counties that have CWEP do not have WIN

^dCWEP is one component of a larger employment program similar to a WIN demonstration in this (five-county) pilot program for AFDC-Basic

^eCounty-operated program for AFDC-UP

^fEligible recipients are referred simultaneously to WIN and CWEP.

Source: GAO (1984a), Table 9, p. 26.

CCPC



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

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From the Minister of State for Industry

Private Secretary to
THE HON PETER MORRISON MP

David Norgrove Esq
Private Secretary to
The Prime Minister
10 Downing Street
London
SW1

18 April 1986

NBN.

Dear David

I refer to your letter of 8 April to John Lambert and copied to me.

As you may know, Mr Morrison was instrumental in securing the services of Professor Blaug to carry out the research into the possibilities of a Workfare system in the United Kingdom. In the circumstances, he believes that we should await the report of Professor Blaug's studies before taking the matter further. Mr Morrison is extremely interested in the subject having had the opportunity of examining the scheme in detail while a Minister in Department of Employment and will of course be willing to participate in any discussions resulting from Professor Blaug's report.

I am sending copies of this letter to John Lambert (Lord Young's Office), Tony Lawrence (DHSS) and Jill Rutter (Chief Secretary's Office).

Yours sincerely
Malcolm Mchardy

MALCOLM MCHARDY
PRIVATE SECRETARY

DEPARTMENT OF TRADE AND INDUSTRY
100, COLLEGE STREET
SINGAPORE
TELEGRAMS: "SINGAPORE"
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Nonpower SEM
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WILCOX, HENRY
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David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

15 April 1986

Dear David

B/f 10 days p.e.

DKS

15/4.

WORKFARE

You wrote to me on 8 April about the Panorama Programme on Workfare which was televised on 7 April.

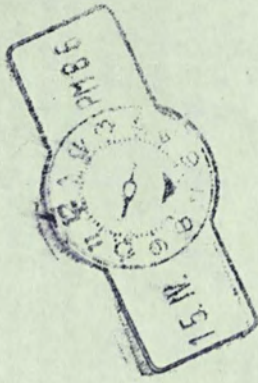
Professor Blaug of the University of Buckingham was commissioned last year to carry out research into the feasibility of introducing Workfare in this country. His report is due in the next few days. My Secretary of State will write to the Prime Minister as soon as he has had a chance to study the report's conclusions.

I am sending copies of this letter to Tony Lawrence (DHSS), Jill Rutter (Chief Secretary's Office) and Malcolm McHardy (DTI).

John

JOHN LAMBERT
Principal Private Secretary

MANPOWER SGMs P113



THE 192nd Signal Battalion
Signal Corps
Fort Belvoir, Illinois 62204

101-1010000

File
CONFIDENTIAL

JAMAOX



ce BG
✓

10 DOWNING STREET

8 April 1986

From the Private Secretary

Dear John,

WORKFARE

The Prime Minister saw the Panorama programme last night about "Workfare" in the US. She was impressed by the way it helped both the unemployed themselves - through the chance it gives them to keep in touch with the world of work, to get out of the house and to do something of value - and the taxpayer, through the work done in return for welfare payments. Many of the unemployed who were interviewed liked it; the cities liked it; the unions often at least did not object and some supported it.

The Prime Minister is aware that the adoption of "Workfare" in this country has been studied before. But the arguments for it are very strong. She has asked for an urgent report on whether and how it could be brought in here.

I am copying this letter to Tony Laurance (Department of Health and Social Security), Jill Rutter (Chief Secretary's Office) and to Malcolm McHardy (Department of Trade and Industry), because of Mr. Morrison's earlier involvement in studying this proposal.

Yours,
David.

(DAVID NORGROVE)

John Lambert, Esq.,
Department of Employment.

CONFIDENTIAL

GA



PRIME MINISTER

NRBN

ACTION FOR JOBS

1. As you know, I am today launching the new booklet "Action for Jobs" which seeks to raise public awareness of the measures we are taking to promote employment, enterprise and training. I enclose a copy of the booklet.

...

2. We are supporting the launch with a national and regional press and radio advertising campaign with the theme "Action for Jobs - Opening more doors". The booklet is free and will be available at jobcentres, main Post Offices, unemployment benefit offices and by post. The aim is to get it widely read and used and to emphasise the concerted nature of our approach. We intend to use the "Action for Jobs" logo on all our future planned advertising for the individual measures.

3. I am copying this minute and attachment to Cabinet colleagues and Sir Robert Armstrong. I should appreciate colleagues' help in publicising the booklet and I shall be very happy to discuss with them ways in which the "Action for Jobs" logo could be used more widely for other Government Initiatives.

DY

8 April 1986



file - VC

10 DOWNING STREET

From the Private Secretary

7 April 1986

EMPLOYMENT PUBLICATIONS

The Prime Minister today discussed with your Secretary of State his minute to her of 21 March about the Department of Employment's proposed programme of publications over the period to the summer.

The Prime Minister is content with your Secretary of State's proposals.

I am copying this letter to the Private Secretaries to members of the Cabinet and to Michael Stark (Cabinet Office).

(DAVID NORGROVE)

John Lambert, Esq.,
Department of Employment.

K

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
Secretary of State
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NA

3rd April 1986

Dear David,

PRESENTATION OF ENTERPRISE, EMPLOYMENT AND TRAINING POLICIES

I have seen a copy of your minute of 21 March ^{at 11.45} to the Prime Minister about the preparation of various documents setting out policies within your areas of responsibility.

It is clearly important, as you say, for our policies for enterprise, employment and training to be presented in a consistent and coherent way. I therefore welcome your assurance that you will be working closely with colleagues in preparing the suggested memorandum and White Papers.

At this stage I do have reservations in particular about publishing a White Paper on vocational education and training in June. You say that you hope it will contain some important announcements about the development of TVEI. Our officials are looking at the implications of a nationwide extension of TVEI but I remain firmly of the view that any addition to expenditure on TVEI, even if offset by reductions in expenditure elsewhere within your programme, ought to be considered as part of the Public Expenditure Survey process. If we agreed to a White Paper in June setting out plans for a nationwide extension of TVEI we would be prejudging the outcome of the PES process.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

John MacGregor
JOHN MacGREGOR

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MANPOWER: SEMS PT 3



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bc Bg.

10 DOWNING STREET

From the Private Secretary

24 March 1986

The Prime Minister was grateful for your Secretary of State's minute of 21 March which described a series of documents which the Department of Employment intends to publish in the coming months.

The Prime Minister of course very much welcomes the intention to improve the presentation of the Department's programmes and to show that they form part of a total strategy. She is however a little concerned at the prospect of a series of documents appearing over a period of a few months. She fears the Government would be accused of increasing paperwork rather than reducing unemployment, and has asked whether some of the documents could be brought together to reduce the number of publications.

I am copying this letter to Jill Rutter (Chief Secretary's Office, H.M. Treasury) and Michael Stark (Cabinet Office).

(David Norgrove)

John Lambert, Esq.,
Department of Employment.

CONFIDENTIAL



PRIME MINISTER

2 No note. Dhs 21/3

Could be some of the be integrated into one document. I can see it should be all'd 2 pages with rather than reducing unemployment rate

Following the launch of the new budget measures to promote enterprise and employment and to help long term unemployed people back into jobs, I have been considering how we can best keep to the fore in the months ahead what we are doing through our enterprise, employment and training programmes.

2. It is important that all of these programmes are seen to be operating within a coherent strategy, that we increase public understanding of them, and that we secure recognition for the very considerable expenditure we are now devoting to these areas. We have three main objectives through these programmes - the promotion of enterprise and small firms to accelerate the growth of new jobs; the modernisation of our vocational education and training arrangements and help for unemployed people, including specifically the long term unemployed, to get them back into jobs or to remove them from the unemployment count.

3. I am planning to launch between the Easter and Summer Recesses a series of documents, which will bring out clear and in simple terms what we are seeking to achieve. These will include, in probable order of publications:

- the document "Action for Jobs" to be published on 8 April (and to be followed by a extensive national advertising campaign) which will outline all the many employment, enterprise and training programmes. This document will be made available in some 4,000 outlets, including all our local offices and in post offices, and is designed to indicate to employers, unemployed and employed people the programmes for them and where they can seek further information. Thereafter, all relevant advertisements and information about the schemes across the DE Group (including the MSC) will be brought together under a common "Action for Jobs" logo.



- a memorandum responding to the Select Committee on Employment's recent proposals for a guarantee scheme for the long term unemployed. This will set out, among other things, our strategy for helping long term unemployed people through the new Restart Programme. We aim to publish towards the end of April.
- a memorandum on the promotion of tourism which will respond to the Select Committee's recent report and update progress made since we published "Pleasure, Leisure and Jobs" last year. This will be published in May.
- a further White Paper on De-regulation, which will be a sequel to "Lifting the Burden", which I intend to publish on 21 May.
- a White Paper on Vocational Education and Training which will bring together all the advances we have made over the last five years and outline our general strategy for modernising youth and adult training arrangements. It will, I hope, contain some important announcements on the development of TVEI and vocational qualifications, and material from the Secretary of State for Education and Science about other relevant developments in the education world. We hope to publish this in June.
- a White Paper on small firms and enterprise which will indicate the increasing importance and potential of self-employment and small firms and the steps we have taken to encourage the formation and growth of small firms. This will be published in July.

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Each of the above documents will be self-contained but I shall seek to relate each to the Department's overall objectives to promote enterprise and employment, improve training arrangements and help the long term unemployed. They will appear as part of a Common series.

4. This amounts to a formidable programme of work over the coming months, but I do think it important to bring out clearly the very considerable efforts we are now making through the programmes for which I am responsible and how they relate to each other under our general strategy to promote enterprise and jobs. I will, of course, work closely with colleagues concerned in preparing these documents.

5. I am sending a copy of this minute to all Cabinet colleagues and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "Ruf" or similar, with a long horizontal stroke extending to the right.

DY

21 March 1986

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CC PS. / Raymaster Gen
PS/SS
Mr Dave
Mr Reid
Mr Fucher
Mr Wakeham
Mr Jones

PRIME MINISTER

You know that I have been concerned about the lack of financial incentive for unemployed people to take up employment for some time. Norman Fowler's proposals on social security and Nigel Lawson's Green Paper on Personal Taxation have both addressed this issue. But their proposals will not take effect for some time and the direct effect on incentives will be relatively small.

I would like to see what we can do to tackle this issue now. A MISC group working to a tight timetable would help to concentrate our minds. It might be given fairly narrow terms of reference, for example "To find ways of improving the financial incentive of unemployed people to enter employment, concentrating in particular on the social security and the tax system".

The group would need to include Ministers and officials from the Treasury, DHSS and DTI.

I would like to chair such a group to keep the focus on employment and unemployment.

I would be grateful for your initial reaction to this approach to the problem.

D. Y.
(approved by the Secretary of
State and signed on his behalf)

CONFIDENTIAL



PRIME MINISTER

CONFIDENTIAL

CONFIDENTIAL

Subject a Master*file
ABC*

10 DOWNING STREET

From the Private Secretary

26 February, 1986.

THE UNQUOTED COMPANIES' GROUP

The Prime Minister had lunch today with the Unquoted Companies' Group. There was some discussion of employment legislation.

I was not left entirely clear whether the Group wanted further employment legislation in this Parliament or whether they thought it would be better to wait until the next to introduce further radical change.

The Prime Minister, however, told the Group that further legislation would be held over until the next Parliament and encouraged them to offer their suggestions to your Secretary of State.

David Norgrove

John Lambert, Esq.,
Department of Employment.

SKW

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10 DOWNING STREET

From the Private Secretary

3 March 1986

INCENTIVES TO WORK

The Prime Minister today discussed with your Secretary of State his minute to her, undated, which proposed a MISC group to look at incentives to work.

The Prime Minister felt that a MISC group would not be the best way to take this work forward. However she invited your Secretary of State to arrange for a paper to be prepared for discussion at this stage only with her.

(David Norgrove)

John Lambert, Esq.,
Department of Employment.

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JB



cc BG

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

The Rt Hon Lord Young of Graffham
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London SW1H 9NF

MBRN

21 February 1986

Dear David,

DE AND MSC PROGRAMMES FOR ENTERPRISE, EMPLOYMENT AND TRAINING

Thank you for sending me a copy of your minute to the Prime Minister of 10 February about your proposed new campaign to extend knowledge of DE and MSC provision.

2. Although the costs can be high, I can see advantage in a well-designed programme of this sort. There are of course areas such as YTS2 where the education service is contributing significantly to your programmes and others such as the REPLAN programme for the unemployed where we are operating our own programmes in close cooperation with you. In others, notably full-time vocational education there are possible embarrassments for us both when your programmes involve a sizeable allowance while there is not financial support for most students. I therefore hope that you can keep us closely in touch with the content and presentation of your material.

3. I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Nigel Lawson, Douglas Hurd, Nicholas Edwards, Norman Tebbit, Kenneth Baker, John MacGregor, Malcolm Rifkind, Paul Channon, and Sir Robert Armstrong.

Yours faithfully,
C. Smith

MANPOWER : Special employment measures : Pt 13



CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

19 February 1986

DE PUBLICITY CAMPAIGN

The Prime Minister has seen your Secretary of State's minute of 10 February proposing a publicity campaign, and also the letters from the Secretaries of State for the Environment and Wales and the Chief Secretary.

The Prime Minister considers the proposal to be modest and understandable, particularly since it will be advertising existing services, and she agrees that the campaign should go ahead.

I am copying this letter to the Private Secretaries to the Lord President of the Council, the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Education and Science, Wales, the Environment, Trade and Industry and Scotland, the Chancellor of the Duchy of Lancaster, the Chief Secretary to the Treasury and Sir Robert Armstrong.

(David Norgrove)

John Lambert, Esq.,
Department of Employment

CONFIDENTIAL

28/2

PRIME MINISTERDE PUBLICITY CAMPAIGN

Lord Young has now come forward with his proposals for an advertising campaign about the Government's employment programmes and services. It would cost £3.5 million and would be launched at a press conference on 7 April. The cost would be met from money already allocated for publicity for individual measures.

Mr. Baker and Mr. Edwards have written to support the campaign.

The Treasury are doubtful about a general campaign. They fear it might increase levels of take up across a wide range, which would make it difficult to identify the effects of the campaign. They also say that the Department of Employment are not forecasting any significant underspending on Department of Employment's demand-led programmes next year.

The Treasury's fears are probably well founded. On the other hand - a point which for obvious reasons Lord Young does not make himself - an advertising campaign would have clear political advantages in helping to raise awareness about the extent of the help which the Government is providing.

Do you want to write in support of the advertising campaign or do you want to write supporting the Treasury's point of view?

DW
DAVID NORGROVE
18 February 1986

EL3AWW

Lord Young is not asking
for much - i.e. permission to
advertise existing services - I support
his very modest understandable

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Treasury Chambers, Parliament Street, SW1P 3AG
The Rt Hon Lord Young of Graffham
Secretary of State
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NA

17 February 1986

*Dear David,***DE PUBLICITY CAMPAIGN**

Thank you for copying to me your minute of 10 February to the Prime Minister. I would like to make a few comments. WITH ON

We have agreed in different contexts on the need to make employers more aware of the need to invest in adult training and to make a greater commitment to the YTS. There seems to me a good case for targetting publicity on these aims. I can also see the case for focussing attention on programmes like EAS where the expenditure provision allows for an increase in the number of entrants.

But I have reservations about a general campaign aimed at raising public awareness of DE/MS^C schemes. If there are particular problems say of awareness among 16-25 year olds or the long term unemployed, would not a sharply focussed campaign be more likely to achieve its objectives; and to provide us with evidence about how effective it had been in securing its objectives which allow us to plan further campaigns? A general campaign might increase levels of take-up across a wide-range, making it difficult to identify the effectiveness of the campaign. And I understand that you are not in fact forecasting any significant underspending on your demand led programmes next year.

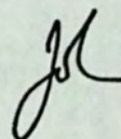
Moreover, campaigns themselves cost money. I note that you will be finding £3.5 million for the campaign from within your existing cash limited votes. That means £3.5 million less to spend on employment measures themselves. We are currently discussing offsetting savings in other areas of your programme to contribute to the costs of the additional enterprise and employment measures which you have proposed. Is a general advertising campaign a top priority in that context?

CONFIDENTIAL

CONFIDENTIAL

I am copying this letter to the Prime Minister,
Willie Whitelaw, Nigel Lawson, Douglas Hurd, Keith Joseph,
Nicholas Edwards, Norman Tebbit, Kenneth Baker,
Malcolm Rifkind, Paul Channon and Sir Robert Armstrong.

Yours etc,

A handwritten signature in dark ink, appearing to be 'JM' or 'John MacGregor' in a stylized cursive script.

JOHN MacGREGOR

CONFIDENTIAL

MANPOWER PT13

SGM's



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Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

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01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

Don Davis

NBP

17 February 1986

PUBLICITY FOR EMPLOYMENT/TRAINING SCHEMES

Thank you for copying to me your minute to the Prime Minister of 10 February in which you outline your proposals for improving public awareness of training, employment and enterprise schemes. I am sure that there is a need for the kind of publicity and advertising campaign that you propose.

The importance of ensuring that the schemes are well known has, I believe, already been amply demonstrated by the response to the pilot projects introduced recently to inform long-term unemployed people of the opportunities available to them. The pilot in the Port Talbot/Neath area is already showing very encouraging results. I also agree with you that in some quarters there is still confusion about even well established programmes like the YTS.

I appreciate that the publicity campaign that you propose will need to cover the whole of the country. However, we have had a separate Adult Training Awareness Campaign in Wales and of course there was the recent successful Welsh launch of two year YTS, where I was accompanied by the Chairman of the Wales Committee of the MSC and by the Director and Secretary of the Wales CBI and TUC.

There are then important separate Welsh bodies directly involved here and I believe that the prospects of any campaign in the Principality will be improved if that fact is recognised and we are able to take appropriate supportive action.

Subject to my registering that point, I am content with your proposals and believe that we should try to launch the campaign as soon as possible.

Copies of this letter go to the Prime Minister, Willie Whitelaw, Nigel Lawson, Douglas Hurd, Keith Joseph, Norman Tebbit, Kenneth Baker, John MacGregor, Malcolm Rifkind, Paul Channon and Sir Robert Armstrong.

Lord Young of Graffham
Secretary of State for Employment

John G. A. Nea



CEBG



PRIME MINISTER

David Young copied to me his minute to you of 10 February outlining his proposals for a major advertising campaign to inform the public more effectively of the full range of DE/MSD programmes for enterprise, employment and training.

I fully support these proposals which will, I am sure, go a long way towards improving the presentation of the Department of Employment's activities and the take-up of their programmes.

I am copying this minute to David Young and the recipients of his minute.

K.B.

K B

14 February 1986

Manpower: SGM's P413



CONFIDENTIAL



B1F 14/2

1BF

PRIME MINISTER

1. We have discussed the need to present our action for jobs in a way which makes the best possible use of the considerable sums of taxpayers' money involved. It has been clear for some time that many members of the public are often confused by the range of programmes and services run by this Department and the Manpower Services Commission, and are too frequently unaware of the opportunities available to them. This applies whether those concerned are individuals considering self employment; small businessmen seeking to make their businesses grow; employers seeking to improve the skills of their workforce; or unemployed people looking for training or jobs. As a result, our policies for enterprise, training and employment do not make the impact they might and the importance of what we are seeking to achieve is not fully appreciated.

2. I was dismayed to find, for example, that anybody out of work for a long period could still be unaware of available opportunities such as acquiring new skills or receiving help towards self-employment through the Enterprise Allowance Scheme. Yet our experience with the recently launched pilot initiative to call long-term unemployed people into jobcentres for interviews confirms this to be the case. Once the full range of options are presented, many more people take advantage of the available provision and cease unemployment. Similarly, it is a matter of concern that even though programmes such as the Youth Training Scheme are vigorously marketed and generally well known, many businessmen and commentators still refer to its predecessor, the Youth Opportunities Programme, as though it still existed. By doing so, they tend to bring into disrepute our policies to help young people.

CONFIDENTIAL

CONFIDENTIAL



3. I am therefore convinced that we need to mount a major campaign using national and regional press advertising that informs the public of the full range of provision for enterprise, employment and training available to them and explains the services which can be used to take advantage of that provision. I propose to do this in a way that will draw DE and MSC programmes together so that they are perceived as more attractive and relevant by those at whom they are aimed. The campaign will concentrate on outlining the schemes and programmes on offer, directing people to further sources of information, and establishing a common logo and slogan which will then be used on all relevant publicity material issued by my Department and the Manpower Services Commission to promote individual measures.

4. The aims of the campaign are therefore simple and non-political, and are wholly consistent with our conventions about the use of public money for publicity and advertising. Its costs will be met during this financial year from monies already allocated for publicity for individual measures. For 1986/87, I shall be considering how best, within the existing DE Votes, to allocate the costs between the various programmes which will benefit from this campaign.

5. I am well aware of your concern, and that of my colleagues, to make speedy progress towards improving the presentation of my Department's activities in this important area. I intend to launch this campaign at a press conference on 7 April. This means that, to allow sufficient time for completing the preparation, printing, and distribution, I need to receive any comments by 17 February.

CONFIDENTIAL

CONFIDENTIAL



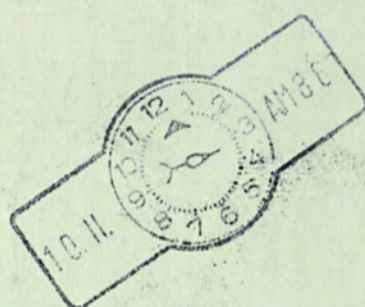
6. I am copying this minute to Willie Whitelaw, Nigel Lawson, Douglas Hurd, Keith Joseph, Nicholas Edwards, Norman Tebbit, Kenneth Baker, John MacGregor, Malcolm Rifkind, Paul Channon, and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "WJ" or similar, written in a cursive style.

DY

10 February 1986

CONFIDENTIAL



C O N F I D E N T I A L

DRAFT STATEMENT BY PAYMASTER GENERAL ON SELECT COMMITTEE REPORT, TUESDAY
4 FEBRUARY

"Everyone must share the Government's concern to find realistic ways of helping the long-term unemployed get back into work. I therefore, welcome the Select Committee's contribution to the search for a solution. We will be studying its report carefully to see how it might usefully add to what the Government is already doing.

Since the autumn, we have been concentrating our efforts on the long-term unemployed and achieving considerable success by funding Jobclubs in which unemployed people have been able to support each other to achieve considerable success in obtaining work.

"We are trying out in nine selected towns a special initiative which involves having a personal interview with each long-term unemployed person and giving individual attention to that person's requirements. We are referring people to jobs and there are still more vacancies being notified than twelve months ago. Other people are being referred for more training and retraining, membership of job clubs, and courses to brush-up skills in applying for jobs. We are also paying £20 each week as an allowance on top of wages to every long-term unemployed person who takes a job at £80 per week or less.

"I entirely agree that there is also a case for special measures to provide work experience for the long-term unemployed. That is why we are going flat out to expand the Community Programme to provide places for nearly a quarter of a million people by April this year, to do valuable work for the community. The programme is being expanded now as fast as is practicable. If we tried to speed up the new places beyond the 10,000 a month we are managing now, we would risk not only repeating the mistakes that occurred in the early days of job creation, but also taking jobs away from people who already have work, to give it to the unemployed.

"The Committee is proposing £3 billion worth of public expenditure. While more special measures may be necessary and it is right that unemployment should be our number one priority, it would be ironic if the cost to the economy caused greater damage to business and the jobs market in other ways. It is essential that any measures should be realistic and effective not just in isolation, but in terms of the economy as a whole. Anything else just dodges the difficult choices, ~~by presenting as a solution what is merely a sham.~~"

SKW

29 January 1986

Thank you for your letter of 22 January with the revised maps and suggestions on the use that might be made of them. We shall no doubt be able to draw on them when an opportunity arises.

(DAVID NORGROVE)

Stephen Palmer, Esq.,
Department of Employment.



Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 7409
Switchboard 01-213 3000

Ms N Roche
Parliamentary Clerk
10 Downing Street
London SW1

27 January 1986

Dear Nicky

Prime Minister +

DLN
29/1

~~DLN~~ to SA.
mb

TWO YEAR YTS

I am writing to let you know of an adjustment in the name of one of my Department's programmes, so that future parliamentary exchanges need cause no confusion.

From today (27 January) the programme currently known as the Youth Training Scheme will be called simply "YTS". When, from now on, members of the Government use the name "YTS" in speeches, debates and parliamentary answers, this will be the full title of the programme, not an abbreviation of any kind, and I hope you will see no difficulty in treating it as such. Of course, it may take those who are not Government spokesmen a little time to catch up with this change in practice, but where they do refer simply to "YTS" it would be right for Hansard to record it in that form.

This letter has been copied to the Table Office, the Minute Room, the Official Reporters and Librarians in both Houses, the Government Whip's Offices, the Lord Privy Seal and the Parliamentary Clerk at No. 10.

Yours faithfully.
Kathryn McFarlane

MRS K McFARLANE
Parliamentary Clerk



Caxton House Tothill Street London SW1 9NF

Telephone Direct Line 01-213...6460.....

Switchboard 01-213 3000

The Rt Hon Nicholas Edwards MP
Secretary of State
Welsh Office
Gwydyr House
Whitehall
LONDON SW1A 2ER

27 January 1986

TWO YEAR YTS

Bryan Nicholson, the Chairman of the Manpower Services Commission, and I are today launching the marketing campaign for the new two year YTS, which begins on 1 April. We are doing this, with Terry Beckett and Norman Willis, at an event at the Barbican Centre in London - and I know that you are arranging a similar launch in Wales today and that Malcolm Rifkind intends to do something a little later on. This will herald a national advertising campaign in the press and on television, and I am writing to let you and colleagues know about the main themes of the campaign.

We have been considering for some time how best to reflect the many developments in YTS in its name and in its marketing. The factors we have taken into account include the dislike, which has been revealed through attitude surveys and in other ways, of the words "youth" and "scheme"; the image which the current YTS still has in certain quarters as being just another scheme to reduce youth unemployment; the need to develop links between YTS and industry's normal training arrangements and skill trends; the increasing emphasis we are placing on vocational qualifications; and our wish to retain and build on the existing strengths of YTS, which have become increasingly recognised and accepted.

In the light of all this, we have decided to begin our marketing campaign by emphasising the "Training for Skills" benefits of YTS as a by-line in all our advertising and descriptive material, although this will in all cases be associated with the acronym YTS. We shall keep the main theme

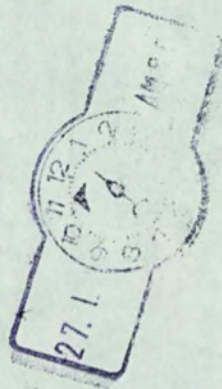


under review, particularly in the light of developments flowing from the current Review of Vocational Qualifications, and in time we will place increasing emphasis in our marketing on the qualification outcomes of YTS once decisions are taken on the Review (which we are due to receive in April).

We have also decided to adopt "YTS" (ie the set of initials without any words being spelt out in full) as the full and formal name of the programme, both in marketing the programme and in all documents and other references to it. We shall no longer use the words "Youth Training Scheme", and it would be helpful if we could all adopt the new "YTS" mode of description from now onwards, whether referring to the new or old YTS.

I am copying this letter to the Prime Minister, Geoffrey Howe, Keith Joseph, Norman Tebbit, Kenneth Baker, Malcolm Rifkind and Paul Channon.

For,
Paul





Parliamentary Under
Secretary of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213...4884.....

Switchboard 01-213 3000

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

22 January 1986

Any use?

DLW

29/1

Nichy

ps c py + keep

W

Dear David,

Thank you for your letter of 8 January about the maps of regional employment growth and business starts and stops.

The regional estimates of civilian employment, on which two of the maps were based, have now been revised. The self employment estimates have been revised for the reasons set out in Mr Baty's minute which I believe Mrs McFarlane forwarded to you on 6 December. The slight revisions to the employees in employment estimates reflect the routine procedure of taking account of late data. I enclose maps using these revised figures. The maps dealing with business starts and stops have not been revised though they may need revision later as further information comes to hand.

You asked for a paragraph on the spread of employment growth across the regions. We would advise against emphasising the self employment figures, which you mention, because the growth between 1984 and 1985 is assumed on the basis of past trends rather than estimated from current data, and - while all regions show growth - there is quite considerable variation between the estimated growth rates of different regions.

I suggest something along the following lines. "It is not only in the South East that we have seen increasing employment opportunities. All regions in Great Britain saw an increase in the number of businesses in the four years 1980 to 1983 - by between 6 and 10 per cent. Between mid 1983 and mid 1985 only one region of Great Britain, (the Northern Region), did not show an increase in civilian employment; in the other regions there were increases ranging from 1½ to 6 per cent."



Alternatively, one might wish in some contexts to refer to the three northern English regions (the North, North West and Yorkshire and Humberside) as a single area. Despite the reduction in the Northern Region, these three regions together saw an estimated increase of 1.6 per cent in civilian employment between June 1983 and June 1985.

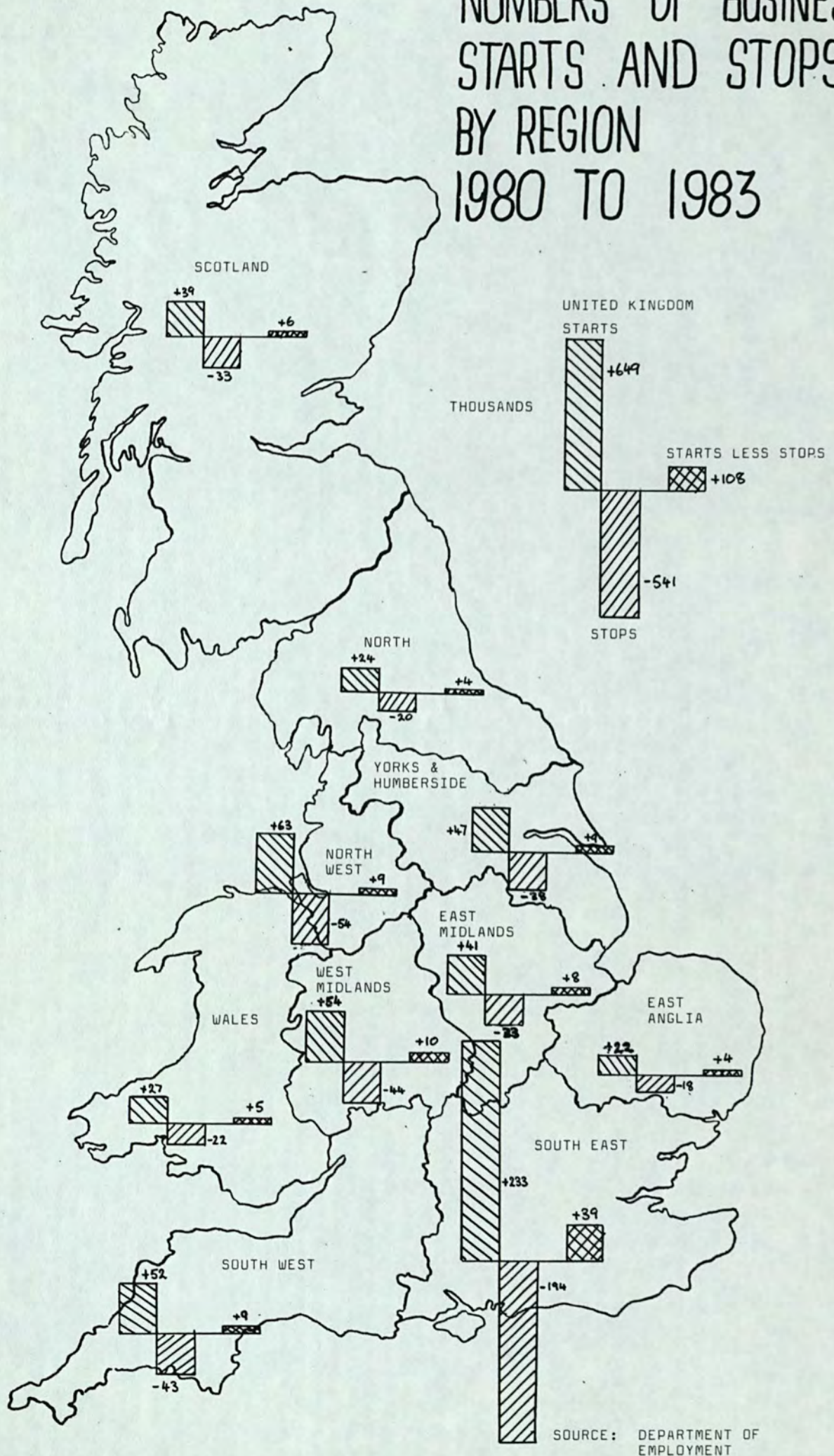
One would need to be careful not to deny the existence of any bias towards the South East. The South East and East Anglia show the highest percentage growth in employment and are among the regions with the highest growth in businesses.

yours sincerely

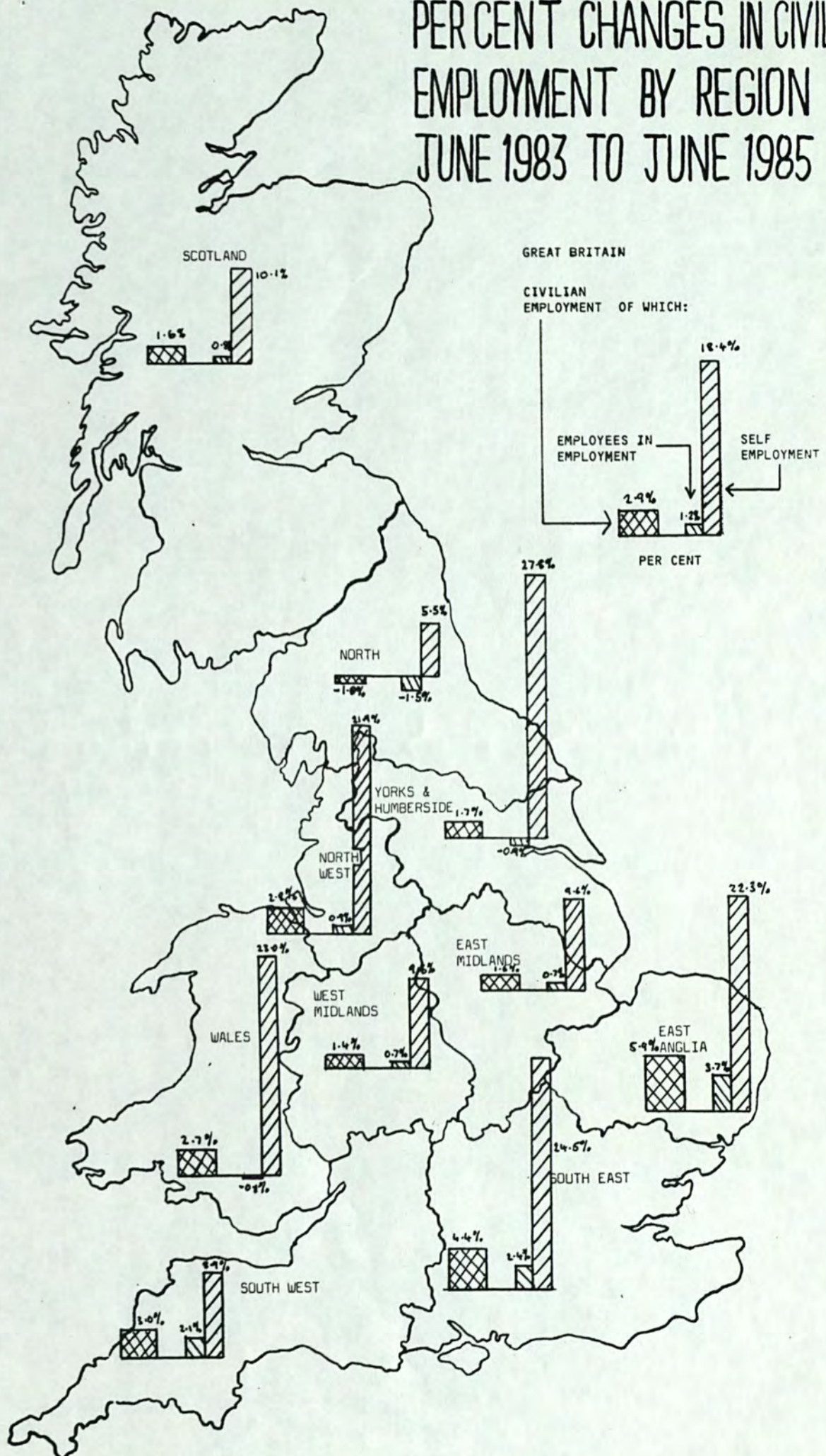
STEPHEN PALMER
Private Secretary

Apologies for the delay
SP

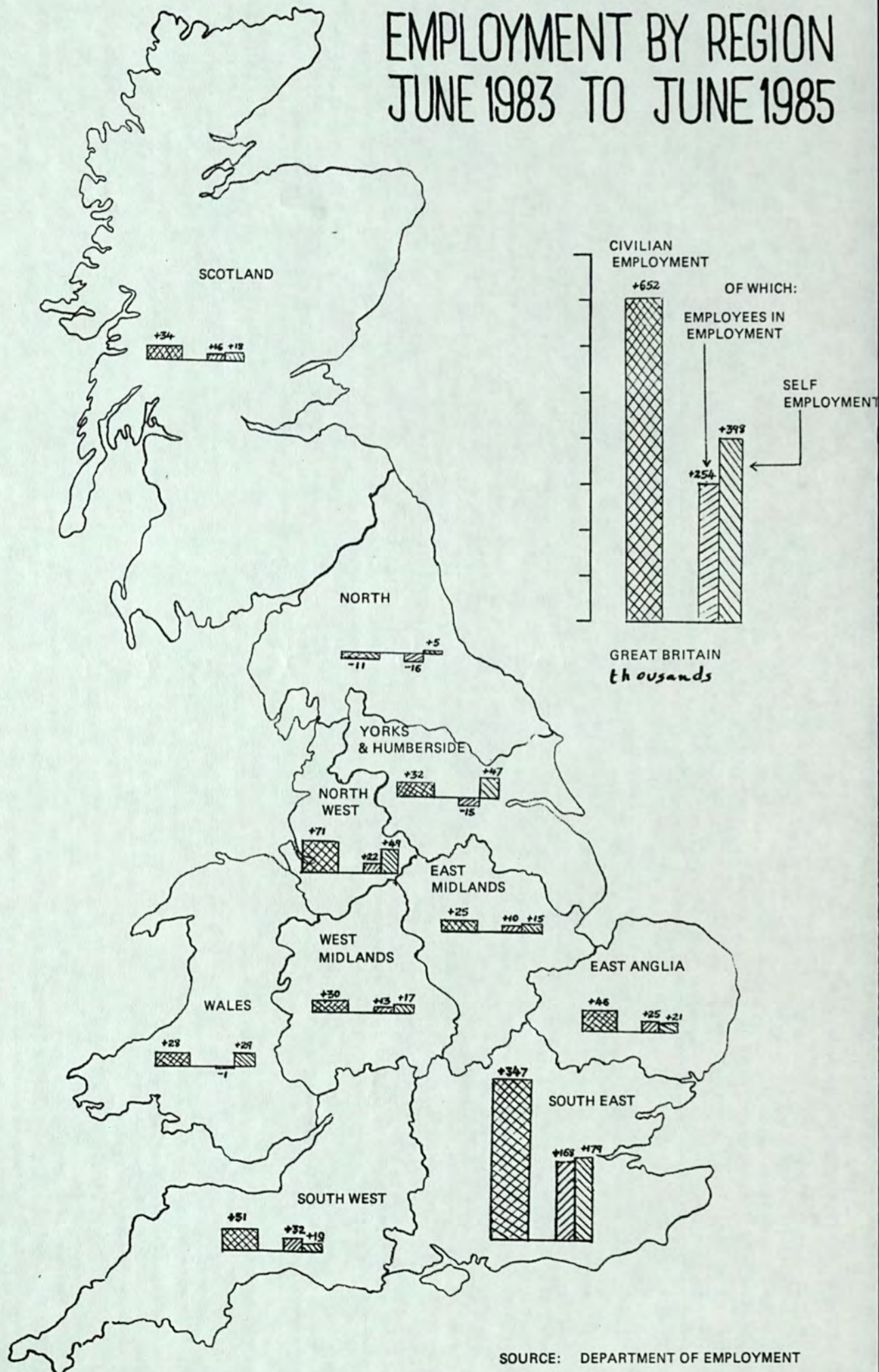
NUMBERS OF BUSINESS STARTS AND STOPS BY REGION 1980 TO 1983



PER CENT CHANGES IN CIVILIAN EMPLOYMENT BY REGION JUNE 1983 TO JUNE 1985

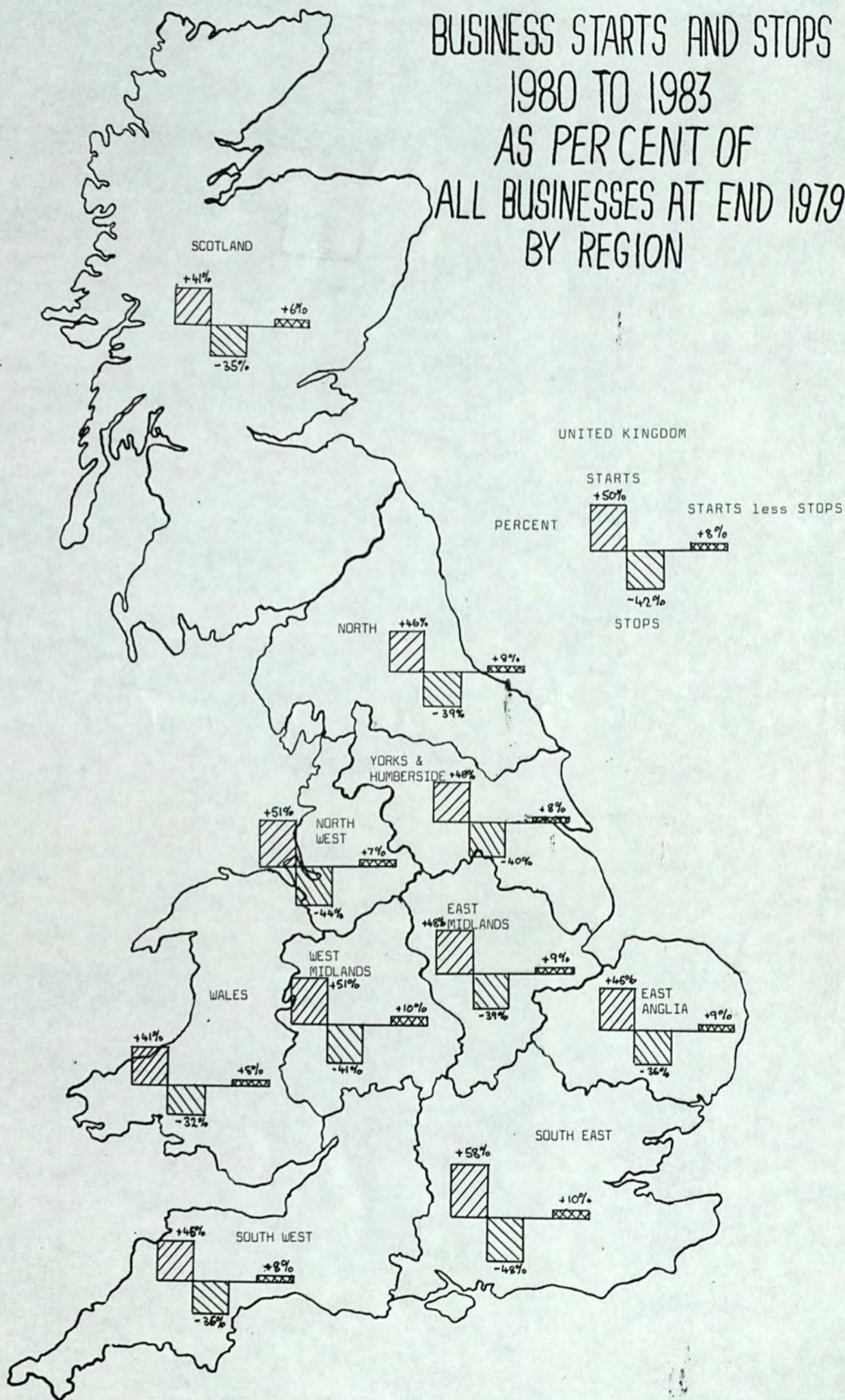


CHANGES IN CIVILIAN EMPLOYMENT BY REGION JUNE 1983 TO JUNE 1985



SOURCE: DEPARTMENT OF EMPLOYMENT

BUSINESS STARTS AND STOPS 1980 TO 1983 AS PER CENT OF ALL BUSINESSES AT END 1979 BY REGION



S.E. M. S. MANPOWER

Pt 13.





cc: Prof. Griffiths

10 DOWNING STREET

From the Private Secretary

8 January 1986

The Prime Minister was interested by the maps which you kindly sent with your letter of 19 December.

The maps seem to suggest that in percentage terms the growth in employment (particularly self employment) and in net new businesses has been spread more evenly through the country than public perception would recognise: the growth has not been heavily biased towards the South East as people often imply.

BC / It would be very helpful if you could confirm that this conclusion can legitimately be drawn from the maps and, if so, to let me have a paragraph which could be drawn upon for a suitable speech or for use in answering Questions.

David Norgrove

Michael Winn, Esq.,
Department of Employment.

RG



Parliamentary Under
Secretary of State

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

Thanks on

Dear David

B/F 2/1/86

Heave

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....4884.....

Switchboard 01-213 3000

Prime Minister 2

These maps suggest to me that
in percentage terms the growth in
employment (particularly self employment)
and let new businesses is spread much
more evenly though 19 December 1985
the country than public perception would
recognise. Worth pursuing after
Christmas to see what, more precisely,
can be said. JWS 23/12

Not quite -
I did.

We spoke earlier this week about the regional employment data,
which the Prime Minister requested from Mr Trippier following last
week's meeting of the Sainsbury Group. You said that the
Prime Minister had asked for further information on the percentage
rate of employment change in the regions and the number of
business starts and stops.

I now enclose three maps which display:

- (i) Percentage change in civilian employment June 1983
to June 1985. This shows the same information as
the map already sent to the Prime Minister but
expressed as a percentage of the June 1983 figures,
rather than in thousands.
- (ii) Number of business starts and stops 1980 to 1983.
This is based on VAT registration and deregistration
figures.
- (iii) Business starts and stops 1980 to 1983 as a percentage
of the number of businesses at the end of 1979.

I hope this is useful. Please let me know if we can be of any
further help.

Yours sincerely

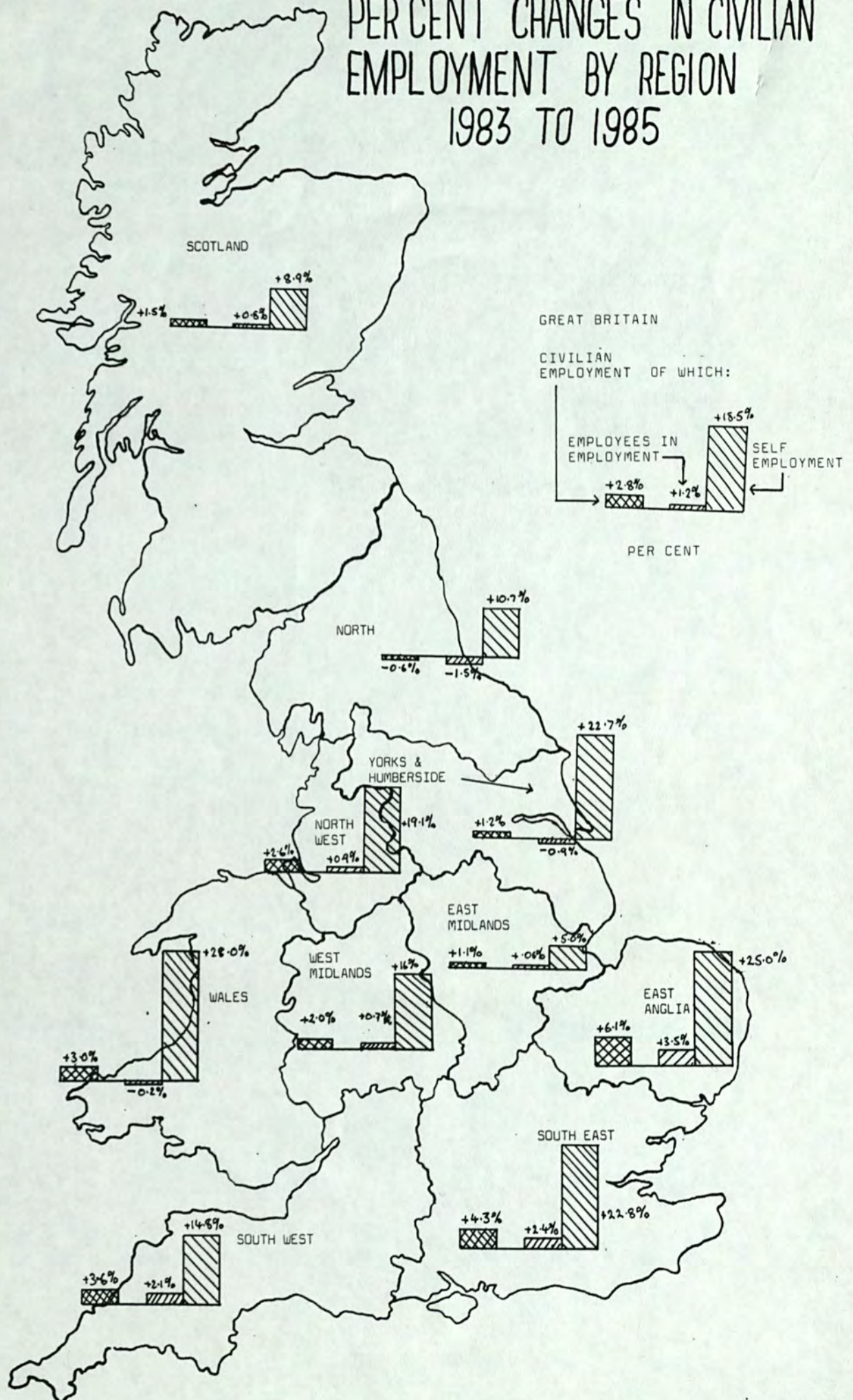
Michael Winn

MICHAEL WINN
Private Secretary

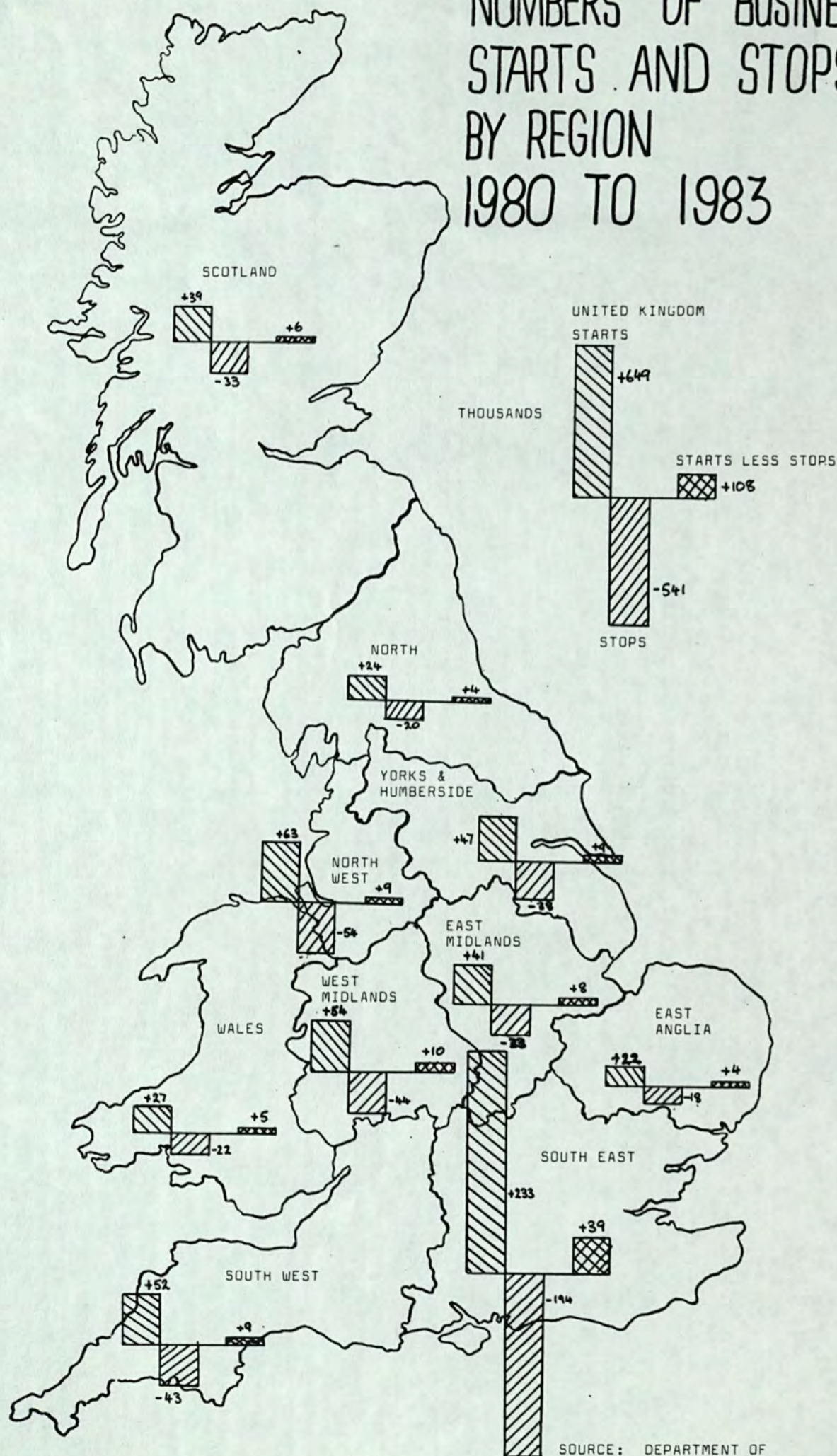
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D14AEZ

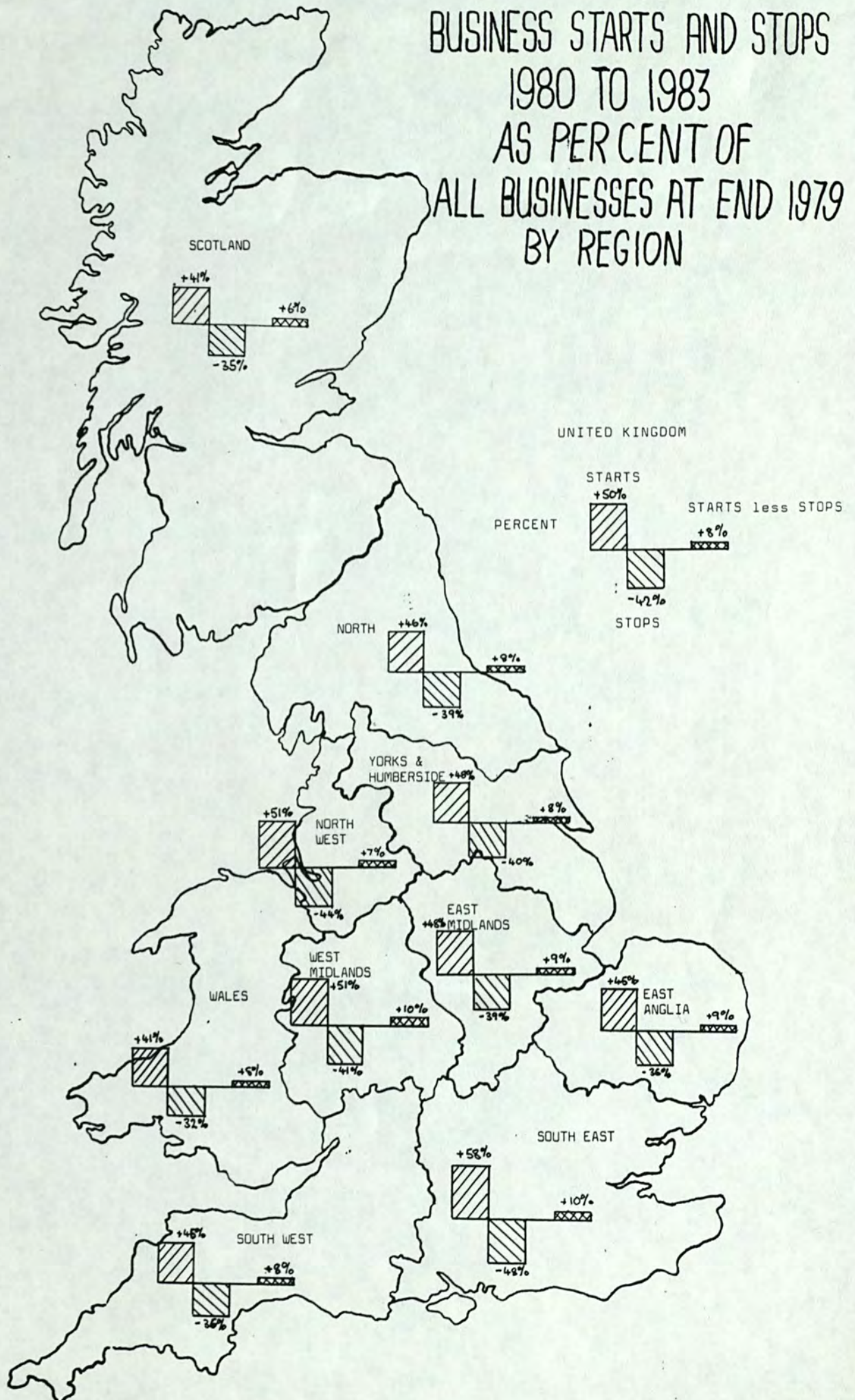
PER CENT CHANGES IN CIVILIAN EMPLOYMENT BY REGION 1983 TO 1985



NUMBERS OF BUSINESS STARTS AND STOPS BY REGION 1980 TO 1983



BUSINESS STARTS AND STOPS 1980 TO 1983 AS PERCENT OF ALL BUSINESSES AT END 1979 BY REGION



CS



Parliamentary Under
Secretary of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-2134884.....
Switchboard 01-213 3000

The Rt Hon Margaret Thatcher MP
Prime Minister
Prime Minister's Office
10 Downing Street
London
SW1

DN - can we speak please?

11/12/1985
phase .

MEB 13/12

12 December 1985

Dear Prime Minister,

When we spoke at Tuesday's meeting of the Sainsbury group you asked if I could arrange for a map to be prepared showing the growth of employment in the regions.

... The enclosed map shows the regional distribution of the estimated growth in civilian employment (employees in employment and self employed) between June 1983 and June 1985 - the latest date for which figures are available. The employee and self employed components are separately identified.

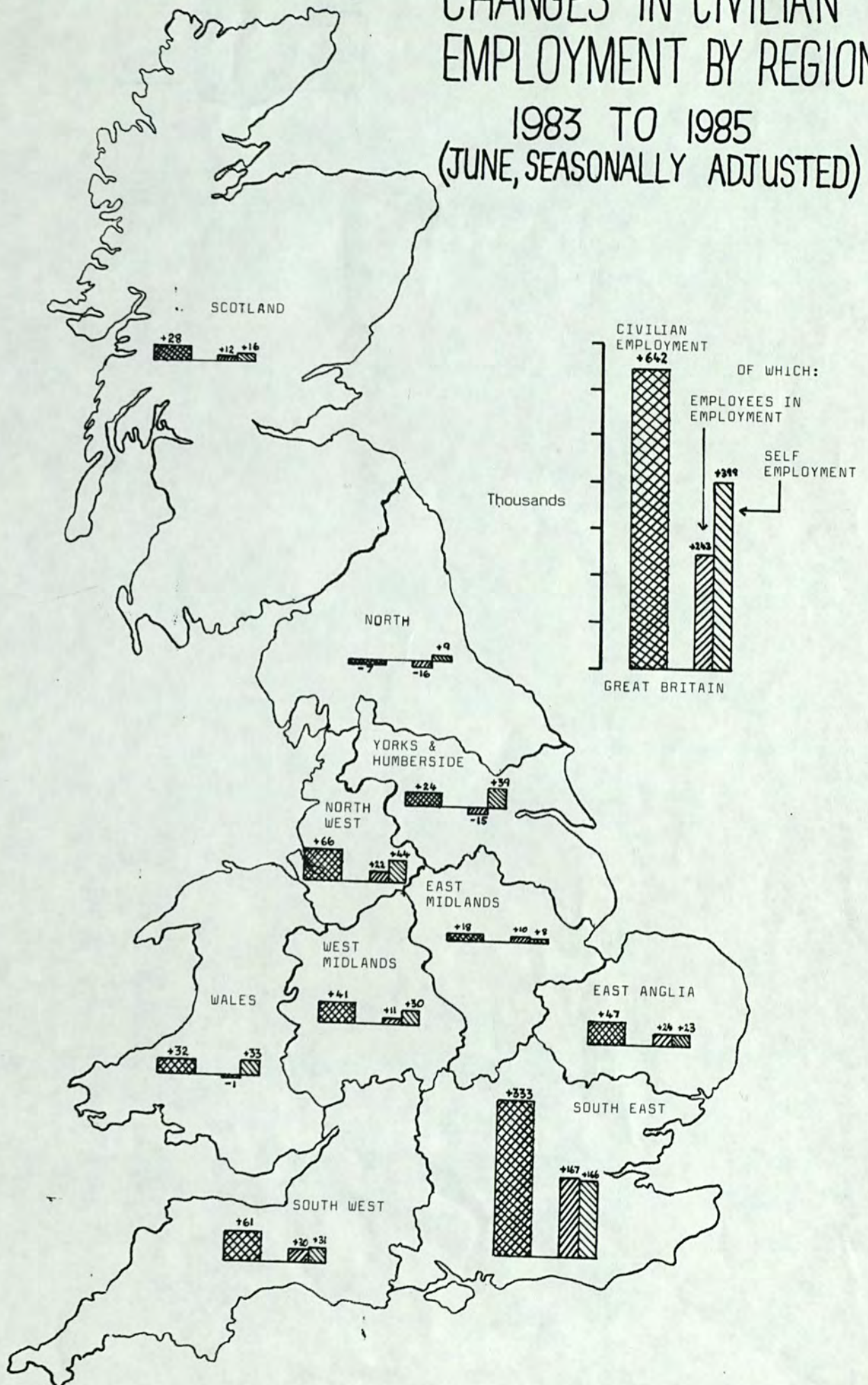
If you would like further maps for other periods I will, of course, be glad to arrange for them to be produced.

Yours sincerely
David

DAVID TRIPPIER

CHANGES IN CIVILIAN EMPLOYMENT BY REGION

1983 TO 1985 (JUNE, SEASONALLY ADJUSTED)





From: Mr Simon C Routh

CCBG



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 (Direct Dialling)

01-218 9000 (Switchboard)

Minister of State for Defence Support

David Norgrove Esq
No 10 Downing Street
London SW1

D/Min(DS)DGT 19/1/0

6 December 1985

NBRM

Dear David,

TRAINING PROVIDED BY THE ARMED FORCES

Thank you for your letter of 20 November, and I have seen Rob Smith's letter of 28 November to Chris Snell.

We are in touch with the Editor of the Department of Employment Gazette and will be cooperating in the production of an article on the lines suggested by the Prime Minister.

I am copying this letter to Paul Pegler, Chris Snell, and Rob Smith.

Yours sincerely

Private Secretary

MANPouter

S.E.M

PT 13





DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

Mr C Snell
Department of Employment
Caxton House
Tothill Street
London SW1H 9NF

cc Richard Broadbent
Treasury.

NBM.

28

November 1985

Dear Chris,

TRAINING PROVIDED BY THE ARMED SERVICES

David Norgrove sent us a copy of his letter of 20 November, ~~on this subject~~ and I am simply writing to confirm that we shall be glad to contribute to the drafting of an article on this subject. We would want to draw attention to the excellent relations between the Armed Services and the education system (including the examining/validating bodies for vocational qualifications) as well as having an opportunity to contribute to the comparisons between civil and military provision for education and training. The Under Secretary here concerned is Roy Walker. No doubt you and MOD will bring him in at an appropriate stage of the drafting.

Copies of this letter go to David Nargrove and Simon Routh (MOD).

Yours sincerely,
Rob Smith

R L SMITH
Private Secretary

MANPOWER

EMPLOYMENT MEASURES
PT 13



10 DOWNING STREET

From the Private Secretary

20 November 1985

TRAINING PROVIDED BY THE ARMED SERVICES

The Prime Minister has seen your letter to me of 12 November and the earlier correspondence. She has particularly noted the figures you circulated, showing the extent of training provided by the Armed Services and the outflow of trained Service personnel. She believes it might be helpful for the Government to draw attention to the benefits for the wider economy of the training given by the Armed Services, and has suggested that a suitable vehicle for this might be an article in, for example, the Department of Employment Gazette. This could discuss, among other things, the effectiveness of training given by the Armed Services in relation to the quality of the intake, and compare this with civil education and training. The article would, of course, need to make clear that the primary purpose of the training is military.

I am copying this letter to Paul Pegler (Chief Secretary's Office, H.M. Treasury), Chris Snell (Department of Employment) and Rob Smith (Department of Education and Science).

DAVID NORRGROVE

Simon Routh, Esq.,
Ministry of Defence.

L03APN

PRIME MINISTER

TRAINING PROVIDED BY THE ARMED SERVICES

The question of taking credit more widely for the training provided by the armed services came up in conversation some weeks ago. I asked for comments and a leisurely correspondence ensued.

The Department of Employment and MOD emphasised that the main purpose of training given by the armed services is for military purposes not for the spin-off for private industry. The Treasury are keener that we should take credit for it.

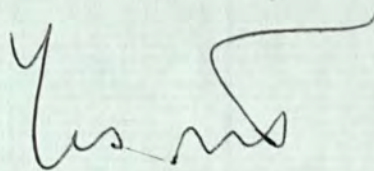
The figures provided by MOD, at Flags A and B, suggest that the wider economy gains substantially from training provided by the armed services.

An article, for example in the Department of Employment Gazette, would show the extent of training provided by the armed services. It could discuss among other things the effectiveness of military training in relation to the quality of the intake, and compare this with civil education and training.

Agree to ask MOD to consider an article, for example in the Department of Employment Gazette?

DRN

David Norgrove



18 November 1985

From: Mr Simon C Routh

cc BG



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 (Direct Dialling)

01-218 9000 (Switchboard)

Minister of State for Defence Support

D/Min(DS)DGT 19/1/0

12 November 1985

David Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

1 B1 for Monday
please

Dear David,

TRAINING

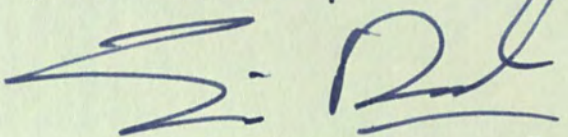
You copied to Richard Mottram your letter of 2 October to Leigh Lewis about the training given by the Armed Forces. I have also seen the replies of Christopher Snell and Paul Pegler. In the absence of our Secretary of State abroad, I have been asked to reply on Lord Trefgarne's behalf.

We do not provide the Department of Employment with any figures related to Regular Armed Forces training. We do, however, publish some relevant statistics in the Statement on the Defence Estimates (SDE). Table 2.3, The Functional Analysis of the Defence Budget, shows that in FY 1984/5 7.7% (£1,310M) of the Defence Budget was spent on training for the Armed Forces. Table 4.15 shows the outflow of trained Service personnel by major skill or trade groups and Table 6.10 shows selected qualifications obtained under ... Service sponsorship. Copies of these tables are attached. This can be used in conjunction with the Statistics of Education 1985 produced by the Department of Education and Science to show the number of Service personnel who have achieved nationally recognised academic qualifications against the total of the population at large. In addition, each of the Services has compiled a list of training undertaken by Service Personnel for specific skills from which the private sector is likely to benefit ... when they leave the Armed Forces. Copies of these are also attached. This information is not currently published by the Ministry of Defence.



I should like to emphasise the point made by Christopher Snell that the great bulk of training undertaken by the Ministry of Defence is carried out specifically to meet the requirement of the Armed Forces. We should be cautious, therefore, in seeking to claim credit for this Defence expenditure as "Government support for training", although the attached statistics demonstrate that we are making a useful contribution to training which will be of value to the private sector in due course.

... I am copying this letter to Christopher Snell and Paul Pegler.

Yours sincerely

Private Secretary

	£ million						
	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Total expenditure	8,558	10,785	12,274	14,091	15,973	17,033	18,059
Nuclear strategic force	126	165	269	327	382	384	509
Navy general purpose combat forces ²	1,131	1,461	1,663	1,861	2,149	2,493	2,505
Submarines	197	253	339	463	468	322	408
Aircraft and ASW carriers	23	23	26	71	140	94	78
Amphibious forces	36	44	52	52	60	78	81
Cruisers	89	98	95	—	—	—	—
Destroyers and frigates	418	537	594	636	722	691	738
Mine counter-measures vessels	50	75	90	150	159	137	145
Other vessels	159	206	210	204	285	466	452
Aircraft	108	158	175	198	242	312	291
Fleet headquarters	13	18	23	26	24	123	119
Overseas shore establishments	38	49	59	61	49	61	37
Naval bases and operational support	—	—	—	—	—	209	156
European theatre ground forces	1,496	1,746	1,881	2,194	2,445	2,626	2,764
British Army of the Rhine	1,079	1,227	1,302	1,512	1,700	1,796	1,899
Berlin ³	20	27	27	38	42	47	49
Home forces	397	492	552	644	703	783	816
Other Army combat forces	81	105	44	41	191	197	205
Mediterranean	50	64	56	62	62	68	81
Hong Kong and other Far East	17	19	-35	-36	1	-8	-27
South Atlantic	—	—	—	—	105	113	126
Other areas	14	22	23	15	23	24	25
Air Force general purpose forces	1,462	1,865	2,240	2,729	3,207	3,409	3,702
Air defence	145	199	287	453	579	702	730
Offensive support	63	68	76	83	118	116	202
Strike/attack/reconnaissance	458	620	785	1,005	922	775	817
Maritime aircraft	64	85	108	143	139	135	162
Transport aircraft	135	168	168	164	231	221	254
Tanker aircraft	26	32	43	42	128	200	135
Civil charter	11	13	14	18	17	30	37
Other aircraft	101	104	100	112	122	135	132
Operational stations	221	268	279	328	418	464	526
Headquarters	41	50	57	54	68	76	79
General support	197	258	323	327	465	555	628
Reserve and Auxiliary formations	148	213	253	287	312	357	360
Navy	8	14	12	14	15	16	14
Army	130	182	222	255	279	316	316
Air Force	10	17	19	18	18	25	30
Research and development ⁴	1,151	1,479	1,676	1,833	1,896	2,097	2,304
Ship construction and underwater warfare	149	209	298	287	328	390	424
Ordnance and other Army	92	120	150	164	177	182	188
Military aircraft	439	509	498	596	556	508	524
Guided weapons	124	183	223	235	245	314	362
Other electronics	163	231	259	284	282	340	397
Other research and development	184	227	248	267	308	363	409
Training	777	975	1,097	1,162	1,230	1,310	1,294
Service colleges	48	71	78	75	85	99	86
Navy	249	311	358	418	443	407	395
Army	312	377	429	420	428	527	538
Air Force	168	216	232	249	274	277	275
Repair and associated facilities in UK	590	705	814	869	1,040	931	917
Royal Dockyards	91	108	114	125	128	113	107
Other repair and maintenance	177	218	257	272	401	348	319
Storage and supply	247	289	337	357	403	359	394
Quality assurance	75	90	106	115	108	111	97
War and contingency stocks	160	224	326	403	410	549	535
Navy	56	73	94	110	161	204	206
Army	61	88	145	202	165	225	198
Air Force	43	63	87	91	84	120	131
Other support functions	1,481	1,820	2,081	2,307	2,631	2,811	2,998
Whitehall organisations	130	164	195	205	222	236	248
Local administration communications etc in UK	535	666	812	903	1,080	1,184	1,309
Meteorological services ⁴	29	36	34	37	34	41	44
Family and personnel services in UK	163	197	229	240	241	251	223
Service pensions	458	554	603	657	754	832	923
Other support services	166	203	208	265	300	267	251
Miscellaneous expenditure and receipts	-45	27	-70	78	80	-131	-34

1. The figures given in this table reflect the price levels of the original Estimates for the years in question.

2. Figures from 1984-85 are not fully comparable with those for earlier years. See notes on page 7.

3. Excluding expenditure covered by the Allied "Declaration on Berlin", estimated at £98.7 million in 1985-86.

4. Meteorological research and development is included under Meteorological services.

SERVICE PERSONNEL

4.15

Outflow of trained Service personnel: major skill or trade groups.

	Number					
	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Engineering	7,869	7,347	5,708	4,855	5,086	5,114
Mechanical	4,023	3,616	3,415	2,467	2,704	2,542
Electrical	2,856	2,997	1,742	1,956	1,835	1,976
Civil	990	734	551	432	547	596
Mechanical transport ¹	4,181	3,046	2,378	2,128	2,319	2,072
Communications ²	2,537	1,916	1,519	1,296	1,192	1,303
Catering	1,889	1,448	1,242	1,219	1,248	1,214
Accounting and secretarial	1,953	1,229	1,123	1,268	1,153	912
Supply and stores	1,576	1,250	900	978	1,061	1,063
Medical and dental ³	1,451	900	864	1,037	1,096	1,111
Aviation ⁴	1,313	1,199	754	836	950	979
Security and fire services	915	751	544	529	640	612
Education ⁵	272	184	144	156	199	238
Administration and personnel management ⁶	188	86	66	240	292	313

1. Comprising all personnel trained in the control and operation of wheeled and tracked vehicles.
2. Comprising all personnel trained in the control and operation of communications systems.
3. Comprising doctors, dentists, nurses and supporting staff.
4. Comprising flying and ground control personnel.
5. Including physical education instructors other than those with skills covered by other categories.
6. Including officers of the rank of Captain RN and above, and equivalent ranks in the other Services, not included in other categories.

6.10 Selected qualifications obtained under Service sponsorship

	Number					
	1978	1979	1980	1981	1982	1983
Degrees¹						
Postgraduate degrees	115	94	72	91	90	79
Royal Navy and Royal Marines	22	20	14	17	19	22
Army	74	62	51	53	48	39
Royal Air Force	19	12	7	21	23	18
Medical and dental degrees	126	118	101	126	87	90
Royal Navy and Royal Marines	22	29	21	23	32	17
Army	81	60	58	56	40	47
Royal Air Force	23	29	22	47	15	26
Other first degrees	376	397	349	365	413	445
Royal Navy and Royal Marines	130	125	123	135	142	165
Army	165	204	162	179	207	191
Royal Air Force	81	68	64	51	64	89
Higher National Certificate²	19	44	29	64	26	2
Royal Navy and Royal Marines	5	—	—	—	—	—
Army ³	14	44	29	64	26	2
Royal Air Force	—	—	—	—	—	—
Ordinary National Certificates²	444	247	134	7	7	—
Royal Navy and Royal Marines	232	123	—	—	—	—
Army ³	37	46	6	7	7	—
Royal Air Force	175	78	128	—	—	—
General Certificate of Education²						
Certificates awarded ⁴	3,023	2,930	3,416	3,484	3,060	3,667
Royal Navy and Royal Marines	1,183	1,248	1,224	1,558	1,428	1,859
Army	534	640	733	803	468	613
Royal Air Force	1,306	1,042	1,459	1,123	1,164	1,195
Advanced level passes	29	58	48	29	23	26
Royal Navy and Royal Marines	8	8	26	7	4	7
Army	4	32	8	12	11	5
Royal Air Force	17	18	14	10	8	14
Ordinary level passes ⁴	3,347	2,936	2,726	2,837	2,611	2,971
Royal Navy and Royal Marines	1,268	1,240	1,198	1,091	1,013	1,206
Army	600	511	461	506	300	435
Royal Air Force	1,479	1,185	1,067	1,240	1,298	1,330
City and Guilds of London Institute						
Operator certificates ²	1,503	604	819	288	258	161
Royal Navy and Royal Marines	1,058	202	661	2	8	3
Army	327	402	158	286	250	158
Royal Air Force	—	—	—	—	—	—
Craft certificates ²	3,336	5,231	2,911	7,486	6,524	9,794
Royal Navy and Royal Marines	172	737	570	2,194	2,767	3,675
Army ³	1,621	2,424	1,607	2,635	2,148	2,412
Royal Air Force	1,543	2,070	734	2,657	1,609	3,707
Technician certificates ²	883	1,025	374	283	211	104
Royal Navy and Royal Marines	159	46	—	4	—	—
Army	394	635	374	279	211	104
Royal Air Force	330	344	—	—	—	—
Technician Education Council						
Higher certificates/diplomas ²	5	15	60	178	328	658
Royal Navy and Royal Marines	—	—	—	—	168	340
Army	5	15	7	34	42	101
Royal Air Force	—	—	53	144	118	217
Certificates/diplomas ²	336	843	1,575	1,749	2,386	2,350
Royal Navy and Royal Marines	144	362	611	480	621	884
Army	—	—	139	195	584	463
Royal Air Force	192	481	825	1,074	1,181	1,003
Heavy Goods Vehicle driving test passes:						
total ⁵	9,322	9,046	16,151	13,964	11,726	11,804
Royal Navy and Royal Marines	44	41	131	30	175	295
Army	8,310	7,611	14,173	12,292	10,129	9,665
Royal Air Force	968	1,394	1,847	1,642	1,422	1,844

1. Includes degrees obtained by serving personnel and University Cadets at Universities and Service educational establishments.
2. Includes only candidates studying for and/or taking examinations directly through their Service.
3. Army figures shown for 1978 are minima: true figures may be higher.
4. Excluding Ordinary level passes gained in Advanced level examinations.
5. All heavy goods vehicle classes combined.

RN TRAINING

<u>READING</u>	<u>REMARKS</u>	<u>STUDENT INTAKE</u> <u>85/86</u>
<u>ACCOUNTANCY</u>		
ACMA	Training at Worthy Down	2
<u>TELECOMMUNICATIONS</u>		
TELECOMS OPERATOR		460
<u>ADP</u>		
MSc	MBCS-Training at RMCS Shrivenham	1
Advanced ADP Course	DEF ADP Training Centre at Blandford	16
<u>LEGAL</u>	Training taken at INNS of Court - No Naval Training	2
<u>DRIVING</u>		
DRIVERS	Course is in military context and covers cross country and wading	238
<u>CATERING/HOTEL SERVICES</u>		
MHCIMA		Less than 5 a year
LEADING COOK/CATERER	City & Guilds 706/1	150
LEADING COOK	City & Guilds 706/1	102
LEADING STEWARD	City & Guilds 707/1	Less than 5 a year
PETTY OFFICER	City & Guilds 717	30
STEWARD	NEBSS Certificate in Supervisory Management	40

<u>HEADING</u>	<u>REMARKS</u>	<u>STUDENT INTAKE</u> <u>85/86</u>
ADVANCED COOKERY	City & Guilds 706/3	Less than 5 a year
CATERING INSTRUCTORS	City & Guilds 730	6
STEWARD/CATERING INSTRUCTORS	HCITB CERTIFICATE	6
COOKS	Dept of Trade Certificate of Competency in Cooking at Sea	60
COOKS		38
BUTCHERS		2
<u>FLYING/AVIATION</u>		
PILOT TRAINING	Helicopter Fixed Wing Fast Jet	50 6
AIR TRAFFIC CONTROLLER		10
MET OBSERVER		15
<u>SURVEY RECORDER</u>	Hydrographic Specialisation	10
<u>DIVING</u>		
DIVERS		40
<u>CLERICAL/FINANCIAL SUPPORT</u>		
PETTY OFFICER	NEBSS Certificate in Supervisory Management	42
WRITER	Office Management RSA Typewriting Skills	123
CLERKS		160
<u>STORES ACCOUNTING</u>		
PETTY OFFICER STORES ACCOUNTANT	NEBSS - Certificate in Stores Supervisory Management	48
	RSA - Certificate in Stores Management	19

ARMY TRAINING

STUDENT INTAKE
85/86

1.	<u>LANGUAGE</u>	
	Russian	72
	Arabic	150
	German	72
2.	<u>ACCOUNTS</u>	
	Cost and Management Accountants	164
	Paymaster	33
	Accountants & Finance Officers	40
	Systems Analysis & Design	50
3.	<u>CATERING</u>	
	Food Technology	10
	Quartermaster and Provisioning	64
	Catering Management	370
	Messing Supervisory	200
	Mess Stewards	300
4.	<u>POLICE</u>	
	Provost Officers	20
	Investigation	190
	Close Protection	65
5.	<u>MEDICAL/VETINARY</u>	
	First Aid Instructors	560
	Medical Assistant	350
	Dental Hygienist/Technicians	190
	Environmental Health Assistant	35
	Dog Handler Specialist	48
	Equitation Instructor	12
6.	<u>PHYSICAL TRAINING/MUSIC</u>	
	PT Instructors	450
	Coaches - Swimming/Athletic	50
	Bandmasters	250
	Diving	180
7.	<u>FLYING TRAINING</u>	
	Army pilot - Fixed wing	88
	Army pilot - Rotary	136
8.	<u>PHOTOGRAPHY/SURVEY</u>	
	Air Photo Reading	84
	Navigation - Induction	56
	Survey, Cartographic/Photographic	50

STUDENT INTAKE
85/86

10. FLEET TRANSPORT/MANAGEMENT

Movements Control	94
Part Operating Officers	12
Driving and Maintenance Instructors,) Cars & HGVs)	Widespread

11. STOREKEEPING

Management, Equipment/Packaging	36
Storeman, Technical/Petroleum	76
Mechanical Handling Equipment	6

12. ADP

Appreciation, Senior Officers	90
Real Time Systems Design	96
Microprocessor	182
Systems/Network Analysis	124
Programming	407
ADP Security	24

13. TELECOMMUNICATIONS/SIGNALS/ELECTRONIC ENGINEERING

Signals Officer/Instructor	500
Telecomms Mechanic/Linesman	250
Electrical & Electronics Engineer including) Telecomms/Radar/Control Equip/Medical & Dental	675

14. ENGINEERING

Aircraft/Avionics	250
Vehicle Mechanic/Electrical	975
Instrument Technician	150
Clerk of Works, Elect/Mech/Construction	70
Trades - Electrician/Welder/Carpenter) Joiner/Painter & Decorator/Fitter/Plumber) Signwriter)	350
Plant Operator, Mechanic, Foreman	200
Civil Engineer	46
Design Draughtsman	18
Radiological & Laser Safety	25
Civil Engineering Degree	270
Applied Science Degree	70
Military Vehicle Technology	6

15. Management Functions

Management General/Engineering etc	330
Works Study	250
Equipment Procurement	90
Test Techniques & Training Validation	32
Safety Officer	50

<u>HEADING</u>	<u>REMARKS</u>	<u>STUDENT INTAKE</u> <u>85/86</u>
LEADING STORES ACCOUNTANT	RSA - Certificate in Storekeeping - (Intermediate)	41
STORES ACCOUNTANT	RSA - Certificate in Storekeeping - (Elementary)	97
 <u>PRINTING</u>		
PRINTERS		12
 <u>ENGINEERING</u>		
ENGINEERING OFFICERS	Trained in fields of marine, weapons (Electronic) and Air Engineering Disciplines. 60 will be graduates and will become chartered engineers. The remainder will achieve Technician Engineer status.	100
ARTIFICERS	Broadly split 20/40/40% in air, marine and weapons disciplines as Engineer Technicians.	300
 <u>PHOTOGRAPHY</u>		
PHOTOGRAPHIC RATING		10
 <u>TRADESMAN/CRAFTSMAN</u>		
MECHANICS	Split 48% ME, 31% WE, 21% AE	1500
CARPENTERS		9
METALSMITHS		1
GROOMS		3
 <u>INSTRUCTOR/ LECTURERS</u>		
METEOROLOGY AND OCEANOGRAPHY (METOC)		8
MANAGEMENT PRACTITIONER		1

<u>HEADING</u>	<u>REMARKS</u>	<u>STUDENT INTAKE</u> <u>85/86</u>
NUCLEAR ENGINEERING		2
HIGHER EDUCATIONAL COURSES	Eg - MSc Courses on various disciplines	8
<u>MEDICAL</u>	(Ex-Service personnel trained while in uniform)	
GENERAL PRACTITIONER	Vocational training	Between 5 & 8
SPECIALISTS IN OCCUPATIONAL/ HOSPITAL MEDICINE		1 or 2
MEDICAL TECHNICIANS	Inc Radiographers, Physiotherapists, Lab Technicians, Nurses	5
MEDICAL ASSISTANTS	With City & Guilds in emergency and clinical care	50
DENTAL HYGIENISTS	Ex-WRNS	5
DENTAL SURGERY ASSISTANTS	Ex-WRNS	5
REGISTERED GENERAL NURSE	QARNNS	17
ENROLLED NURSE	QARNNS	50

RAF TRAINING

1. AIRCREW

STUDENT INTAKE
85/86

Pilot Training	327
Navigator Training	170
Air Electronics Operator	85
Air Engineer	30
Air Loadmasters	45

2. ENGINEERING

a. AIRCRAFT ENGINEERING

Basic Aerosystems Engineering	80
Aircraft Mechanic (embracing all specialisations)	816
Aircraft Technician (embracing all specialisations)	272
Apprentice Engineering Technician	36

b. ELECTRONIC ENGINEERING - AIR

Flight Simulator Operators	10
Apprentice Electronic Eng Technician	144
Advanced Systems Engineering	14
Basic Communications Electronics Course	40
Electronic Technician (embracing all specialisations)	684
Electronic and Instrument Engineer	12

c. ELECTRONIC ENGINEERING - GROUND

Radio Technician	504
Electronic Mechanic (embracing all specialisations)	72
Electronic Technician (embracing all specialisations)	276

d. GENERAL GROUND ENGINEERING

General Mechanic (embracing all specialisations)	86
General Technician (embracing all specialisations)	56
Mechanical Engineer	12

3. COMMUNICATIONS

Telephonist	48
Telecommunications Operator (Basic) - Morse Code	80
Telecommunications Operator (TCO)	140
Special Telegraphist	72
Radio Operator Voice	30
Radio Operator Telegraphy	30

ADP

Data Analyst	70
Computer Security Course	12
Real Time Programming Course	132
Digital Techniques and Real Time Computing	228
Advanced Digital and Linear Techniques	36
Computer Fundamentals	6
Digital Techniques and Computer Fundamentals	108
ICL 4130 Computer Maintenance	16
 5. <u>LANGUAGE TRAINING</u>	
French Colloquial	40
French Linguist	10
German Colloquial	110
German Linguist	15
Russian Interpreter	1
Russian Linguist	5
 6. <u>CATERING</u>	
Steward	150
Cook	80
 7. <u>TRANSPORT</u>	
MT Driver	400
MT Driving Examiner	12
MT Mechanic	96
MT HGV Driver	310
Crane Driver and Operator	80
 8. <u>PHOTOGRAPHY</u>	
Air Photography Processor	72
Photographer (Ground)	45
 9. <u>ADMINISTRATION</u>	
Clerical	255
Accounting	20
Typing	280
 10. <u>MISCELLANEOUS</u>	
Assistant Air Traffic Controller	160
Joint Air Traffic Controller	140
Painter and Finisher	36
RAF/WRAF Police	588
RAF Police Dog Handler	48
Fireman	130
Statistics Analyst	30
Carpenter	10

MANPOWER: Special Employment Measures: Pt 13



Unfortunately, I am not in a position to give the specific figures and detailed breakdown of expenditure on housing and national health at this stage in the expenditure plans. It is a matter which I shall look into and place the information in the Library shortly. However, what the Statement shows as a whole is that for the past five years and into the future we are on the sound road to recovery in economic health. It is a road from which the Government will not be diverted and it is a road on which we can all travel with confidence.

Lord Hylton: My Lords, the noble Lord the Minister twice referred to housing expenditure. Can he confirm that the Minister of Housing obtained only one-third of the amount that he was asking for? Will the Minister put himself in the place of an unemployed person living in a system-built dwelling which is suffering from both damp and condensation?

Lord Young of Graffham: My Lords, I cannot confirm that the Minister of Housing received one-third of what he was asking for. It is my understanding that he now has money to deal with the problems which he has to deal with. However, I put it to your Lordships that if it is so difficult for an unemployed person to live in a system-built house is it prudent to give more money to the same type of authority which built those houses in the first place? What we must do is find the best possible way to get the best housing. So far the records show that the private sector has much to say for itself. In the next three years £10 billion will be spent on public sector housing. That is something we should all be proud of.

Lord Diamond: My Lords, may I make a complaint? The noble Lord has not answered a single one of the questions which I put to him. May I ask him, once again, one question only? What are the Government proposing to do about the Trustee Savings Bank—for the sale of which the prospectus is, I understand, ready for distribution—in view of the latest court decision?

Lord Young of Graffham: My Lords, I apologise to the noble Lord, Lord Diamond, for not referring to that. However, since I understand the court judgment was only made today, it would surely be a little premature if I were to make an official statement on that matter. I am sure the noble Lord will understand that matters such as this require a little reflection.

Enterprise and Employment

4.20 p.m.

Lord Young of Graffham: My Lords, with the leave of the House, I should like to make a Statement on new enterprise and employment measures.

Overall provision for the Department of Employment has increased by some £600 million in each of the years 1986–87 and 1987–88 compared with last year's Autumn Statement. This growth in expenditure has enabled us to increase the number of jobs available under the community programme by 100,000; to introduce the new two-year youth training programme as from April next year, which will ultimately help some 450,000 young people each year

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and lead to real qualifications for a working life. It will also enable us to fund a range of new measures which I am announcing today.

The cost of these new measures is of course included in my department's public expenditure plans for 1986–89 which were announced earlier today by my Right Honourable friend the Chancellor of the Exchequer. These and other increases in our department's spending are offset in part by a reduction in spending from the redundancy fund.

We propose to bring to an end, for all firms other than those with fewer than 10 employees. The system of sharing part of the cost of statutory redundancy payments through rebates from the redundancy fund. Our intention is that the rebate should not be payable for redundancies which take effect after 31st October 1986. We shall introduce the necessary legislation later this Session.

It is important to stress that this change does not affect employees' entitlements in any way. Employees will be entitled, as before, to redundancy payments from their employer; to go to an industrial tribunal if the employer refuses to make the required payment, and, where an employer cannot pay, to receive a payment direct from the Department of Employment.

The rebate has been steadily reduced by successive governments. It is now 35 per cent. For most employers this is not longer a significant contribution to their total redundancy costs. We believe that this public spending should no longer be used in subsidising redundancy and ought now to be put to better use.

I turn now to our further measures to stimulate enterprise and the growth of small businesses and to help long-term unemployed people find work. We have suffered in this country for many years from one of the lowest rates of self-employment and new business creation in the whole of Western Europe. That has now changed. We now have more self-employed people than for some 60 years. However, we can do still more to encourage the growth of self-employment and small business by ensuring that both advice and finance are available to the small businessman at the right time. We are therefore announcing three measures designed to further these aims.

As far as self-employment is concerned, the enterprise allowance scheme has already helped nearly 110,000 unemployed people since August 1983 to set themselves up in business. We have therefore decided to expand the scheme to a maximum of 80,000 new entrants a year in 1986–87 at an additional cost of £17.5 million—an increase of 20 per cent.

We have already assisted over £500 million of lending to small businesses through the loan guarantee scheme. In order to provide better access to finance and business advice we have now decided to extend this scheme, which was due to end in December 1985, until the end of this financial year while we consider its longer term future.

We are also increasing significantly the support given in England to local enterprise agencies, which play an important and growing role in providing

[LORD YOUNG OF GRAFFHAM.]

business advice and practical assistance to small firms at the local level. We are making available an additional £2½ million for this purpose in 1986-87.

Besides its new responsibility for small firms, the Department of Employment now also has responsibility for tourism. The industry estimates that it is creating over 50,000 jobs a year. Last year some 14 million people visited this country, spending over £4 billion. To ensure that this growth continues we are increasing the funds available next year to the British Tourist Authority and the English Tourist Board to £40 million—an increase of about 20 per cent. in their funding. We will ensure that a substantial part of this money will benefit areas of the country which could attract more tourists and where unemployment is high.

I turn now to our measures to help the long-term unemployed. These are designed to tackle two key problems. The first is that many people who have been unemployed for a long time become demoralised about their ability to find work. The second is that the relationship of benefits to pay can reduce the attractiveness of jobs at the lower end of the wages scale. We propose therefore to introduce pilot schemes to test the effectiveness of two entirely new measures designed to combat these problems. These "pilots" will operate for six months from January 1986 in seven different areas.

First, we are asking the Manpower Services Commission to ask long-term unemployed people in the pilot areas to a counselling interview at their Jobcentre. The object will be to see whether they can be placed in suitable jobs—including jobs in the expanding community programme—or in existing training courses. In addition the MSC will be able to offer places on entirely new short training courses specifically designed for those who have been out of work for more than a year. These courses will help to assess their potential and aptitudes; to brush up their basic working skills and to improve the techniques of applying for a job. We shall ask the Manpower Services Commission to cover as many as possible of the long-term unemployed in the pilot areas with these new arrangements so that we can assess their effectiveness.

The second new measure is a job start scheme. This is a radical new approach under which any person in the pilot areas who finds a job after being unemployed for at least 12 months will be paid a weekly allowance of £20 for the first six months of employment in addition to his or her wage. The scheme aims to make lower paid jobs more attractive to people on high rates of benefit. The allowance will be available to those who take jobs with a gross income of less than £80 a week. Full details will be announced shortly.

In the improving climate for jobs, we are determined to increase our contact with those long-term unemployed people who may have been losing hope. We have already started the expansion of job clubs, which have so far achieved remarkable success in placing the majority of people who use them. We are writing to all long-term unemployed people, inviting them to contact their jobcentres for advice and support, and the two pilot measures announced

today reinforce our determination to help long-term unemployed people back into jobs.

The range of measures that I have announced today also demonstrates our determination to intensify our efforts to promote enterprise and business growth. We are creating the conditions in which jobs will come and unemployment will be reduced. I believe that today's new measures should have the support of all parts of the House.

Lord Stoddart of Swindon: My Lords, perhaps I may first of all thank the noble Lord for making his Statement to the House today. I suppose he should really be congratulated on making two very long and major Statements in quick succession. In actual fact the Government are making him do two jobs instead of one. They are not helping the unemployment position very much by that and I hope that the noble Lord is not becoming a Jack-of-all-trades. We had expected him to bring forth a lion in his Statement but in fact he has produced a mouse. I have to say that the Opposition is very disappointed and indeed very worried about some of the measures which he has proposed today.

First of all, I should like to ask him about the changes to the redundancy payments scheme. Is the noble Lord aware that this will undoubtedly cause unease and perhaps real fear among the workforce in that people will feel far less secure about the redundancy payments scheme without proper Government backing and may very well feel that in future they will have to fight hard for their redundancy payments. Will the noble Lord say what will be the additional cost to employers? I understand that the figure could be as high as £250 million a year. If that figure is correct, will that not impose a further burden on employers and industry and push up unit costs, which is the last thing that we want at the present time; or do the Government intend to give some relief by reducing employers' national insurance contribution by an appropriate amount?

4.30 p.m.

In his Statement the Minister mentioned the self-employed. I do not know whether there really has been a growth in the number of self-employed people. I say that advisedly because I notice from the MSC labour market quarterly report that the increase in jobs includes an assumption that self-employment rose by 33,000 in the quarter from January to March 1985. Are the figures for self-employment based on assumptions or facts? I think that this House and Parliament are interested in the facts. If there has been a growth, has it been due to a lower level of training and therefore of skills? I should like the noble Lord to comment on that.

Does not the Government's total economic policy militate against small businesses through the prohibitive cost of borrowing, high interest rates and the bank loan guarantee scheme? Are not the Government by their total economic policy discouraging the growth of small businesses?

I turn to the question of counselling interviews. It all sounds very nice but it sounds to me also as though it could be sinister. Is it to be real counselling, or will

pressure be put on the unemployed to take low paid, unsatisfactory and uncongenial jobs? Will they be under the threat of having benefits withdrawn or reduced at the interviews? I think that we are entitled to have an absolute assurance from the noble Lord that that will not be so and that improper pressure will not be brought to bear on the long-term unemployed in that way.

Perhaps I may now turn to the job start scheme. It is certainly a radical measure; nobody will deny that. But in my view it is designed to subsidise and encourage low wages. As the CBI pointed out in its report which we had dropped through our letterboxes last week, it wants a high-wage, high-productivity country and not a low-wage economy. What will be the position after six months when the worker loses his £20 a week if he then leaves the employment? Will he immediately revert to his original benefit, or will there be a penalty for him leaving his job after six months? Can the Minister also say whether the £20 allowance will be free of all tax or whether it will be taxable; What will there be in the scheme to stop employers taking advantage of it not to improve employment prospects and opportunities but to lower the wages bill and increase profits? Can he give us an answer on that? What safeguards will be built into the scheme to prevent fraud?

I think those are all relevant questions which need answers, and I hope that the noble Lord will be prepared to answer them. These measures fall far short of what is needed to make a real impression on unemployment. They are too little, completely irrelevant and much too late.

Lord Rochester: My Lords, from these Benches I should like to join in thanking the noble Lord, Lord Young, for having made the Statement, but, like the noble Lord, Lord Stoddart, I must say that we regard it as a little thin compared with the enormity of the problem that it seeks to address. It is quite a long Statement and it is not possible now for me to do more than comment on its main features.

I too regret the Government's decision to bring to an end for all except the smallest firms the system under which part of the costs of statutory redundancy payments is shared between the Government and employers through the redundancy fund. As the Minister will know, companies are still having to make employees redundant in considerable numbers. May I therefore ask him how he reconciles that move on the part of the Government with the need emphasised most recently by your Lordships' Select Committee on Overseas Trade for this country to remain internationally competitive?

We welcome the decision to expand the enterprise allowance scheme. That will be especially helpful to the enterprise agencies which are giving advice to people not only on how to establish new businesses but on how to extend existing ones. Can the Minister say what the increase of £2½ million to be allocated to the scheme in 1986-87 will mean in terms of the weekly allowance payable to individuals eligible for it?

The plight of the long-term unemployed is perhaps the worst of all. We shall therefore watch with the closest interest the outcome of the pilot schemes which

are to operate from the beginning of next year. I wonder whether the noble Lord can tell us about the location of the areas where the interviews to which he referred are to take place.

Finally, I should like to wish the proposed new job start scheme well in its aim, as I understand it, to encourage more of the long-term unemployed to find jobs. But in the light of these two new schemes do the Government propose to increase the number of people in jobcentres who are in a position to act as counsellors; and is the Minister satisfied that they will be adequately trained for that task?

Lord Young of Graffham: My Lords, I am grateful to the noble Lord, Lord Stoddart. Let me assure him at the outset that our changes in the rules relating to redundancy payment will not affect in one single way any rights of workers. Those who, alas, are made redundant will be entitled to get the same statutory redundancy payments from their employer. In the event that the employer cannot pay, they will come to the Government as before. What we are talking about is the rebate that an employer can get from the Government—35 per cent. of the cost of redundancy. Indeed, that rebate was introduced by another Government many years ago, and we have seen it eroded and reduced. I think that the time has come when we should perhaps help employees a little more by not making it quite so easy perhaps to make them redundant.

As I said from the outset of my Statement, the expenditure of my department will be increasing by some £600 million a year over the next two years. The bulk of the department's money now goes very much towards the community programme, the youth training scheme, training programmes and helping positive employment.

We have seen a considerable growth in self-employment. The planned enhancement to the enterprise allowance scheme of some £17½ million, which will increase the number of people starting under that scheme to 80,000 a year, is good news for those individuals and others. Our surveys show that 86 per cent. of those who start under the enterprise allowance scheme are still trading 15 months after starting, and that an average of 68 new jobs are created for every 100 businesses—that is, those that have completed a year. This year we shall be spending £111 million and next year £142 million, and part of that vast increase in the growth of self-employment, which is up by 700,000 this decade, has been due to this programme.

I must tell your Lordships that I cannot in all seriousness imagine that any person who has been out of work for more than a year would seriously wish to give up the opportunity of a counselling interview or the opportunity of our giving help and assistance in finding new employment. The same applies to the programmes—which I have long wished to see the Manpower Services Commission introduce—which will restore to those who have been out of work for all this time the help and encouragement and the spark to go out and look afresh.

I hope that the short training courses we shall offer will revitalise them and give them confidence again

[LORD YOUNG OF GRAFFHAM.]

and will help with interviewing techniques. I hope that there will be places on the community programme, and I very much hope that no person who has been out of work for a long time will voluntarily refuse any opportunity of coming for an interview. But if they were to do so, the position would be no different from that with any other person who is long-term unemployed: he is entitled to his benefit as long as he is available for work. The standard tests will apply. There is no new coercion—far from it. This is something that we are introducing to help the long-term unemployed, nothing else. Indeed, the job start scheme, which is there in a pilot form, is something for the Jobcentre staff to offer.

If I may deal with some of the points which the noble Lord, Lord Rochester has made, if six people apply for a job and one has been out of work for more than a year, I am afraid, human nature being what it is, that employers will tend to overlook that one individual. We have seen that the longer anybody is out of work the harder it is for them to get back into work. We have also seen that the number of long-term unemployed, at about 1.4 million, is becoming a fairly firm figure. There are many who are unemployed for shorter periods—the difference between that 1.4 and the 3.2 million fluctuates—but I am greatly affeared that we shall continue to see too many people being unemployed for too long.

The job start scheme will help those who have been out of work for a long time to come back into employment. It is true that it gives an inducement to employers to take them on, but I hope very much that during the six months those employers will discover their abilities. They will be back in work and I hope that the employer's will make up the difference in their income. Even if that does not happen, those long-term unemployed will have current work experience, an up-to-date reference, and they will be back in the labour market. That is surely something we will all want.

The noble Lord, Lord Rochester, referred to the £2½ million for local enterprise agencies. This is an amount of money which we shall give and details will be announced to help this new phenomena, over 300 of which are now open up and down the land. We are devising ways in which we can give support to help them flourish in order to encourage many new businesses to start. It is important that we help this activity, with which I have been concerned for some time, and I hope very much that this department will be playing a positive role.

Lord Somers: My Lords, I shall not keep your Lordships long because we want to get on with the debate. But I wonder whether the noble Lord will answer one question. I have no doubt that the noble Lord is aware of the tendency of urban local governments today to invite enormous supermarkets into their areas and that that has a very deleterious effect on employment. I do not know whether the noble Lord has ever penetrated one of these ghastly places, but if he has he will realise that the chief feature about them is that there is never anybody about if one wants to ask a question or get what one wants. That is very bad for employment. They are also driving out the small shopkeepers who provide a very much better

service. I hope that local government authorities will be dissuaded from encouraging that kind of tendency.

Lord Young of Graffham: My Lords, I wish at the moment I had on occasion the opportunity to investigate the new supermarkets. However, I know that if they continue to provide a worse service than the local shop the local shop will prosper and they will not. That is the law, I am afraid, of shops. I suspect that we are seeing the spread of many of these supermarkets because they offer services and conditions with which some local shops cannot compete. But the evidence on employment is not perhaps as clear as it may be. They might even be the source of increased employment.

Lord Cledwyn of Penrhos: My Lords, the Statement of the noble Lord refers to increased funding for the British Tourist Authority and the English Tourist Board. Can the House assume that a share of this funding will go to the Welsh Tourist Board and the Scottish Tourist Authority?

Lord Young of Graffham: My Lords, I am dealing with the English Tourist Board and the British Tourist Agency. But I shall hopefully get correction of that if I am wrong.

Lord Cledwyn of Penrhos: My Lords, I am very grateful to the noble Lord. It is important in view of the fact that he directs our attention to the needs of areas of high unemployment, and both Scotland and Wales are included in these areas.

Lord Young of Graffham: My Lords, I appreciate that I have an expanded department with increased responsibilities. But those two particular matters are matters for the Secretary of State for Wales and the Secretary of State for Scotland, and over those borders I dare not march.

Lord Cledwyn of Penrhos: My Lords, then can we expect statements from them on this subject?

Lord Young of Graffham: My Lords, I have little doubt.

Lord Lloyd of Kilgerran: My Lords, may I also welcome, as did my noble friend Lord Rochester, that part of the Minister's Statement dealing with small businesses, in relation to the financial aspects. We welcome very much indeed an increase in the financial allowance schemes and in the setting up of enterprise agencies. I find that very welcome. Part of my activities is as chairman of an advisory panel in relation to inventors. It is the duty of this panel to try to seek places for exploiting inventions, thereby creating more employment. I should like to ask the Minister this specific question. I am referring to small businesses. I define small businesses as those that do not employ more than 10 or 12 people. Has the Minister in mind any steps to reduce the bureaucratic stranglehold upon these small businesses arising out of the necessity for dealing with audits and such matters? Has he any assurances to give to small businesses that

the bureaucratic necessities for filling in forms, and the usual things which one would expect from very large firms but not from small firms, will be reduced?

Lord Young of Graffham: My Lords, I am grateful to the noble Lord. It is my dearest wish that we reduce bureaucratic pressures on all businesses. We must do it with safety. We must reduce the bureaucracy without taking away the necessary protection. To my knowledge there is a consultative process which is looking at the needs for independent audits for small businesses. I suspect that the small business in question are mostly the ones which are owned by the directors. It is a complex point. It is one of which we are apprised. It is one on which I suspect that we have a long way further to go. And it is a matter on which I, for one, will not give up.

Lord Pitt of Hampstead: My Lords, with regard to this question of small businesses, members of the black community have great difficulty starting up in business. Can the Minister say what plans the Government have for helping that section of the community to start up in business?

Lord Young of Graffham: My Lords, yes. I am aware that it is even more difficult for a member of the black community to start a small business. It is often said that it is far more difficult to obtain credit from our financial institutions. I am concerned, as I think are many of my colleagues, with some of the occurrences in the urban areas. I am looking at ways in which we can revitalise the urban areas. These are areas in which the black, Asian and many ethnic communities live, and I hope work. We shall be looking at that. At the moment I cannot give any immediate conclusion.

Lord Silkin of Dulwich: My Lords, the noble Lord in reply to my noble friend on the Front Bench explained the job start scheme as an inducement to employers to take on the long-term unemployed. If that is the function of the job start scheme, does it not necessarily follow that employers will be induced by paying less than the going rate for the job? Is that the intention of the job start scheme? Is it not odd that that should be put into effect at the very time when the Government are proposing to castrate the powers of the wages councils?

Lord Young of Graffham: No, my Lords. The job start scheme is a pilot scheme which is to take place in seven areas. The purpose of a pilot scheme is to determine what the effects of the scheme will be. The purpose of the scheme is to assist the long-term unemployed back into employment. The pilot scheme is to determine whether or not the scheme will succeed. I think that it will do so; I hope that it will, but we shall only learn from experience. I hope that your Lordships will not see this as any part of an effort to undermine the rights of individuals; it is an effort to bring back into employment those who have been out of work for some time and those for whom, if we are not careful, any increase in employment may leave behind.

Lord Stoddart of Swindon: My Lords, I am sorry to come back on this matter but I shall be very brief. I

thank the noble Lord for his absolute assurance that there will be no coercion in relation to the job counselling scheme. I appreciate that I asked the noble Lord a large number of questions about the job start scheme which I suppose he could not be expected to answer today. However, will the noble Lord write to me with some answers? The questions which I asked were relevant and important. Finally, will he also let me have an answer to the question about the cost to employers of the revised job redundancy arrangements? Will it be £250 million, which is the estimate what I have received? Will there be any rebate to them at all?

Lord Young of Graffham: My Lords, the withdrawal of redundancy rebates does not come into effect, subject to legislation, until October 1986. However, within the accounting period the figure will amount to in excess of £200 million. The levels of national insurance charges have yet to be set for that corresponding period, but no doubt it will all come through in due course. I shall certainly let the noble Lord have details of the job start scheme when the details are finally issued, and of the areas in which the pilot schemes are to be established. Of the seven areas, I very much hope that one will be in Wales, one in Scotland and five in England. I should hate to think that our Welsh and Scottish friends would not wish to take part in the experiment.

As regards the counselling service, I repeat that there is no question of any undue coercion. The normal rules applying to benefit will apply—just the normal rules.

Address in Reply to Her Majesty's Most Gracious Speech

4.53 p.m.

Debate resumed.

Lord Harris of Greenwich: My Lords, I should like to agree with one point made by the noble Lord, Lord Glenarthur, and the noble Lord, Lord Mishcon; that is, how much we welcome the prospect of the maiden speech of the noble Lord, Lord Mellish. The noble Lord had a distinguished career in the House of Commons and since then he has been particularly active with the London Docklands Development Corporation which has done some remarkable work in docklands and illustrates, if I may say so, how much advantage is to be gained from having constructive relationship between the public and private sectors.

While on the subject of forthcoming speeches, I should like to refer to one speech which will be made a little later in the week; that is the speech which we shall be looking forward to hearing from the noble Earl, Lord Stockton. Our appetite for his speech has been whetted as a result of the many—to say critical observations, would be to understate the case—abusive attacks made on the noble Earl by a number of Conservative newspapers. Attacks have already been made on the noble Earl from a wide range of journalistic opinion extending from Mr. Paul Johnson to Sir John Junor. In my view it is perhaps wise for the critics of some Members of this House to be a little more restrained. Exactly the same technique

Mr. Dennis Skinner (Bolsover): In relation to the statement by the Chancellor of the Exchequer and the ensuing questions, especially the one that was asked by my hon. Friend the Member for Linlithgow (Mr. Dalyell), some of us find it strange and difficult to understand that when the Chancellor of the Exchequer had the opportunity to clear his name by having a public inquiry into the Johnson Matthey affair—

Mr. Speaker: Order. I must stop the hon. Gentleman. I cannot help him, because it is not a matter for me.

Enterprise and Employment

4.21 pm

The Paymaster General (Mr. Kenneth Clarke):

With permission, I should like to make a statement on new enterprise and employment measures. Overall provision for the Department of Employment has increased by some £600 million in each of the years 1986-87 and 1987-88 compared with last year's autumn statement. That growth in expenditure has enabled us to increase the number of jobs available under the community programme by 100,000, to introduce the new two-year youth training programme as from April next year, which will ultimately help some 450,000 young people each year and lead to real qualifications for a working life. It will also enable us to fund a range of new measures which I am announcing today.

The cost of those new measures is, of course, included in my Department's public expenditure plans for 1986-89 which were announced a few moments ago by my Right Hon. friend the Chancellor of the Exchequer. These and other increases in our Department's spending are offset in part by a reduction in spending from the redundancy fund.

We propose to bring to an end, for all firms other than those with fewer than 10 employees, the system of sharing part of the cost of statutory redundancy payments through rebates from the redundancy fund. Our intention is that the rebate should not be payable for redundancies which take effect after 31 October 1986. We shall introduce the necessary legislation later this Session.

It is important to stress that that change does not affect employees' entitlements in any way. Employees will be entitled, as before, to redundancy payments from their employer to go to an industrial tribunal if the employer refuses to make the required payment, and, where an employer cannot pay, to receive a payment direct from the Department of Employment.

The rebate has been steadily reduced by successive Governments. It is now 35 per cent. For most employers that is no longer a significant contribution to their total redundancy costs. We believe that that public spending should no longer be used in subsidising redundancy and ought now to be put to better use.

I turn now to our further measures to stimulate enterprise and the growth of small businesses and also to help long-term unemployed people find work.

We have suffered for many years from one of the lowest rates of self-employment and new business creation in the whole of western Europe. That has now changed. We now have more self-employed people than for some 60 years. However, we can do still more to encourage the growth of self-employment and small business by ensuring that both advice and finance are available to the small business man at the right time. We are therefore announcing three measures designed to further those aims.

As far as self-employment is concerned, the enterprise allowance scheme has already helped nearly 110,000 unemployed people since August 1983 to set themselves up in business. We have therefore decided to expand the scheme to a maximum of 80,000 new entrants a year in 1986-87 at an additional cost of £17.5 million—an increase of 20 per cent.

We have already assisted over £500 million of lending to small businesses through the loan guarantee scheme. In order to provide better access to finance and business

[The Paymaster General]

advice we have now decided to extend the scheme, which was due to end in December 1985, until the end of this financial year while we consider its longer-term future.

We are also increasing significantly the support given in England to local enterprise agencies, which play an important and growing role in providing business advice and practical assistance to small firms at the local level. We are making available an additional £2½ million for that purpose in 1986-87.

Besides its new responsibility for small firms, the Department of Employment now also has responsibility for tourism. The industry estimates that it is creating over 50,000 jobs a year. Last year some 14 million people visited this country, spending over £4 billion. To ensure that that growth continues we are increasing the funds available next year to the British Tourist Authority and the English tourist board to £40 million—an increase of about 20 per cent. in the boards' funding. We shall ensure that a substantial part of that money will benefit areas of the country which could attract more tourists and where unemployment is high.

I turn now to our measures to help the long-term unemployed. They are designed to tackle two key problems. The first is that many people who have been unemployed for a long time become demoralised about their ability to find work. The second is that the relationship of benefits to pay can reduce the attractiveness of jobs at the lower end of the wages scale. We propose therefore to introduce pilot schemes to test the effectiveness of two entirely new measures designed to combat those problems. Those pilots will operate for six months from January 1986 in seven different areas.

First, we are asking the Manpower Services Commission to ask long-term unemployed people in the pilot areas to a counselling interview at their jobcentre. The object will be to see whether they can be placed in suitable jobs—including jobs in the expanding community programme—or in existing training courses. In addition, the MSC will be able to offer places on entirely new short training courses specifically designed for those who have been out of work for more than a year. The courses will help to assess their potential and aptitudes, to brush up their basic working skills and to improve the techniques of applying for a job. We shall ask the MSC to cover as many as possible of the long-term unemployed in the pilot areas with those new arrangements so that we can assess their effectiveness.

The second new measure is a job start scheme. This is a radical new approach under which any person in the pilot area who finds a job after being unemployed for at least 12 months will be paid a weekly allowance of £20 for the first six months of employment in addition to his or her wage. The scheme aims to make lower paid jobs more attractive to people on high rates of benefit. The allowance will be available to those who take jobs with a gross income of less than £80 a week. Full details will be announced shortly.

In the improving climate for jobs, we are determined to increase our contact with those long-term unemployed people who may have been losing hope. We have already started the expansion of job clubs, which have so far achieved remarkable success in placing the majority of people who use them. We are writing to all long-term unemployed people inviting them to contact their

jobcentres for advice and support and the two pilot measures announced today reinforce our determination to help long-term unemployed people back into jobs.

The range of measures that I have announced today also demonstrates our determination to intensify our efforts to promote enterprise and business growth. We are creating the conditions in which jobs will come and unemployment will be reduced. I believe that today's new measures should have the support of all parts of the House.

Mr. John Prescott (Kingston upon Hull, East): Any measures that contribute to a reduction in unemployment will be welcome by all sides of the House, but there is very little in the statement that will make a real contribution to increasing jobs. The Paymaster General has not made clear how many jobs he estimates will come from the series of measures he has announced. That is what the unemployed want to know—how many jobs will be brought about by this intervention of the Government to reduce unemployment.

Does the Paymaster General accept that his proposals have more to do with massaging the unemployment figures for the coming general election than with increasing real unemployment?

Does he further accept that the community programme to which he referred pays people £65 a week? If any of those programmes are expanded, does he envisage that more will be paid to people in those jobs?

Most of the youth training schemes are not new. Announcements were made about them previously. There is a possibility of 100,000 more YTS places being provided as a result of the announcement that the Paymaster General has just made. Can he tell us whether the quality of the training that young people can expect to receive under the scheme will be more than under the skivvy schemes offered at present? [HON. MEMBERS: "Oh."] The Paymaster General has only to interview YTS people to make a judgment about that. Will compulsion be used to get youngsters into YTS by the implementation of a mechanism to report those who refuse to accept places on such schemes.

The right hon. and learned Gentleman made proposals on redundancy. As the employer will now have to pay the full cost of redundancy, what is the right hon. and learned Gentleman's estimate of the increased number of redundancies, brought about by the Government's policies? While carrying their fair share of redundancy costs, will employers now face an extra charge of £250 million, to finance the scheme that the Paymaster General announced? Does that mean that there might be changes in the national insurance contribution to redundancy payments?

With regard to his proposals on local enterprise schemes, can the Paymaster General tell us whether he is prepared to be as generous in his approach to local authorities that have local employment and enterprise schemes? They have done a better job than many of the private enterprise schemes, producing more jobs, which are often cheaper, of better quality and longer-term. Does the right hon. and learned Gentleman accept that I do not want to knock private schemes? Anything that creates jobs I quite welcome—[HON. MEMBERS: "Quite?"] Will the right hon. and learned Gentleman join me in supporting instead of attacking local authorities that use their resources to create jobs through their enterprise schemes? I hope that he will give us an assurance about that.

Does the Paymaster General accept that his proposals to help the long-term unemployed will be welcomed in the House, but that hon. Members will recall that about 1.3 million people are long-term unemployed, which is more than the total unemployment that the Government inherited from the Labour Government? The House will welcome the right hon. and learned Gentleman's statement that he has recognised that the long-term unemployed are demoralised and not to be attacked. As often happens now, people say that such people do not want to work and are workshy. We constantly hear it from someone in another place.

The new initiative to which the Paymaster General referred is more about reducing wage levels than about meeting the need for real jobs. Does the right hon. and learned Gentleman accept that £20 added to average unemployment pay of about £50 gives a wage level of £70 for the six-month scheme? If that is so, will the scheme be compulsory? If people refuse to go on it, will they lose their benefit? At the end of the six-month period, if a person refuses to continue to work for a wage from which the £20 has been deducted, will he face the prospect of suspension of benefit?

The Paymaster General — [HON. MEMBERS: "Oh, no."] I am sorry. The Paymaster General's statement has many measures in it, and I am entitled to ask at least one question about each one.

The right hon. and learned Gentleman announced an extra £40 million of Government money to increase tourism. There may be more jobs for ice cream salesmen and so on, but does he accept that the reason why more people are visiting this country is to do with the high pound? The reason why people are visiting areas such as the west midlands is that the high pound destroyed the manufacturing base in that area. We find no comfort in thinking that now we must earn our living in the tourist industry.

If the Government's policy is to improve the business climate and create jobs, would not the community be better served with the measures that we have proposed time and again, for example, releasing the £6,000 million held by the local authorities in their housing accounts, resulting in real jobs to meet real need? The Government should be proposing such measures instead of designing policies simply to massage the unemployment figures downwards for the general election.

Mr. Clarke: The hon. Gentleman asked me for estimates of how many extra jobs the package will create. It is important to stress that the background is a rapid growth in new jobs in the economy already. As my right hon. Friend the Chancellor of the Exchequer said, it is estimated that 677,000 new jobs have been created up to March 1983. The package will help to encourage such increases, but we have pilot schemes to discover how much extra job creation will result from some of the proposals.

The idea that the package is designed to massage the figures goes back to a former argument. It is not possible for the hon. Gentleman to sweep aside the extensions to the enterprise allowance scheme and to the loan guarantee scheme, the new money for tourism and the new assistance for people moving from long-term unemployment to their first job, as massaging the figures. The measures are substantial and we believe that all of them will encourage further the process of job creation.

The hon. Gentleman asked how much would be paid to those who go on the community programme. We keep under review the present £63 average figure. The hon. Gentleman will know, even before he leaps into free collective bargaining in this area as in others, that if we increase that average figure too rapidly, we merely reduce the total number of people whom we can assist under the scheme. We are expanding that number rapidly at the moment to 230,000 places.

I am disappointed by the hon. Gentleman's slighting remarks about the youth training scheme. The scheme now has the support of the vast majority of Labour local authorities and a growing number of trade unions up and down the country. I share his concern that we should achieve quality training and provide training that is likely to be at least a first step towards a recognised skill and vocational qualification. If the hon. Gentleman wants me to talk about consumer reaction, I can tell him that all our surveys show that a little over 80 per cent. of young people who go on YTS say that they derive value from it and are grateful for what they obtain.

The hon. Gentleman referred to compulsion in connection with YTS and other schemes. It is not our intention to go in for any compulsion in either training or jobs. We are not changing the rules on entitlement to benefit. The position remains that as long as people can satisfy the officers that they are genuinely available for work, they are entitled to benefit. The package is concerned with making the opportunities for that work more readily available to more people.

The hon. Gentleman also referred to the effect of the change in the redundancy rebate arrangements. I am sorry, but I do not altogether understand his question. I cannot see how taking away the rebate that goes to employers who make redundancies is likely to increase the total number of redundancies. If anything, it is likely to have the reverse effect. The hon. Gentleman talked about a charge to employers. At the moment it is financed out of the redundancy fund. Therefore, the present arrangements, which we regard as obsolete, are a sharing of the pool of cost of redundancies so that the more successful businesses tend to subsidise the less successful businesses.

Any question of changes in national insurance charges will have to come much later because the immediate impact in the coming year is negligible. My right hon. Friend the Chancellor has made clear our decision on national insurance charges for next year.

We are greatly increasing support for local enterprise agencies. They provide advice and support, and sometimes manage workshops. They intervene directly and helpfully in the business creation process. I shall reserve for a later occasion the debate about the good work of local authority enterprise boards which, compared with the hon. Gentleman's description, I find at the least variable. I am not at all sure that the policy of some of the local authority enterprise boards, of investing ratepayers' money directly in somewhat dodgy financial businesses, is altogether a good rival for our local employment agencies.

As regards the long-term unemployed, we all agree on the need to tackle the problems of over a million of these people. The fact that we now have an improving climate for jobs makes it easier for us to do so. What we are doing is re-establishing contact with them all, because some of them may well have assumed that no jobs can be found for them, and, when we have established contact, offering

[Mr. Clarke]

them a range of services, job experience, training and the kind of support offered by job clubs and so on that will make it much easier for many of them to find jobs. A higher level of vacancies is being notified to jobcentres than at any time since 1980. The job clubs in some difficult areas, such as the one in Middlesbrough which I visited last Friday, have had a great deal of success in placing long-term unemployed men and women in jobs.

The trouble with the long-term unemployed, as the job market improves, is that their own lack of recent work experience makes them less attractive to employers. Hence the job experience schemes, community programmes and the £20 payment that we are introducing. The latter means that the plunge from high levels of long-term benefit to income is cushioned, particularly if the job taken in the first place is a low paid one. After six months, we hope that the new employee will have so established his attractiveness to his employer that any loss in income would be made up, or that the six months' job experience will make him a much more attractive potential employee to others. Because we do not know how many new jobs it will create, we are introducing this as a pilot scheme in six or seven areas. We believe it to be a radical, new, imaginative idea to speed up the process of getting the long-term unemployed back to work.

Mr. Michael Latham (Rutland and Melton): Is my right hon. and learned Friend aware of the warm welcome on the Government's side of the House for the tone and content of his statement this afternoon? Will he tell us more about the pilot areas? Are they to be geographical areas only or concentrated on particular industries, for example, textiles?

Mr. Clarke: First of all, geographical areas: one in Scotland, one in Wales and five in England. Their exact locations are to be announced shortly by my right hon. Friends the Secretaries of State in the case of the two other nations and by my hon. Friend the parliamentary Under-Secretary in the case of England.

Mr. Michael Foot (Blaenau Gwent): If these measures are to be effective at all, both for the long-term unemployed and others, is it not the case that new training places will have to be found or existing training facilities will have to be increased? Is more money to be devoted to that? Will those training centres or skillcentres, prevented from receiving Government increases, now be able to apply for the funds for which they asked six months, 12 months, or two or three years ago, when they were attacked or closed down by the present Government?

Mr. Clarke: The total amount that we are spending on the introduction of the new youth training scheme is rising rapidly and will reach over £1 billion by the time the two-year scheme has built up to its full level. As regards skillcentres, there has recently been rationalisation of them, but the total amount of training available to adults in this country remains slightly higher than before.

Mr. Michael Grylls (Surrey, North-West): Is my right hon. and learned Friend aware that there will be a very wide welcome throughout the country, and certainly among objective observers, for his increase in and expansion of the enterprise allowance scheme, which has been outstandingly successful in helping new

entrepreneurs in the difficult first year of starting a new business? May I also welcome his announcement of a permanent place for the loan guarantee scheme in the armoury of help to growing businesses? It has been very cost-effective. Will my right hon. and learned Friend also tell the House that he will undertake a review of the detail of the scheme, particularly the fact that the money provided under it is very expensive? If he could reduce the premium, it would be a great help to the growing businesses that we all want to see expand.

Mr. Clarke: I am grateful for my hon. Friend's support in pressing for the extension of the enterprise allowance scheme. It has been remarkably successful in helping people through the first year of business. For every 100 businessmen helped in this way, we find at the end of a year about 65 extra jobs created as they take more people into the new business.

I am also grateful for my hon. Friend's support of the loan guarantee scheme, which will be extended to give us time to review precisely those details of the present operation of the scheme to which he drew attention. I agree that the disincentive effect of the premium and other, connected matters are something to which we shall have to give our urgent attention and reach decisions.

Mr. Richard Wainwright (Colne Valley): Some of the palliatives that the Paymaster General has announced on behalf of his noble Friend will undoubtedly provide valuable but mostly temporary help to a relatively modest number of the unemployed. Will he say why his noble Friend has treated the 1.3 million long-term unemployed to these tiny crumbs? Will he explain why there are just seven pilot schemes when the needs and problems of this growing army of long-term unemployed are sufficiently known? Why this limiting of the scheme to a gross wage of £80 a week? Will he specifically say whether that must be a full week or whether this is a scheme to encourage the Government's favourite ploy of part-time jobs? Why six months? What magic transformation is likely to occur in six months?

On the problem of skilled men who have been unemployed so long that they worry about the decay of their skills, why are they exempt from a scheme that is so very limited in the maximum gross pay that is permitted?

Mr. Clarke: First, this is a joint statement by my right hon. and noble Friend and myself. I trust that in another place he will not find people so desperately trying to minimise the impact of the package that we have announced.

I am glad, however, that the hon. Gentleman welcomes the two new measures to the extent that he wishes them to be introduced all over the place now, rather than waiting for us to try them out in seven pilot areas. This Government like to try out the effectiveness of new schemes before we introduce them everywhere. I realise that the Liberal party finds it easy to discover new ideas and sell them instantly, overnight, like a magic cure-all.

Mr. Tony Baldry (Banbury): While I welcome these measures as an indication that the Government are prepared to leave no stone unturned, will not my right hon. and learned Friend accept that the greatest contribution to be made to job creation is by private employers ensuring that there is wage restraint throughout the economy, and

that if wages simply kept pace with inflation instead of constantly outstripping it we would see the creation of something like half a million new jobs every year?

Mr. Clarke: There has to be a relationship between wages on the one hand, and inflation, productivity and performance, on the other. I agree with my hon. Friend that if wages are allowed to outstrip the productivity improvement and performance of individual businesses, a great deal of this job creation programme will be put at risk. That is the message that we constantly reiterate. It is one to which the alliance parties offer the solution of some kind of inflation tax and a pay norm for everyone, and on which the Labour party remains uncannily silent when it comes to any discussion of employment.

Mr. Ron Leighton (Newham, North-East): Will the Paymaster General seriously consider putting more resources into the community programme to improve it and, in particular, to enable him to increase the allowance of £63? This would enable him to include family men who at the moment cannot be accommodated by the scheme.

Mr. Clarke: The average payment allowed under the scheme is £63. As I have explained, while we are reviewing it, the difficulty is that if we dramatically increase it we may reduce the number of places under the scheme. [HON. MEMBERS: "Why?"] Within a set total. We shall review that allowance but it is important not to allow the scheme to be diverted into spending more money on fewer recipients.

I am grateful to the hon. Member for his support for the programme and his emphasis on improving the quality of it. We are taking steps to ensure that the work done under the community programme is of distinct benefit to the previously unemployed people working on it and also of benefit to the community. We are aiming to raise the quality of the work done under that programme.

Mr. Jim Lester (Broxthowe): I thank my right hon. and learned Friend for his statement, particularly coming after a further statement on selective investment for which many of us have pressed for some time. I congratulate him on the imagination shown in the range of measures brought forward and on trying new things such as the £20 premium. Can he assure us that when we reach out to the long-term unemployed, an essential thing for which many of us on the Government Benches have been pressing, and which we support, the services of the Manpower Services Commission will be available in correct measure and talent to guarantee that they will be given the best possible counsel?

Mr. Clarke: I am grateful to my hon. Friend for his comments and I share his welcome for the measures in the autumn statement, which confirm our continuing commitment to a proper level of capital expenditure in our financial planning. I also confirm that the Manpower Services Commission will be greatly involved in providing the quality of advice and service that is required by long-term unemployed people. We shall be taking steps to make sure that the necessary provision is made by way of resources, staff and preparation so that that proper advice and support is forthcoming.

Mr. Harry Ewing (Falkirk, East): Is the right hon. and learned Gentleman aware that the reference in his statement to the long-term unemployed and the implications of his statement represent a calculated insult

to the long-term unemployed? [Interruption.] Is he not aware that when it comes to being skilled in filling in job application forms, the long-term unemployed are experts; they fill in hundreds of application forms and receive the same answer all the time. That is why they are the long-term unemployed.

I invite the Minister to visit my constituency, where we have suffered the closure of Kineal colliery, the decision by the BP refinery to pay off 300 people, by BP Chemicals at Grangemouth to shed 300 jobs, by ICI to shed jobs, by the Grangemouth Whisky company to pay off people, plus a threat to Grangemouth docks as a result of the closure of Gartcosh. Will the right hon. and learned Gentleman come to my constituency and tell the long-term unemployed to where they should send the forms once they have filled them in?

Mr. Clarke: I do not underestimate the problems faced by people who live in areas that have undergone profound change in the nature of employment locally, as the hon. Gentleman described, and that is one reason why we are putting more effort into bringing back fresh jobs, even in areas such as tourism, hotels, leisure and so on, which are derided by his Front bench spokesmen—[Interruption.] Opposition Members deride it because it is not unionised. That is why they resist the growth of employment in tourism, leisure and related industries.

In relation to helping the long-term unemployed in difficult areas, I invite the hon. Gentleman as soon as possible to take the opportunity to visit one of the organisations that bear the unusual American-created title of job club, as I did on Friday, and meet some of the long-term unemployed as they settle down, with support and help, to make repeated applications for jobs with the advice that the MSC can give them. Where we have tried them so far, in difficult areas, about three-quarters of those who have gone through the organisation have found themselves in jobs. It is encouraging to find how high is the morale and to note the support that they give each other as well as the support that they derive from the jobcentres.

That all helps to enable them to get their way back into a job market that is steadily improving. I cannot understand why any steps of this kind should be dismissed by Opposition Members. Do they wish us to give advice and support to the long-term unemployed, or just leave them alone and pay benefit?

Mr. Piers Merchant (Newcastle upon Tyne, Central): Is my right hon. and learned Friend aware that his welcome initiatives today will be applauded in areas such as the north-east of England, which have suffered particularly severe economic and unemployment problems and which historically have had a low percentage of self-employed compared with the average in Britain? Will he take a special look at the well-publicised claims of the north-east in regard to tourist potential and the growth that could be achieved in that industry with sufficient help centrally?

Mr. Clarke: I hope that through the measures that I have announced and those that we have already taken, through the city action team in Newcastle and Gateshead and the Cleveland initiative that we are taking on Teeside, we shall be giving assistance to the north-east. I agree also with my hon. Friend in the emphasis that he placed on tourism because that is an area with considerable tourist attractions but also high unemployment.

[Mr. Clarke]

At present, too many overseas—indeed, British—visitors tend to pass through, perhaps with a short stop at Durham, and then head north to Edinburgh from London. We must do something to detain them for longer in the north-east and provide the services that will create jobs and wealth for the local economy.

Mr. Robert Litherland (Manchester, Central): Is the Minister aware that two former Tory Prime Ministers, the churches, a Select Committee of the House of Lords, chambers of commerce throughout the country, the trade unions and nearly 4 million unemployed people are telling the Government that their policies are not working, that the manufacturing base is in decline and that the economy is in tatters? Is he aware that it is pure arrogance on the part of the Prime Minister and her puppets to say that Conservative policies are working? His statement today is just another pathetic attempt to delude the unemployed.

Mr. Clarke: The hon. Gentleman extracts a simple message from a large number of people allegedly giving it. I find that a cacophany of opinions comes forth from the various bodies to which he referred. It will not do, every time the Government explain that we have had five years of sustained growth in the economy, rising output in manufacturing, record levels of fixed investment and new jobs being created, for Opposition Members to say that that is just a palliative. I suggest that the expression of the hon. Gentleman is simply an expression of his political disappointment as he sees that things appear to be getting somewhat better.

Miss Janet Fookes (Plymouth, Drake): May I offer a warm welcome to my right hon. and learned Friend on his initiative in supporting tourism. Will he ignore the snide remarks of Opposition Members on this important matter? Will he from this calculate how many jobs are provided through the building industry and manufacturing of various kinds in support of tourism?

Mr. Clarke: I shall try to obtain the figures that my hon. Friend describes. I am sure that she is right to say that as soon as one goes to Plymouth in the south-west, one finds that the remarks of Opposition Members on the subject of tourism are treated with total derision, because it is already an important source of employment of all kinds throughout that locality and could be the source of many more jobs.

Mr. Ian Wrigglesworth (Stockton, South): Welcome though many of these measures are, is the Minister aware that some of them will be regarded as dealing with the symptoms rather than with the cause of the disease? As the youth training scheme deals with one of the causes of the disease, will he agree that if its status and value are to be improved, it will have to become a recognised qualification that can be used to enable youngsters to go on and obtain further qualifications? Will he discuss the matter with the Secretary of State for Education and Science and seek to bring that about at the earliest possible opportunity.

Mr. Clarke: I can certainly say yes to the substance of that question. It must be our aim to introduce good quality youth training schemes because youth training must become a permanent part of the preparation of many of our young people for work if we are to have a modern

and developed economy. I look forward to contributions that press us towards attaining that quality. It is a pity that some people are still prepared to dismiss the whole idea and not see the way in which a modern economy should go.

Mr. Roger Freeman (Kettering): Is my right hon. and learned Friend aware that his statement about the extension of the community programme will be warmly welcomed by my constituents? That welcome will extend in particular to one aspect of the package, and that is the facility for voluntary organisations to take on additional staff under the community programme. Will he undertake to give the matter broader publicity?

Mr. Clarke: I shall certainly take up that invitation because there is great scope in that area—so long as we make sure that the voluntary bodies that provide places under the community programme provide places in work that will be of continuing use to the unemployed. Many of the voluntary bodies that we have in mind provide a great deal of personal service. That service requires considerable organisation, and those bodies seem to have great scope for providing places under the community programme.

Mr. A. E. P. Duffy (Sheffield, Attercliffe): Is the right hon. and learned Gentleman aware that the problems of the long-term unemployed in a traditional industrial district such as south Yorkshire have been exacerbated by the emergence of a poverty equilibrium of low income, poor educational attainment, poor retraining facilities, poor public amenities and now the emigration of skilled and semi-skilled workers? Will he tell the House how even one of his measures will correct one of those conditions?

Mr. Clarke: The enormous expansion of youth training, in particular, and the training initiative, has been aimed at that very problem in the last six years. I agree that in an area such as south Yorkshire, we must ensure that the level of skills is available so that the area remains attractive to new investment and employment.

Mr. Henry Bellingham (Norfolk, North-West): I welcome my right hon. and learned Friend's statement and in particular that part of it dealing with local enterprise agencies and enterprise allowance schemes. Will he agree that we have the best ever climate for small businesses and the most comprehensible package to help those businesses? However, will he urge the Secretary of State for Defence to introduce a scheme of voluntary service in the armed forces to complement the community programme?

Mr. Clarke: I agree with my hon. Friend's remarks about the climate for small businesses. The creation of new small businesses has been reasonably successful and has provided more employment opportunities. However, there is further to go. In many economies equivalent to ours, more people are employed in small businesses in proportion to the total work force than occurs in Britain. I shall refer my hon. Friend's final point to my right hon. Friend the Secretary of State for Defence to ascertain whether there is enthusiasm in the armed forces for a voluntary service.

Mr. Paddy Ashdown (Yeovil): Some of the measures announced today will be welcomed by some, although too few, of the long-term unemployed. Is the Paymaster General aware that undermanning in many jobcentres

mean that the support and advice that he wishes to offer to the long-term unemployed is simply undeliverable? Jobcentres such as the one in my constituency are so undermanned that the staff are scrabbling to keep pace with the paperwork and dumbly pointing applicants towards the notice board. It is wholly out of the question for them to offer advice. Unless the Minister gives the MSC more resources, some of the measures announced today will be meaningless.

Mr. Clarke: We constantly try to make sure that the resources and staffing available to the MSC match its responsibilities. Resources available to the MSC have increased remarkably in recent years, but we have a duty to ensure that the resources are used in the best way and with the best value for money. Therefore, the staff required must be continually assessed. I hope that we get the balance right in Yeovil and elsewhere, but we must not reach the point where our main effort in creating new jobs is creating posts for the employees of the Manpower Services Commission. We shall endeavour to recruit the numbers required.

Mr. Richard Holt: (Langbaugh): My right hon. and learned Friend will know how much his visit to the Lingdale YTS centre and the job club in Middlesbrough was appreciated. His announcement about the £20 for the long-term unemployed will also be appreciated. One thing that we seek is improved facilities for those who have just become unemployed and who wish to move. Would my right hon. and learned Friend consider easing the rules and regulations to assist those who could take jobs in other parts of the country before they become long-term unemployed?

Mr. Clarke: I was impressed by the Lingdale training centre which is in a depressed area. That gives the lie to some of the comments of Opposition Members, who have said that there are no prospects in such places. Young people are acquiring skills in those centres that will greatly improve their job prospects in the neighbourhood. I welcome my hon. Friend's interest in people who wish to move about the country to obtain work. We shall review the effectiveness of our geographical mobility scheme. Mobility of labour is important; the problem lies in housing policy as much as in employment policy.

Mr. Tam Dalyell (Linlithgow): The right hon. and learned Gentleman told my hon. Friend the Member for Falkirk, East (Mr. Ewing) to think about tourism in Grangemouth. The right hon. and learned Gentleman referred to money for the English tourist board, but there was no mention of money for the Scottish tourist board. Is this because the Secretary of State for Scotland has been making cuts or is there no money available?

Mr. Clarke: I announced money for the British Tourist Authority and the English tourist board. That is the full extent of my responsibility. I shall pass the matter to the Secretary of State for Scotland, who I believe will make a similar statement.

Mr. Andy Stewart (Sherwood): My constituents will welcome the statement on tourism and especially the increased budget for the tourist boards. In addition to our famous Nottinghamshire miners, my constituency has the heritage of Sherwood forest and Robin Hood. Only recently there was an announcement about the

development of a £25 million holiday village, which will create 300 new jobs. It is an insult for the Opposition to rubbish tourism as a job-creator.

Mr. Clarke: As someone who is almost a denizen of that forest, I entirely agree with my hon. Friend's remarks. I hope that the hon. Member for Kingston upon Hull, East (Mr. Prescott) need never visit the area when the jobs are in place to repeat his remarks about ice cream salesmen. The jobs are real and valuable. The hon. Gentleman would obstruct investment.

Mr. Robin Corbett (Birmingham, Erdington): May I remind the Minister that young blacks and Asians in inner cities such as Birmingham, are trebly disadvantaged when they try to find work, especially against the background of the inner city riots in the summer? What is in the statement to offer them hope of jobs?

Mr. Clarke: First, I rather agree with the hon. Member's analysis. As he knows, we are reviewing our policy on inner cities. A huge amount of money is expended by central Government in the inner city areas, where every possible support is needed to enable disadvantaged young people to get jobs. We must ensure that that money is spent to the best advantage to produce the maximum benefit for the residents and to get to the root of the problems the hon. Member described.

Mr. Richard Hickmet (Glanford and Scunthorpe): May I mention one problem with the community programme? To be eligible for the community programme one must draw unemployment benefit or supplementary benefit. A redundant steel worker or mineworker who has invested his redundancy payment wisely and prudently cannot benefit from the community programme. I ask my right hon. and learned Friend to consider this issue. It is unacceptable to have long-term unemployment in a constituency such as mine, or in a mining constituency, just because large redundancy payments preclude people entering the community programme.

Mr. Clarke: I shall consider that question. However, I believe that recipients of unemployment benefit as well as those of supplementary benefit are eligible for the community programme.—[HON. MEMBERS: "No."] We foresee litigation about the benefit rules relating to the community programme. I shall consider the problem raised by my hon. Friend when I review the outcome of that litigation.

Mr. Allen McKay (Barnsley, West and Penistone): Will the redundancy payments mentioned by the Paymaster General affect people in small firms that have gone bankrupt? Will the Minister assure the House that redundancy payments will still be made in such cases? The top-up payment of £20 will reduce the payment of supplementary benefit and housing benefit. May we have a report to the House on how the pilot schemes have worked?

Mr. Clarke: The hon. Gentleman raises an important point. The entitlement of the individual worker will not be affected. The workers in a company that has gone bankrupt, or that can no longer meet its statutory obligations on redundancy, will still be entitled to look to the redundancy fund and the Department of Employment for the payment of their legal entitlement. Details of the

[Mr. Clarke]

payment to be made to the long-term unemployed who go into work—those mentioned by the hon. Gentleman are all relevant—will be announced in the near future.

Mr. John Butterfill (Bournemouth, West): Does my right hon. and learned Friend accept that the British tourist industry will warmly welcome the initiative that he has announced? Will he confirm that the increase in funding to the British Tourist Authority and the English tourist board is the full amount suggested by the ETB chairman? Will he also confirm that the chairman estimated that, were he to receive that and additional funding, he could create 10,000 new jobs? Can the Minister give us some idea of exactly where—he mentioned the beach resorts, which I welcome—the additional money will be deployed? Finally, will he confirm that tourism creates not only ice cream salesman jobs, but real, long-term jobs in construction, the steel industry and the linen industry?

Mr. Clarke: The sum that I mentioned was the amount for which the chairman asked. The chairman, who has considerable expertise in such matters, and no doubt with the support of his board, estimated the new jobs that would result. We are discussing with the boards the precise deployment of the moneys that we have made available. I have already mentioned the emphasis that we shall place on regions with high unemployment. My hon. Friend concluded with some perfectly valid points. I hope that today's exchanges, and the support that we have given the tourist boards, will stop people making flippant and hostile remarks about tourism.

Mr. Charles Kennedy (Ross, Cromarty and Skye): Will the Paymaster General acknowledge that those of us who represent constituencies with fragile rural economies will give an unqualified welcome to the added priority given to tourism provided, as the hon. Member for Linlithgow (Mr. Dalyell) made clear, that extra cash is available for Scotland? Will the Paymaster General accept that the Labour spokesman, the hon. Member for Kingston upon Hull, East (Mr. Prescott) speaks only for himself and the Labour party, and not for the alliance, when it comes to the importance of tourism?

Mr. Clarke: I shall ensure that the Scottish position is made clear as rapidly as possible by those with more responsibility than I have for these matters. I endorse what the hon. Member for Ross, Cromarty and Skye (Mr. Kennedy) said. One need only look at the seats represented by the Liberal party and the Social Democratic party to realise that no hon. Member from either of those parties is likely to join in Labour's attack.

Several Hon. Members rose—

Mr. Speaker: Order. I will allow questions to continue for another five minutes. We have a very heavy day ahead of us. If questions are short, everyone may participate.

Mr. John Watts (Slough): In connection with the pilot areas for the operation of the new counselling service for the long-term unemployed, will my right hon. and learned Friend ensure that at least some areas of severe skill shortage are included in that scheme as they contain significant numbers of long-term unemployed people and the scope for helping people into jobs through counselling may be greater there than in some other parts of the country?

Mr. Clarke: I appreciate that extremely valid remark, which is particularly relevant to my hon. Friend's constituency where the problem is finding sufficiently skilled people to maintain the expansion of firms.

Mr. Robert Banks (Harrogate): My right hon. and learned Friend is to be congratulated on his valuable statement. Will he ensure that the extra funds available to the BTA have a compensatory balance factor to allow for adverse fluctuations in sterling? Will he also ensure that attractions are stimulated in Yorkshire and the north of England to draw more tourists away from London and the south? Will my right hon. and learned Friend further ensure that the grants given under section 4 are dealt with speedily so that we can get new jobs into place as soon as possible?

Mr. Clarke: If my hon. Friend had asked my right hon. Friend the Chancellor of the Exchequer a few moments ago whether any of the public spending provision could be made subject to movement in the exchange rates, he would not have got a sympathetic answer. It is impossible in public finance to budget on that basis. I am however sympathetic to my hon. Friend's point about the present uneven distribution of job opportunities in tourism and leisure. The Government intend to bear that in mind when discussing how the money should be distributed.

Mr. Peter Thurnham (Bolton, North-East): I am sure that these measures will be welcomed in parts of the north west with high long-term unemployment. Is my right hon. and learned Friend aware of the good reception being given locally to a pilot scheme in Bolton to provide guaranteed jobs for those who have been out of work for three years or longer?

Mr. Clarke: I am aware of that and I am grateful to my hon. Friend for keeping me in close touch with the progress of that pilot scheme which will have a much wider interest if its success continues.

Mr. David Maclean (Penrith and The Border): Is my right hon. and learned Friend aware that in the Lake District, we realise that thousands of genuine jobs depend on tourism? Will he ensure that the extra resources available do not go to Hull but come to places such as the Lake District where we are not snide and sneery about such jobs?

Mr. Clarke: I have known Labour local authorities who disbursed their public funds according to the majorities of their members in different parts of the local authority area. The Government do not do that. They are as concerned with the unemployed people in Hull as they are with those in the Lake District. Nevertheless, we propose to make good use of the funds available.

Mr. William Cash (Stafford): Will my right hon. and learned Friend accept my congratulations on the extremely interesting package he has announced today? When will he introduce legislation which is directly relevant to small businesses and to local enterprise agencies?

Mr. Clarke: We do not need primary legislation for any part of the package that I have announced today, except for the changes on redundancy rebate. The other parts will be brought into effect as soon as possible.

Mr. Rob Hayward (Kingswood): I too welcome my right hon. and learned Friend's announcement. Will he address himself to two problems? First, in areas such as

Bristol, places on existing youth training schemes have not been filled. A similar point was raised by my hon. Friend the Member for Slough (Mr. Watts). Secondly, will my right hon. and learned Friend consider contacting companies that are announcing substantial expansion, to which the Opposition have not referred, such as Peugeot in Coventry, Farm Machinery in Doncaster and Nissan in the north-east, and ensure that they consider expanding the number of training places? The Government should assist with those places.

Mr. Clarke: There is a surplus of youth training scheme places in most localities. It is important to retain some surplus because it gives more choice to would-be trainees, enables us to match their individual needs and gives some flexibility. Although we must ensure that we are not financing more places than necessary, the surplus gives us an opportunity to raise the quality of the training.

I note what my hon. Friend said about new firms and agree that the Government must ensure that the many firms that are expanding should be enabled to increase their contribution towards the training effort.

Mr. John Townend (Bridlington): Is my right hon. and learned Friend aware that extra help for tourism and small businesses, will be very welcome in my constituency? Will the expansion of the community programme allow him to consider removing the anomaly of those who are long-term unemployed and not drawing social security benefit — often because they have a working wife — not being allowed to apply for a place on the community programme?

Mr. Clarke: I am grateful to my hon. Friend. It is important to recognise that in a modern, developed economy such as ours, positive steps must be taken to accelerate the growth of new jobs in small business, through self-employment and in new industries such as tourism and leisure. The Opposition too often look back to the traditional pattern of industry where their political base used to lie. That is why they are so resistant to developments in those areas.

The Government continue to review the benefit rule in relation to access to the community programme. It is important that there are rules to enable the Government to target the opportunities of the community programme on those who have been unemployed principally because they have lost a previous job.

Mr. John Evans (St. Helens, North): May I warmly congratulate the Paymaster General — [HON. MEMBERS: "Hear, hear."] — on his discovery that people who have been unemployed become demoralised by their inability to find work? Will the Paymaster General ensure that that revelation is passed on to the chairman and vice-chairman of the Conservative party?

Will the Paymaster General explain to the House what he means when he said in his statement that the job start scheme will be concentrated on people on high rates of benefit? Does this mean that those who have been unemployed for a long time will not qualify for this new scheme? Will the people who qualify for this new scheme receive family income supplement? Are not the Government simply switching resources from one area to another?

Mr. Clarke: We tested the scheme's effectiveness within pilot areas and all those who have been unemployed for more than 12 months will be eligible for this new payment. The hon. Member for St. Helens, North (Mr. Evans) mentioned the impact that will have on taxation, family income supplement and other matters affecting the beneficiary. All these matters will be dealt with in a more detailed statement as soon as possible. The Government's aim is that all those people will receive an additional £20 in their pockets to enable them to move from benefit to employment.

My "discovery" is not a new one. While looking at the Opposition during the statement by the Chancellor and during my own statement, I discovered that there is a growing sense of demoralisation among some under-employed ex-Ministers on the Opposition Benches. Perhaps they will be able to take advantage of the services offered by the Government.

SECRET



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Switchboard 01-213 3000

David Norgrove Esq
10 Downing Street
London SW1

Prime Minister²

8 November 1985

Dear David

DLW
8/11
Lord Young did well to
win agreement of all this
from the Treasury.

ENTERPRISE AND EMPLOYMENT

Thank you for your letter of 7 November recording the outcome of the meeting which the Prime Minister chaired yesterday on the above.

As agreed yesterday, my Secretary of State met the Chief Secretary this morning to discuss, amongst other things, the timing of announcements next week. They agreed that the Autumn Statement on Tuesday should contain brief reference to both additional employment measures and the reduced expenditure from the Redundancy Fund. They also agreed that this should be followed on Wednesday by statements in both Houses announcing both the abolition of redundancy rebates (save for firms under 10) and the increases in the DE's programmes arising out of the PES survey. It was further agreed that the latter should include pilot schemes for the long term unemployment guarantee scheme, which will include the enterprise scheme for the long term unemployed, in a number of selected areas. Officials of the Treasury and the Department of Employment are in touch over the details of the statement.

I am copying this letter to Tony Kuczys (HM Treasury), Alison Smith (Lord Privy Seal's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Jacob Franklin (Paymaster General's Office here), Richard Broadbent (Chief Secretary's Office), David Beamish (Government Chief Whip's Office, House of Lords), Michael Stark (Sir Robert Armstrong's Office) and the Chief Press Secretary (No 10).

Yours ever

Leigh

LEIGH LEWIS
Private Secretary

SECRET

mapower Sp Emp. measures P713



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DAVID HARRISON Ltd
10, Abchurch Lane
London EC4N 3DF

STATEMENT AND DISCLOSURE

I have read the following statement of David Harrison Ltd, and I am satisfied that it is true and correct.

As a result of the investigation, we have found that the company has not complied with the provisions of the Companies Act 1947, and we have accordingly taken steps to ensure that the company complies with the provisions of the Act. We have also taken steps to ensure that the company complies with the provisions of the Companies Act 1947, and we have accordingly taken steps to ensure that the company complies with the provisions of the Act.

I am satisfied that the company has complied with the provisions of the Companies Act 1947, and I have accordingly taken steps to ensure that the company complies with the provisions of the Act.

DAVID HARRISON Ltd
10, Abchurch Lane
London EC4N 3DF

87W

7 November 1985

This is just to confirm that the Prime Minister has seen and noted your Secretary of State's minute of 7 November about Government support for Local Enterprise Agencies. She is content with what Lord Young proposes.

I am copying this to Rachel Lomax (HM Treasury), Jacob Franklin (Paymaster General's Office) and Richard Broadbent (Chief Secretary's Office).

TIM FLESHER

Leigh Lewis, Esq.,
Department of Employment.

BM

CONFIDENTIAL

CCBG



PRIME MINISTER

Pamie Minister

Do you wish to visit that
this should be further discussed
with you? DYN 7/11

GOVERNMENT SUPPORT FOR LOCAL ENTERPRISE AGENCIES

No
mb

1 Following our meeting earlier this evening, I propose to announce the additional support for Local Enterprise Agencies as part of the group of measures which I shall announce next week at the same time as we announce the abolition of redundancy rebates.

2 The necessary expenditure was agreed as part of my PES Survey baseline and there has been no dissent from colleagues to the proposals that were contained in my most recent minute to you. This reflected E(A)'s conclusions on this issue.

3 I am copying this minute to the Chancellor of the Exchequer, the Paymaster General here and the Chief Secretary.

Ref

D Y

7 November 1985

CONFIDENTIAL



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GOVERNMENT OF INDIA



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Subject (1)
cc master

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10 DOWNING STREET

From the Private Secretary

7 November 1985

Dear Leigh,

ENTERPRISE AND EMPLOYMENT

The Prime Minister today discussed with your Secretary of State his minute to her of 1 November which set out a strategy for enterprise and employment. The Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Paymaster General and the Chief Secretary were also present.

Your Secretary of State explained that his proposals were a package, not a shopping list. He regretted that they had not come forward before the public expenditure round, but this had been unavoidable. They formed a coherent strategy, aimed towards creating an entrepreneurial society. They looked towards the 1990s. In the shorter term they would also produce more directly a declining path for unemployment. Unemployment was still the major concern in the country, more important even than law and order. The intention would be to implement the proposals in two or three stages, some immediately, some in the Budget and some to be kept in reserve if the unemployment figures seemed to warrant them. Your Secretary of State then took the meeting through the proposals set out in his minute. He concluded by commending them in the strongest terms for the benefits they would bring to the country and to the Government both in the short and the long term.

The Prime Minister welcomed the proposals. She found them most exciting and imaginative. They were well worth further study and evaluation and this should now be done in conjunction with the Treasury. The Prime Minister said however that the meeting could not agree to immediate announcement of expensive proposals before they had been properly evaluated, and particularly against a background that the Cabinet had only this day brought the public expenditure survey to a successful conclusion. To agree the proposals now would be unfair to other colleagues, and would

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be likely to unsettle the markets. The Chancellor agreed strongly with this assessment, but said he would be willing to consider extra expenditure on employment measures for the 1986 Budget, as he had been for the 1985 Budget.

After further discussion, the following points were also agreed:

- (i) the Department of Employment should mount pilot schemes for the long term unemployment guarantee scheme, subject to agreement on the details of the proposal with the Chief Secretary; the cost should be modest and absorbed this year within the programme of the Department of Employment; the possibility of mounting five or six pilot schemes was mentioned, and it was suggested that they should be set up in difficult as well as favourable areas;
- (ii) the Paymaster General should discuss further with the Chief Secretary and the Secretary of State for Health and Social Security whether the pilot schemes should also include the enterprise scheme for the long term unemployed; the Paymaster General argued that this was essential in order to counter the accusation that the guarantee scheme was simply part of a fraud drive against the long term unemployed;
- (iii) the extension of the Loan Guarantee Scheme and the terms on which this would be done should be further discussed with the Treasury;
- (iv) the cut-off point for the small firms exemption from abolition of the Redundancy Rebate should be set at 9 employees if the Department of Employment felt unable to increase the figure to 20;
- (v) the timing and content of announcements about abolition of the Redundancy Rebate, extension of the Loan Guarantee Scheme, creation of the pilot schemes, and other measures agreed during the course of the Survey should be discussed urgently between the Department of Employment and the Treasury; any announcement of the pilot schemes should be made in a way which did not encourage the belief that the schemes would necessarily be extended. Your Secretary of State argued that the announcements should be made as a package: the Chancellor felt that an announcement on Tuesday on the abolition of the Redundancy Rebate was unavoidable.

After the meeting you told me that your Secretary of State would wish to announce the funding for Local Enterprise Agencies as part of the proposed package of

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- 3 -

announcements. As you know, the Prime Minister continues to have doubts about the provision of public money for the Local Enterprise Agencies, and I should be grateful to know before close of business tomorrow night if it is your Secretary of State's intention to make an announcement on Tuesday.

I am copying this letter to Tony Kuczys (HM Treasury), Richard Broadbent (Chief Secretary's Office), Jacob Franklin (Paymaster General's Office) and Andrew Lansley (Chancellor of the Duchy of Lancaster's Office).

*Yours ever,
David*

(David Norgrove)

Leigh Lewis, Esq.,
Department of Employment.

SECRET

PRIME MINISTER

6 November 1985

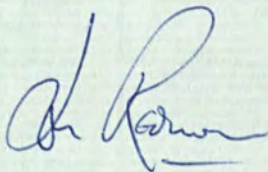
JOBS

You need another package of measures to ensure some decline in the unemployment figures. Public opinion believes Government can and should do more. People favour training-based schemes, and are prepared to listen to arguments about the bogus benefit claimants and the disincentives to work built into the present benefit system.

Alan Walters and I favour cheap schemes which help lower the costs of labour or improve skills (YTS, CP etc). We also strongly recommend the 'Guarantee' for the long-term unemployed. This will help the genuinely unemployed whilst revealing the black economy practitioners.

I am less in favour of the Loan Guarantee Scheme. Small businesses need equity, not debt, and the previous experience was costly and disappointing.

All told the package is a good one. Something like it is much needed.



JOHN REDWOOD

Pmie Niisto

(i) The Chancellor would like the
Chief Secretary to come, Content?
Yes (That would make 8 in total.)

(ii) I suggest you raise the question of Local Enterprise Agencies at your next bilateral rather than tomorrow. Tomorrow's meeting has a big agenda.

DL

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* Both Employment Quotas are coming.

MEETING ON JOBS

GENERAL STRATEGY

David Young has come up with a characteristically enterprising set of proposals to bring unemployment gradually down over the next two years.

The combined effects of his proposals are meant be:

	<u>Direct Reduction</u> <u>in Unemployment</u>	<u>Gross</u> <u>Cost</u>	<u>Net Cost</u> [Gross Cost less Benefits Saved & Extra Tax Recouped]
By April 1987	<u>160,000</u>	<u>£340m pa</u>	£115m pa
By April 1988	<u>230,000</u>	<u>£800m pa</u>	£295m pa

The Department of Employment's predictions of the direct effects on the unemployment count and the gross costs are fairly robust, because they are based on reasonable assumptions derived from previous experience of similar schemes.

But we cannot be confident about the net costs or the indirect effects on employment, because:

- i. it is not certain how many businesses are damaged by the economic distortions caused by such schemes;
- ii. it is never possible to be sure, in advance, how far the schemes will subsidise people to do jobs that they would have done anyway.

Our guess is that - to play safe - you should double the net cost figures, and then round them upwards. On that basis, you could be talking about a package costing the Exchequer about £250 million in 1986/7 and about £600 million in 1987/8.

The main question is whether you think it worth foregoing that amount of tax cuts for the sake of knocking roughly a quarter of a million people off the unemployment count between now and the next election.

We believe that, on political grounds, the game is worth the candle. Somewhat smaller tax cuts with falling unemployment will be welcomed; whereas bigger tax cuts with stable or rising unemployment may well be regarded in many quarters as heartless. A significant and sustained decline in unemployment would probably do more than anything else to deprive your opponents of ammunition and to help you win the election.

We therefore recommend that you should back David Young's general strategy.

TIMING

It would cause extreme resentment if you allowed David Young to announce these expensive measures directly after the hard-fought public spending round. And there are many details yet to be sorted out.

We therefore recommend that you ask David to work up the proposals with the Treasury and other Departments so that he has fully developed schemes to announce in next year's budget. This should leave enough time for the measures to produce the desired effects by 1987/8.

THE PROPOSALS IN DETAIL

1. Extension of Existing Schemes

	<u>Effect on</u> <u>Count by</u> <u>April 1988</u>	<u>Annual Gross</u> <u>Cost from</u> <u>1987/8</u>	<u>Likely Annual</u> <u>Net Cost from</u> <u>1987/8</u>
Enterprise Allowance	16,000	£85m	£40m-£80m
New Workers Scheme (ie Young Workers Scheme for 18-21 year olds)	23,000	£48m	£30m-£60m
Additional Anti- Fraud Teams	10,000	£3m	-£5m-0
Community Programme	65,000 114,000	£334m £470m	£150m-£300m £215m-£440m

As you can see, these extensions would, fairly predictably, remove over 100,000 people from the register by April 1988; and they might have a net cost near to David Young's figures of only £215m, since they have all been amended over the years to minimise both displacement of other economic activity and the subsidy of job creation that would have occurred anyway.

If you want an employment package at all, it is clearly sensible to begin by expanding the schemes that have already been tested. Both the costs and the direct effects on unemployment are more secure than for new schemes.

We therefore recommend that you should ask for these extensions to be planned as part of next year's Budget.

2. Cost-Free Legislative and Administrative Changes

You will clearly want to welcome David Young's initiatives on tourism, deregulation and more effective targetting of the Adult Training Strategy.

We recommend that David Young should emphasise these items in the presentation of any jobs package, so that the long-term economic aims of the government are not submerged beneath short-term employment projects.

We also recommend that you should ask David Young for an assurance that the next Paper on deregulation will contain proposals for action, not just vague promises like the last document.

3. 'Guarantee' for the Long-Term Unemployed

For years, you have been asking D/Emp and DHSS to produce a tough mechanism for driving fraudsters off the register. The problem has always been to make this presentationally acceptable in the North of England, where real unemployment exists in large quantities.

David Young has come up with an extremely ingenious wheeze. His so-called 'guarantee' for the long-term unemployed (an interview followed by either a job or a place on a scheme or a brief training course) is actually a method for introducing mass detection of fraud by the back-door. All the evidence suggests that, when all the long-term 'unemployed' are called for interview, a significant proportion will sign off the register immediately. The Department of Employment's estimate that 10% will act in this way may even be an underestimate: the existing fraud squads reckon on 20% or 25% 'defections'.

We recommend that you support this 'guarantee' in principle, and ask David Young to run a pilot scheme immediately to see

whether it works in practice. A few weeks' trial will reveal its success rate.

4. 'Enterprise' Scheme for the Long-Term Unemployed

David Young is also proposing to introduce an 'enterprise' scheme for the long-term unemployed. People unemployed for more than a year would be given a six month non-taxable allowance of £20 per week if they took a job at £80 per week or less. When a similar scheme was discussed a few months ago, Tom King decided against it because:

- it might involve a lot of 'deadweight' (subsidising people who would have taken jobs anyway); this could drive the net cost way up;
- it might cause resentment amongst people who were already employed at low wages, and who would complain that no-one was giving them a £20 bonus each week;
- it might conflict with Norman Fowler's new 'family credit'.

These are real dangers. But they may be outweighed by two advantages:

- the scheme could dramatically reduce the 'why work?' problem at much lower cost than rises in tax thresholds;
- it could put considerable downwards pressure on wages.

The Japanese, who run the same sort of scheme, seem to be persuaded that it is effective - though they, of course, make it more attractive by allying it to a complete absence of long-term unemployment benefit!

On balance, we recommend that this proposal is worth further consideration. You could ask David Young to:

- i. consult Norman Fowler about the relation between the scheme and family credit;
- ii. consider amendments to limit deadweight and other dangerous effects; such amendments could include:
 - gradual tapering away of the £20 so workers don't suddenly lose income and go back on the dole;
 - preventing people benefitting from the scheme more than once in any five year period;
 - restricting the scheme to people who become unemployed due to being sacked or made compulsorily redundant.

5. Loan Guarantee Scheme

David Young proposes to give the a loan guarantee scheme a new lease of life.

This would be extremely risky. In the past, when such loans were offered on attractive terms, the failure rates were high; and when a tougher regime was installed to reduce losses, the scheme failed to attract borrowers.

In addition:

- The Government would guarantee a total of £400m, without any way of knowing what proportion of this would be called in: a recipe for sleepless nights.
- Given present interest rates, a new loan guarantee scheme with a 2% premium could be a route to speedy

bankruptcy for all but the most successful small businesses .

These dangers probably outweigh the political advantages of the proposal.

However, there are two options that might capture the political benefits without exposing the Government, banks and small businesses to so much risk. You could:

either make it a condition of the guarantee that the bank also provides an equity investment of a fixed proportion of the loaned sum; (this would both reduce the interest charges for the small businessman and give the bank more of an incentive to take a real interest in the development of the business);

or abandon the loan scheme and instead loosen the terms of the Business Expansion Scheme, to bring more venture capital to small businesses.

We recommend that you ask David Young to consider these and other less risky forms of aid for small business.

6. Expansion of TVEI

David Young wants to expand the Technical and Vocational Education Initiative. This initiative is the darling of the DES; but we doubt whether it is, in practice, much more than a method of providing extra money and a fancy title for already existent 'vocational' training in schools. £40m per annum sounds like a lot of money to spend on that.

We recommend that you drop this option, too. If you want to spend another £40 million on training, it would be

better given to the YTS, which does not share the anti-vocational ethos of the schools.

7. Reserve Measures

You do not need to take any decisions about the proposed reserve measures at this stage. It is comforting that David Young has things up his sleeve; but there is no point in arguing about the details unless and until the need for yet more reductions in the unemployment count becomes apparent.

CONCLUSION

We suggest that you should:

- back David Young's general strategy;
- agree that the proposed extensions of existing schemes be worked up in time for next year's budget;
- emphasise deregulation, tourism and the re-targetting of the adult training strategy;
- extract an assurance that the next Paper on deregulation will contain firm proposals for action;
- support the so-called 'guarantee' for the long-term unemployed (ie the interview that scares fraudsters off the register), and ask David Young to set up a pilot scheme immediately;
- ask for more work to be done on the 'enterprise' scheme for the long-term unemployed (ie the allowance that might crack the 'why work?' problem);

- press for a less risky version of the proposed loan guarantee scheme, and a re-examination of the rules of the Business Expansion Scheme;
- refuse to extend the 'Technical and Vocational Education Initiative'.

Janet Evison .

pp. OLIVER LETWIN

SECRET



cc BG
B/F

B/F 6/4 please

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1 November, 1985

David Norgrove, Esq.,
10 Downing Street,
London, S.W.1.

Prime Minister 2

There are some interesting
and imaginative ideas here, but
they will need very careful scrutiny,
particularly for their costs. The
Chancellor will not welcome this, especially
coming at this time of year. The
Policy Unit will brief next week.

Dear David

ENTERPRISE AND EMPLOYMENT

DLN
1/11

As you asked in your letter of 10th September, I attach a
minute from my Secretary of State to the Prime Minister in advance
of the meeting on 7th November.

I am copying this letter and enclosure to Rachel Lomax (H M
Treasury) and to Jacob Franklin (Paymaster General's office).

Yours ever

Leigh

Leigh Lewis
Private Secretary

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PRIME MINISTER

A STRATEGY FOR ENTERPRISE AND EMPLOYMENT

Strategy

A strategy for unemployment must be based upon a strategy for employment. Measures designed solely to deal with the short term will not carry conviction unless they are seen to deal with the growth of employment in the longer term. Therefore I am suggesting in this minute and its accompanying annexes an integrated package designed to accelerate the growth of enterprise and employment (accepting that the benefits only come through in the longer term) and one that will at the same time deal with the transitional problem of the unemployment count over the next two years.

My proposals are designed so that some should be announced immediately and the remainder later. I am also suggesting some reserve proposals in the event of employment conditions deteriorating. As background, Annex A projects the possible path of unemployment between now and 1988 and illustrates how that path would vary if the proposals in this minute were adopted.

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The nature of the problem

During the last few weeks I have endeavoured to open up a debate about the monolithic nature of the unemployment count. The Labour Force Survey (which has been in existence for some years) does enable us to nail the canard about the four or five million unemployed. It also enables us to open up a discreet discussion about the relationship between the black economy and unemployment, at least in the South East, which strikes a chord with many. The more we expose the relationship between the benefit society and unemployment, the more we reveal the causes and the cures for the condition. This debate will continue.

Tactics

I believe we must present a package of measures at the same time as we announce the decision about the abolition of Redundancy Payment rebates. It is thus all the more important that they be seen for what they are - a coherent response to the present employment needs of the nation - and not simply as a political response to public concern about the numbers of the unemployed. The same applies to the measures which I see as coming later.

The package

We must tackle two key targets.

First we must encourage long term changes that will assist the return of an entrepreneurial culture. That is the basis for

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the series of measures set out at Annex B. We will have to start in the schools, and thus I am proposing the extension of TVEI despite the lack of an immediate effect on the unemployment count. Indeed, I see that as an advantage since it is important that our proposals are seen as going beyond the short term.

I am also proposing programmes to help the growth of self-employment and small firms through a revitalised Loan Guarantee Scheme and an expanded Enterprise Allowance Scheme. Both have immediate effects on the unemployment count judged by which their net cost is extremely attractive as compared with our employment measures. But their main justification lies in the impetus which they are giving to the growth of enterprise. I also suggest a programme that will complement the two year youth training programme by encouraging recruitment at realistic pay levels for the 18-20 age group. It will thus provide part of a coherent programme of policies running right through from age 14-21.

Beyond this, the Adult Training Strategy, which has not caught the imagination of employers, will be re-targetted on enterprise training - this is help for those about to work for themselves or in small firms. Both here, and in the work of the Department on tourism, we will be looking, in the not too distant future, for a real effect on unemployment.

The drive for deregulation will continue. I remain convinced that this is crucial for the long term growth of employment and enterprise. Progress in Europe is now looking more promising and the December Council may well bring your

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initiative to fruition. For the home market I have promised a White paper for the late spring (the timing is dependent on the Budget) but we must make certain that the contents of the paper do not disappoint.

Second we must tackle the will to work. You know of my concern that our tax and benefit system does not provide a sufficient inducement to work for many people.

Indeed this problem will not be overcome until we can reintroduce more still water between in work and out of work incomes. Tax thresholds, since the effective reduction of benefits has been shown to be politically impossible, remain the long term solution to the employment problem. The introduction of substantially higher thresholds depends on factors outside my Department.

Until that day dawns I am suggesting a combination of programmes (set out in Annex C), some quite new in concept for this country, which may well have a startling effect. They must be presented in a spirit of concern for the long term unemployed. We will begin to direct our emphasis, in speeches and publicity, towards the long term unemployed. We will be working with a combination of carrots and sticks, but we must exercise great care that the sticks are never seen.

In the category of 'carrots', I propose an enterprise scheme for the long-term unemployed based on an idea suggested to me by Alan Walters. This would pay a £20 pw untaxed allowance for 6 months to the long-term unemployed who take a job under £80 per week. This will mean that they will be treated as new

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entrants to the labour market. I also propose an expanded and facelifted Community Programme.

At the same time I propose to make a substantial increase in the number and operation of the fraud staff in the unemployment benefit offices. They more than pay for themselves (as do many of the programmes in this section) and we have neglected them in the past to our cost.

But potentially of greater significance, I am proposing that from next March we should move progressively to a position where all those unemployed for over a year should be called in to interview at a Jobcentre and offered either a job, a place on a programme, or a one to two week course to help them back into work. Failure to attend for interview would be reported to the benefit authorities for appropriate action.

These programmes all have an effect on the unemployment count. In some cases they will have an effect merely because they exist. They will be part of a longer term strategy which will bring closer together the operation of the Jobcentres and the Unemployment Benefit Offices, reversing a policy that has existed for the last ten years. They may raise questions about the continuance of the MSC in its present form. However that is for later.

In the following annexes I give details of the particular programmes, their cost and their effect on the unemployment count. But individual programmes, no matter how worthy, will not be of use unless they are clearly seen to be part of a coherent strategy. Further the Government must be seen to

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care. In announcing the first package, and the later proposals, I hope that they may be presented as part of a concerned policy. If we agree to spend more money than let us at least appear to want to.

Costs and effects

This package in its entirety (but excluding the reserve proposals) will have a net cost in 1986/7 of at most £115m and in 1987/8 of at most £295m. On present assumptions it is designed to bring unemployment down to below 2.9 million by the autumn of 1987, with a continued reduction thereafter, through a programme based on employment and enterprise.

In the event that employment conditions go against us I have also included in Annex D proposals that would have a further effect on the register and that could be left to the autumn of 1986.

I am copying this minute to the Chancellor of the Exchequer and the Paymaster General here.

D Y
1 November 1985

SECRET

1. The attached graph shows the rough profile of the effect of the proposed measures in reducing the unemployment count.

2. The graph assumes that the underlying trend of seasonally adjusted unemployment (excluding school leavers) is flat. Existing and approved employment measures mean a fall in unemployment up to May 1986, largely because of the Community Programme, and a very slight fall to April 1987 because of the expansion of the Enterprise Allowance Scheme to 80,000.

3. The top solid line therefore shows an estimate of the published seasonally adjusted unemployment total. The effect of the individual measures are shown below, in two broad groups.

4. Above the bottom solid line (coloured green) are

- expansion of EAS to 130,000 in 1987/8
- expansion of CP by 10,000 per month for 7 months from May 1986
- extension of the Loan Guarantee Scheme
- introduction of a guarantee scheme, assumed to be self financing, for the long term unemployed
- introduction of the Enterprise scheme for long term unemployed

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- introduction of the New Workers' Scheme for 18-20 year olds.

These measures are described in Annexes B & C.

5. Below the solid line (coloured red) are three additional measures

- further expansion of CP by 10,000 per month for 5 months from January 1987.
- introduction of Job Release Scheme for 62 year olds with an April - October 1987 "window"
- additional effect of reducing JRS eligibility to 60, with same "window"

These measures are described in Annex D.

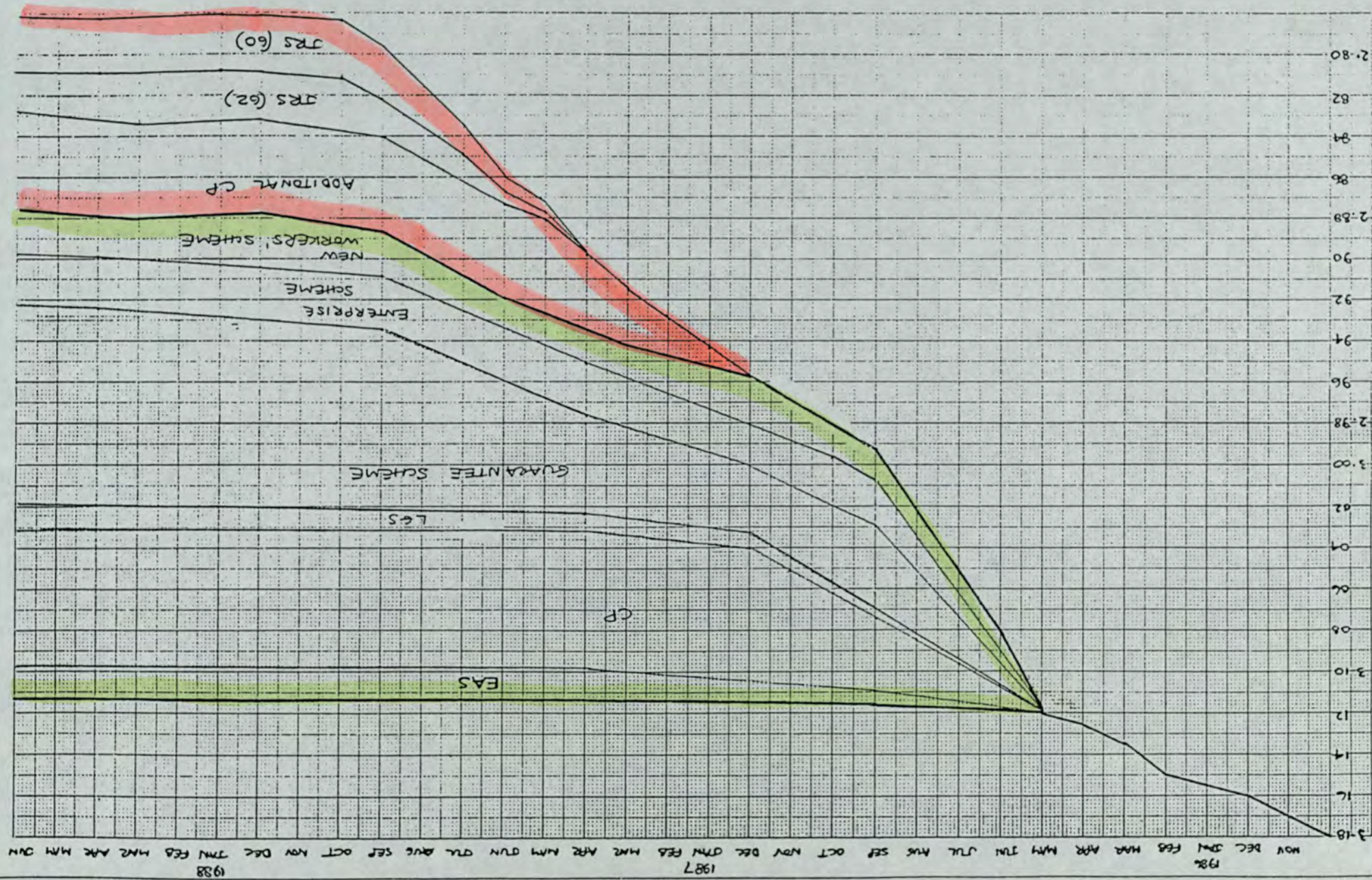
6. Also attached is a table summarising the costs and effects on the unemployment count of the measures described in Annexes B-D.

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SUMMARY OF MEASURES DESCRIBED IN ANNEXES B TO D
(Costs include administration and are additional to existing PES provision)

The net costs are net Eschequer rather than net public expenditure where this is relevant.

£m 1986/7						£m 1987/8			
Option	Announcement Date	Start Date	Gross Cost	Net Cost	Effect on Count	Gross Cost	Net Cost	Effect on Count	Net Cost per person off the count
ENCOURAGING ENTERPRISE									
Enterprise Allowance Scheme	Nov '85	April '86 (Marketing Jan '86)	15	10.6	7000 (end yr)	85	42	16000 (end yr)	£3000 (1st year) £ 750 (2nd year)
Deregulation	-	-	Nil	Nil		Nil	Nil		-
Tourism	-	-	Nil	Nil		Nil	Nil		-
New Small Firms Loan Guarantee Scheme	Nov '85	April '86	2.5	(benefit)	10000 (end yr)	23.4	(benefit)	10-15000 (av)	benefit
TVEI extension from 1987	Spring '86	Sept '87	Nil	Nil		40	40	Nil	-
New Workers Scheme	Spring '86	April '86	27	12	19000 (end yr)	48	29	23000 (end yr)	£1100
IMPROVING INCENTIVES TO WORK									
Guarantee for LTU	Nov '85	March '86	87	Nil	43000 (av)	166	Nil	82000 (av)	Nil
Additional Anti-Fraud Teams	Nov '85	July '86	2	-1.1	3720 (end yr)	3.4	-5.3	10350 (end yr)	Benefit
Enterprise Scheme for LTU	Nov '85	April '86	50	22	12000 (av)	100	44	25000 (av)	£2000
Expanded Community Programme	Spring '86	June '86	159	71	65000 (end yr)	334	146	65000 (av)	£1900
RESERVE MEASURES TO REDUCE UNEMPLOYMENT COUNT									
Job Release Scheme	a) age 60 b) age 62	Nov '86 April '87	Nil	Nil	-	184 87	101 48	49200 (end yr) 23000 (end yr)	£1900 £1900
Further expansion of Community Programme	Nov '86	Jan '87	14	8	28000 (end yr)	212	91	46500 (end yr)	£1900



ENCOURAGING ENTERPRISE

1. Four measures are envisaged to complement the continued action on deregulation and tourism and to foster the development of an enterprise culture:

- (i) An expansion of the Enterprise Allowance Scheme
- (ii) A new Loan Guarantee Scheme for small firms
- (iii) An extension of the Technical and Vocational Education Initiative
- (iv) A "New Workers Scheme" to encourage recruitment of 18-20 year olds at realistic wage rates.

2. The Enterprise Allowance Scheme has an excellent record in promoting self employment. A new and improved Loan Guarantee Scheme can play a major role in the growth of small firms. Increasing the emphasis in our schools on preparation for working life is vital to the development of an enterprise culture. TVEI is beginning to do this and we must maintain its momentum. TVEI is one of the two essential elements in our strategy for the 14-18 age group: The two year youth training programme is the other. A scheme to encourage recruitment of 18-20 year olds is crucial to the success of the 2 year programme and it is a very cost effective way of boosting employment for this age group.

(i) An expanded Enterprise Allowance Scheme

3. The EAS provides a grant of £40 per week to people who have been unemployed for 13 week and have at least £1,000 to invest in starting up their own business. An expansion to

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80,000 entrants in 1986/7 has been agreed, with a reduction of the unemployment qualifying period to 8 weeks. A target of up to 100,000 entrants in 1986/7 should be achievable but this will require an effective marketing campaign to be started early in 1986.

Cost		£m	
(excluding administration)		Gross	Net Exchequer Cost
1986/7		12.8	8.3
1987/8		80.5	37.8
Administration	1986/7	£2.3m	
	1987/8	£4.2m	
Net public expenditure	1986/7	£12.7m	
cost	1987/8	£61.6m	

Net cost per person off the count £3000 taken over first year
 £750 taken over two years

Effect on unemployment

1986/7 increasing to 7000 by end year
 1987/8 increasing to 16,200 by end year

(ii) A revised Loan Guarantee Scheme for small firms

4. The Loan Guarantee Scheme (LGS) was introduced in 1981 to facilitate the supply of finance to small firms which could not obtain it otherwise. 80% of qualifying loans were guaranteed; borrowers paid a premium of 3% on the guaranteed amount. The terms were revised in 1984. 16,000 loans were guaranteed with a total value of £532 million. Net expenditure to date has been £82 million.

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5. The majority of firms receiving loans are successful and have increased their employment. The LGS has helped establish many new firms with long term potential for expansion and has encouraged the banks to extend their lending to small firms. The LGS appears to have been a very cost-effective job creation measure when compared with other DE schemes.

6. The current terms of the LGS are 70% of the loan guaranteed with a premium of 5% of the guaranteed amount. The scheme that is now proposed would last for 3 years at a level comparable in real terms with the earlier scheme. The premium would be reduced to 2% and the proportion guaranteed retained at 70%. There would be a relaxation of the requirement on personal assets but a minimum personal financial involvement of £5,000.

7. The cost over 5 years of lending totalling £560 million made over 3 years would be:

Gross cost

				£m
1986/7	1987/8	1988/9	1989/0	1990/1
2.5	23.4	34.8	34.3	14.0

The costs represent the cost of guarantees met less premiums and recoveries. The LGS will provide a net saving to the Exchequer per person off the unemployment count. The effect on the unemployment count will be some 10,000-15,000 on average per annum.

(iii) An extension of the Technical and Vocational Education Initiative

8. The aim of TVEI is to encourage the enrichment of school curricula with technical and vocational subjects, so as to improve the preparation of school leavers for working life. A good start has been made through MSC funded pilot "TVEI"

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experiments already planned to cover some 3% of 14-18 year olds in schools.

9. In order to maintain and build on the current initiative it is proposed to provide Local Education Authorities with additional resources equivalent to about £15-20,000 per annum per school over 5 years. The Education Authorities would be invited to submit comprehensive curriculum development plans to enable all their secondary schools to participate. The "first round" authorities will complete their 4 year pilots in September 1987, so the expansion would begin then; as second and later round authorities complete their third pilot year they would become eligible to participate in the further development. Curriculum development requires long term planning, so an announcement in the next budget would be necessary for a September 1987 start.

Cost

£m

(including administration - 12 extra staff)		Gross
	1987/8	40
	1988/9	70
	1989/0	90
	1990/1	110
	1991/2	120
	1992/3	80
	1993/4	50
	1994/5	30
	1995/6	10

The Net costs are effectively no different from the gross costs, except that if the effect of expanded TVEI is to encourage more young people to stay at school, there should be some offsetting savings in the youth training programme or supplementary benefit costs.

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(iv) A New Workers Scheme for 18-20 year olds

10. A measure to help businesses to employ young people at realistic wage rates would provide practical help both to business and to the young unemployed. The current Young Workers Scheme aims to encourage the payment of realistic wages by offering a £15 weekly subsidy for a year to employers who pay 17 year olds under £50 per week. With the introduction of the two year youth training programme and the removal of young people from Wages Council coverage, the point of entry to employment in the labour market for most people will occur at age 18 or over. It is therefore proposed that the YWS should be replaced with a scheme covering 18-20 year olds.

The subsidy would remain at £15 per week for a year, but would be paid only if the young person's gross wage was below £55 per week for 18-19 year olds or £65 per week for 20 year olds.

Costs

£m

(Net Exchequer
Cost, Income)

(excluding administration)

Gross

Net

1986/7

25.6

10.8

1987/8

46.5

27.9

1988/9

47.7

28.6

Administration

Net cost per
person off count

£1,100

1986/7 £1m

1987/8 £1m

1988/9 £0.6m

Net public expenditure cost

Impact on unemployment

end year

1986/7 £15.4m

1986/7

19000

1987/8 £27.9m

1987/8

23000

1988/9 £28.6m

1988/9

23000

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MEASURES TO IMPROVE INCENTIVES TO WORK

1. Four measures are envisaged to improve incentives to work

- (i) A "Guarantee" for the long term unemployed
- (ii) An "Enterprise Scheme" for the long term unemployed
- (iii) An additional drive against benefit fraud
- (iv) An expansion of the Community Programme

2. In combination these measures would make it possible to mount a determined drive to tackle those on the unemployment count who are working and claiming benefit fraudulently; those who are without jobs but not genuinely seeking work; and those who can be placed in job vacancies of which they were unaware or who need special help and counselling. They represent both "stick" and "carrot" measures. Two of them - (i) and (ii) - are entirely novel; and two of them - (i) and (iii) - should be self financing in net Exchequer cost terms.

(i) A "Guarantee" for the Long Term Unemployed

3. All those who have been unemployed for 12 months or more would be required to attend an interview at their local Jobcentre at a specified time. Under existing regulations all benefit can be withdrawn for failure to attend a Jobcentre interview (after one reminder letter). The interviews would begin in March 1986, with the aim of covering all the one year unemployed in 18 months - 2 years.

4. All those who attend interviews would be offered one or more of the following:

- any suitable job vacancy, including Community Programme places where available

- a place on one of the existing range of training courses
- the Enterprise Allowance Scheme (where suitable)
- a place on a new 1-2 week course (run by the MSC) designed to help them to assess their potential and to look for work.

Interviewees would be guaranteed a place on one of the 1-2 week training courses if other opportunities were unavailable or unsuitable.

5. This measure would be a mixture of "stick" and "carrot". On the one hand, the experience of DE fraud teams and DHSS Unemployment Review Officers indicates that a summons to a compulsory interview by itself has a significant effect on the count. Furthermore, existing benefit sanctions can be applied to those who attend interviews but refuse the offer of suitable job vacancies. On the other hand, the scheme would provide positive assistance - and would be publicly presented as such - for those who want to work but whose basic working skills have become rusty or who have lost contact with the job market.

Cost		£m	
(excluding administration)		Gross	Net <u>saving</u>
1986/7		84	-4
1987/8		160	-7
Administration			
(including additional	1986/7	£3.3m	
Jobcentre staff)	1987/8	£6.3m	
Net public expenditure	1986/7	£5m	
cost	1987/8	£9.5m	
Net cost per person off the count		NIL	

Effect on Unemployment

	average	peak (end year)
1986/7	43000	46000
1987/8	82000	94000

6. These costings assume that just over 10% of those contacted by the Jobcentres leave the count before or after the interview and that the rest go on to the one-two week courses.

(ii) An Enterprise Scheme for the Long Term Unemployed

7. The reluctance of the long term unemployed with high rates of benefit to take jobs at lower (net) rates of pay could be overcome by a new Enterprise Scheme paying a weekly allowance. Any person who had been unemployed for more than 12 months who took employment paid at less than £80 would be paid a weekly allowance (non-taxable) of £20 for six months. This would be a significant reinforcement of the compulsory interviewing of the long term unemployed in Jobcentres: there would be no reason for anyone to refuse the offer of a job vacancy on the grounds that the pay was too low in relation to his benefit entitlement. It should also have some depressant effect on wage increases.

<u>Cost</u>	<u>in first year</u>	<u>in full year</u>
Gross Cost	£50m	£100m
Net Cost	£22m	£ 44m
Effect on the Count	£12,000 (av)	25,000 (average monthly)
Net Cost person off the count	£2000	£2000

(iii) An additional drive against benefit fraud

8. Current plans to expand the numbers of staff working on fraud in the Unemployment Benefit Service by 730 between now and 31 March 1987 should be brought forward and an extra 300 staff trained for this work.

Cost

	£m	
	1986/7	1987/8
Administration cost	2	3.4
Benefit savings	-3.1	-8.7
Net saving	-1.1	-5.3

Impact on unemployment

1986/7	3720 (end year)
1987/8	10350 (end year)

(iv) An expanded Community Programme

9. A necessary counterpart to the "stick" measures outlined would be a continued expansion of the Community Programme. The present expansion is proceeding at 10,000 extra places a month to 230,000 by June 1986. That rate of increase could be maintained for the rest of 1986. CP is the main programme for the long term unemployment. There is wide scope for emphasising and improving the community benefit output of the Programme and for focussing it positively upon other important policy objectives such as inner-city regeneration, energy conservation, crime prevention, tourism, land clearance and start up assistance for small-firms. It will be important to seek more private-sector and charity involvement, and to enhance its presentation as a major Government effort in communities countrywide.

10. It would be particularly important to ensure that CP places are available for suitable candidates who are identified in the course of the compulsory interviewing of all the long term unemployed ((i) above). However, CP projects attract predominantly the single, young unemployed claimant with low benefit entitlement. Many of the long term unemployed who come

into Jobcentres only because of the compulsory interviewing might not be attracted to CP at its current pay levels or be regarded as satisfactory recruits by CP sponsors.

<u>Costs</u>		<u>Gross</u>	<u>£m</u> <u>Net</u> <u>Exchequer</u> <u>Cost</u>
Additional costs	1986/7	152	64
(excluding	1987/8	325	137
administration)	1988/9	325	137
(administration 86/7 - £7m			
87/8 - £9m			
88/9 - £9m)			
Net public expenditure cost	1986/7	£ 99m	
	1987/8	£211m	
	1988/9	£211m	

Net cost per person off the count £1,900

Impact on unemployment

86/7 increasing by 9,300 a month to reach 65,000 Dec 1986

87/8 65,000

88/9 65,000

1 RESERVE MEASURES TO REDUCE UNEMPLOYMENT

Two measures with immediate effects on the count could be held in reserve. These are

(a) a lowering for a limited period of the qualifying age for the Job Release Scheme to 60 or 62

and (b) a further 5 months expansion of the Community Programme.

2 JOB RELEASE SCHEME

The Scheme enables employees to retire early and be replaced by an unemployed person. It thus helps free opportunities for jobs in the normal labour market, and can help employers restructure their workforces. The scheme is currently available to able-bodied men age 64 years, disabled men aged 60 and women aged 59.

The options are to reduce the age at which able-bodied men become eligible to either (a) 60 or (b) 62 years, for a limited period of 6 months, thus limiting the build-up of costs in later years. These costs and unemployment count effects are additional to the provision for the existing scheme and take account of their interaction.

SECRET

Costs (Window: April 87 - October 87)

Cost (excluding administration) Gross £m

Net

Option a) b)

a) b)

87/8 181.8 86 98.2 46.4

88/9 174.1 61.6 94 33.3

89/90 113.9 - 61.5 -

Administration costs

a)

b)

(excl. benefit staff 87/8 2.5 1.25

savings) 88/89 1.5 0.6

89/90 1.1 -

Net public expenditure costs

87/8 103 48.0

88/9 97.8 34.2

89/90 63.6 -

Net cost per person off the count £1,900

Impact on unemployment

a)

b)

end year 87/8 49,200 23,000

88/9 35,800 11,100

89/90 23,600 -

3 FURTHER EXPANSION OF COMMUNITY PROGRAMME

The level of 10,000 places per month expansion could be continued for a further 5 months from January 1987 to May 1987.

SECRET

SECRET

<u>Costs</u>		£m	
		Gross	Net
Additional costs	1986/7	11	5
	1987/8	205	84
	1988/9	234	98
Administration	1986/7	3	
	1987/8	6.7	
	1988/9	6.7	
Net public expenditure cost			
	1986/7	£7m	
	1987/8	£129m	
	1988/9	£152m	

Net cost per person off the count £1,900

Additional impact on unemployment

1986/7	9,300 a month January to March 1987:	28,000
1987/8	46,500 end year	
1988/9	46,500 average	

SECRET

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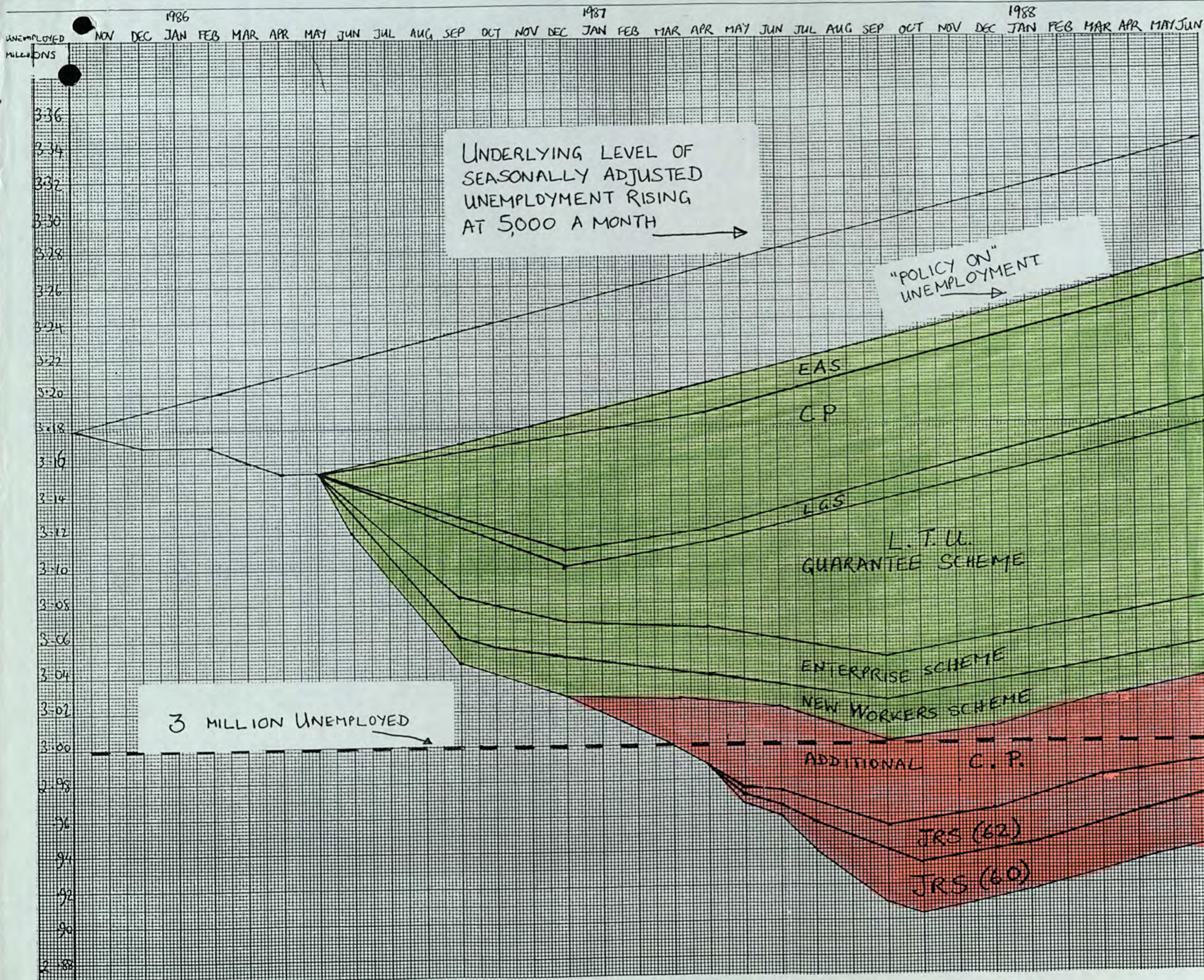
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CHART
TO SHOW
PROPOSALS
IF UNDERLYING
TREND WAS
5,000 PER MONTH
RISING
UNEMPLOYMENT



KEY

EAS = ENTERPRISE ALLOWANCE SCHEME

CP = COMMUNITY PROGRAMME

LGS = LOAN GUARANTEE SCHEME

L.T.U. = LONG-TERM UNEMPLOYED

JRS = JOB RELEASE SCHEME

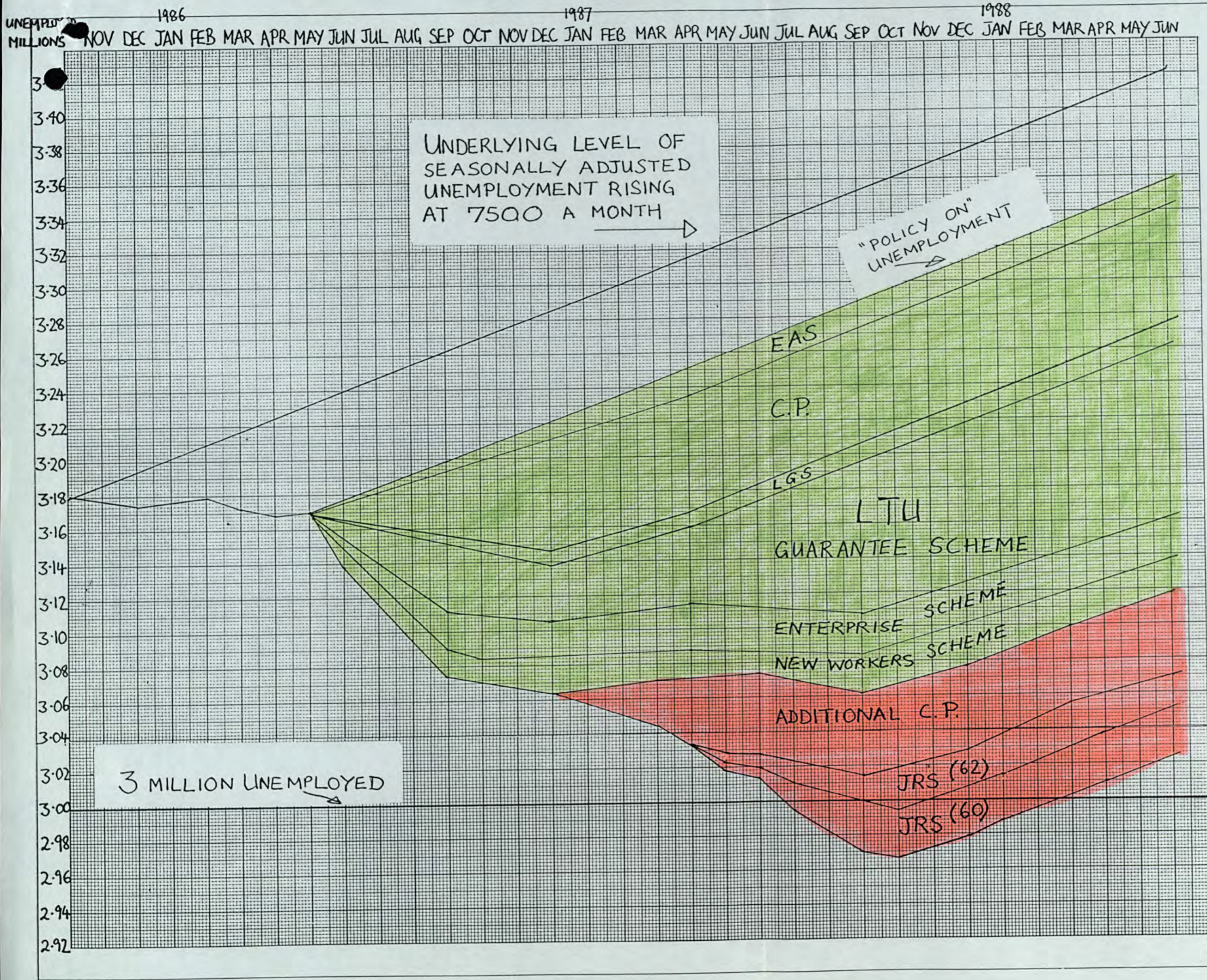


CHART
TO SHOW
PROPOSALS
IF UNDERLYING
TREND WAS
7500 PER MONTH
RISING
UNEMPLOYMENT

- KEY
- EAS = ENTERPRISE ALLOWANCE SCHEME
 - CP = COMMUNITY PROGRAMME
 - LGS = LOAN GUARANTEE SCHEME
 - LTU = LONG-TERM UNEMPLOYED
 - JRS = JOB RELEASE SCHEME

N. the 9 one
Done CR.

10 DOWNING STREET

11 emp:
Send paper
to chairman

4/11 2
Prime Minister

The cast list for your meeting
next week on enterprise and
employment is:

- Lord Young ✓
- Mr Clarke ✓
- Chancellor ✓

Would you also like Mr Tebbit there? ✓ Yes

There is a case for Mr Brittan to
come as well, but I understand
that Lord Young would be strongly
opposed to widening the discussion
at this stage.

Agree to Mr Tebbit? Yes no



DW

1/11



Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

28 October 1985

*Dear David,***TRAINING GIVEN BY THE ARMED SERVICES**

I have seen your letter of 2 October about the training given by the armed services, and Christopher Snell's reply of 17 October. The Chief Secretary was pleased to see the conclusion that we should certainly ensure that due credit is taken by the Government for training provided by the armed services which can be useful to the private sector. He understands that it would not be sensible to try to claim credit for training given by the armed services as part of for instance the Adult Training Strategy. But it would be useful to be able to say both how much training is supported by DE and MSC and at what cost; and in addition to say how much is done by the Armed Services, and at what cost, while noting that, of this, some is of course of use only in the Services, while some could as a spin-off also be useful to the private sector if and when the recipients leave the Forces. It would therefore be useful if MOD could provide figures for the overall volume and costs of Armed Services training, and for whatever breakdown of the figures might be helpful (e.g. how much of the training is in engineering including electronics, information technology, other technician-level skills, etc).

I am copying this letter to Richard Mottram and to Christopher Snell.

Yours Sincerely
Paul Pegler
PAUL PEGLER

Assistant Private Secretary

MANPOWER
SPECIAL
MEASURES
PT 13





Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2136460.....

Switchboard 01-213 3000

David Norgrove Esq
Private Secretary
10 Downing Street
London SW1

CP
Please chase
X in a week or so.
DES
17/co.

17 October 1985

Dear David,

Thank you for your letter of 2 October about the training given by the armed services. I am sorry for the delay in replying, which has been occasioned by the need to discuss the issues the Prime Minister has raised with colleagues at the Ministry of Defence.

It is clear that the training provided by the armed services in certain occupations can be useful to the private sector when the recipients leave the Forces. We should certainly ensure that due credit for this is taken by the Government.

The general training statistics issued by this Department do not indicate the amount, level and nature of training which takes place in the Services. In publicising the level of Government support our current practice is to concentrate on spending by the Manpower Services Commission. Statistics for adult training reflect the assistance given to industry to help it meet its skill needs. The Commission seeks to identify and help with training needs which employers have difficulty in meeting themselves, for example where technology is changing rapidly. The Commission also provides broad-based training through the Youth Training Scheme in order to improve the skills of those entering the labour market for the first time.

The Armed Services carry out a small amount of youth training which is reported separately from the Manpower Services Commission figures. However the great bulk of its training is carried out specifically to meet its own skill needs. As the Prime Minister has noted, there is an undoubted and significant spin-off for private industry from such training, but this is not its main purpose. There is a fundamental



difference between the MSC's programmes which are directed specifically at improving industry's skill supply, and armed services' training which achieves this objective only indirectly (and in a sense fortuitously). We believe that it would be wrong to include the latter in the statistics for Government support for training.

X | There remains the question of the way in which Armed Services training meshes in with private sector skill needs, and the extent to which recognition is given to the investment involved. This must be a matter for the Ministry of Defence, and I am copying this letter to Richard Mottram who may wish to write to you further on this.

I am copying this letter to Paul Pegler at the Treasury.

Yours sincerely,

CHRISTOPHER SNELL
Private Secretary



Monpower - SEM

PK13



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

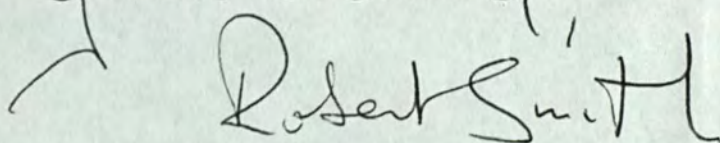
The Rt Hon the Lord Young of Graffham
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NF

11 October 1985

Dear Secretary of State,

Thank you for sending me a copy of your minute to the Prime Minister of 2 October about a new name for the Youth Training Scheme. In considering whether or not to shift to a new name you will need to balance the reaction of employers who tend to find it difficult to keep up with the proliferation of new titles in the education and training system on the one hand, against the potential change of attitudes that might flow from a new title. If you decide to proceed but not to make an announcement at the Conference you may like to give us an opportunity to comment on an alternative title or titles.

I am copying this to the Prime Minister, the Chancellor of the Exchequer, and the Secretaries of State for Scotland and Wales,

Yours sincerely,


R L SMITH
Private Secretary

(Authorised by the Secretary
of State and signed in his
absence)

MANPOWER

SPECIAL MEASURES



PT 13



10 DOWNING STREET

From the Private Secretary

4 October 1985

Dear Leigh,

TWO-YEAR Y.T.S.

The Prime Minister has seen your Secretary of State's minute of 2 October. She agrees with your Secretary of State's proposal that, with the launch of the two-year programme for 1986 school leavers next spring, the development may be presented as the introduction of a new two-year vocational training programme under a new title. She also agrees that this may be mentioned at the Party Conference next week.

I am copying this letter to Rachel Lomax (HM Treasury), Rob Smith (Department of Education and Science), John Graham (Scottish Office) and Colin Williams (Welsh Office).

Yours,

David

DAVID NORGROVE

Leigh Lewis, Esq.,
Department of Employment.

Ech



10 DOWNING STREET

2 October 1985

From the Private Secretary

Dear Leigh,

TRAINING

The Prime Minister has asked whether the statistics for training, and for Government support for training, take account of training given by the Armed Services, particularly the training for specific skills from which the private sector is likely to benefit when the people concerned leave the Armed Services.

Could you consider this please? (You will remember that there is now a table in the PEWP which includes some capital investment by the Armed Services.)

I am copying this letter to Paul Pegler (HM Treasury) and Richard Mottram (Ministry of Defence).

David

David Norgrove

Leigh Lewis Esq
Department of Employment

BM



1 ~~cento~~
 Prime Minister
 Content for a
 change of name to be
 announced next week?
 DRN
 4/10.

PRIME MINISTER

I have been discussing with the Chairman of the MSC and colleagues here developments in our manpower programmes in the period ahead.

We shall be discussing possible new approaches later but we are already moving ahead, of course, with the major development of the launch next Spring of the "Two-Year YTS". This represents a very important step forward towards a more comprehensive and coherent vocational education and training system for all young people under 18 and I am most anxious that it is presented in this way and that we make the most of this development. I am concerned, however, about the image the current Youth Training Scheme still has in certain quarters as just another "scheme" to reduce youth unemployment. Subject to agreeing this finally with the MSC Chairman, I therefore propose that with the launch of the two year programme for 1986 school-leavers next Spring, we present the development as the introduction of a new two year vocational training programme under a new title, using the present "Youth Training Scheme" only for residual one-year schemes.

I would like to indicate in my speech at the Party Conference on Thursday next week that we intend to re-christen the "Two-Year YTS" in this way. This involves no change, of course, in the decisions already taken on the substance of the scheme and the public expenditure provision but will, I hope, help to bring out clearly the very significant step forward we are taking and get the new programme off to the good start.



I am sending copies of this minute to the Chancellor of the Exchequer and the Secretaries of State for Education and Science, Scotland and Wales.

A handwritten signature in blue ink, appearing to be "D Y".

D Y

2 October 1985



1. The following copies of the minutes of the meetings of the
Executive and the Board of Directors of the Corporation are
submitted for your information.



PRIME MINISTER

18 September 1985

JOBS

*Have discussed with
David Young
ms*

Box

mt

David needs some guidance to prepare for the meeting with
you and the Chancellor at the end of October, and to work up
a realistic programme.

There are three main ways of tackling jobs - you could
profitably do more of each.

1. Getting accurate figures for those who are unemployed

This entails:

- a. Putting more effort into querying benefit claimants to
reveal how many are claiming unemployment benefit
whilst employed or moonlighting - a recent Thames
Valley survey suggests up to 25% are in this category.
- b. Considering further ways of easing the tax and
regulatory burden on small business and self-employment
to persuade more to move out of the black economy into
the white economy. Eg, what about an amnesty for past
misdemeanours announced at the same time as a crackdown
on those operating in the informal economy? What
about moving to standardise tax allowances for certain
kinds of small business expenditure to simplify tax

Done

returns? How about offering a tax-free year or two for people starting up businesses?

2. Fostering more enterprise

- a. Give more thrust to the work of E(CP) - as competition encourages more small businesses to set up, which in turn spawns more innovation and new products.
- b. Could we give BES relief to investment in your own business as well as to investment in someone else's? It could be limited to small sums or new firms.
- c. Encourage a faster rate of management buy-out and sale in the steel and car industries to save jobs in the many small companies still attached to BL, BSC; Jaguar hired more employees after privatisation. Why not SC Gears, || Allied Steel & Wire, || a sports car company, h 4-wheel drive, | steel stockholding, etc?
- d. Introduce more courses and discussion of business and self-employment in schools and colleges.
- e. Encourage the City Action Teams and the Docklands Corporations further f eg, cut through the delay on the assembly of the Royal Dock Site, which is currently | held up by disputes between the DoE, PSA and the LDDC.

- f. Step up the pace of auctioning vacant land on the register, particularly in inner urban areas to encourage development in city centres.
- g. Could we hold a national exhibition supported by local events to foster an enterprise month, and encourage more thought about design and import substitution?
- h. Hold a lunch or dinner for leading retailers and industrialists to encourage them to undertake more British purchasing - the spirit of Marks and Spencer's would do more than anything else to encourage more business in this country.

3. Creating jobs through schemes

There are three legitimate uses of public money and one less sensible.

- a. Recruiting people in the public services to provide a better service. More people have been recruited in health. It is undesirable in many other areas, given the wish to slim the Civil Service and to improve public sector productivity. There are currently questions about recruiting more inspectors at the Department of Employment, which David Young will probably raise with you.

- b. Limiting real wage growth or reducing real wage levels by offering a subsidy to employers, eg Young Workers Scheme, elements of the Youth Training Scheme. Having an impact on wage levels can be done by either subsidising the employer, as with the Young Workers Scheme, or the person themselves, as with the Enterprise Allowance for the Self-Employed. The principle can be extended, through a bigger Community Programme, or a bigger Enterprise Allowance Scheme, or an Enterprise Allowance Scheme for some kinds of employed as well as self-employed people. Alan Walters' idea of benefit subsidy for any long-term unemployed in their first year of going to work is another variant.

You may have to consider some increases in these types of schemes, but it is important to strengthen the trend away from rate for the job so that you have an impact on real wage levels, and strengthen your moral position by moving further towards a world where the unemployed feel under some pressure to accept a job or a scheme place.

- c. Improve labour quality by adding a public sector contribution to education and training. It is unlikely you will want to take further action to improve labour quality through more expenditure on education and

training, given the considerable expense already of the two-year YTS.

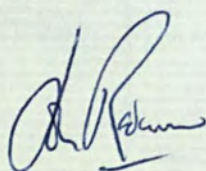
- d. Creating make work jobs. Creating more make work jobs is ill-advised.

Conclusion

You could discuss with David a balanced package of measures to:

- a. Make life more difficult for scroungers.
- b. Encourage more legitimate activity to emerge from the large amount of black economy activity already under way. (The Chancellor has most power here via the Inland Revenue.)
- c. Strengthen those job subsidy schemes which may have an impact on real wage levels.

All of these things will have to be worked out by the turn of this year if they are going to have any impact on the figures in time for the General Election.



JOHN REDWOOD



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213..... 6460

Switchboard 01-213 3000

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

N BPN
DLN 10/9

13 September 1985

Nigel

ENTERPRISE ALLOWANCE SCHEME

Thank you for your letter to Tom of 5 August. We are now pressing ahead with the preparation of costings of an expansion of the Enterprise Allowance Scheme.

However, I think it only fair to say that while I appreciate your concern that the effects of marketing the scheme should be assessed on the basis of its existing rules, I am nonetheless convinced that a reduction in the unemployment qualifying period would represent a convenient and cost effective means of increasing the take up of scheme places. I shall therefore be pressing for this at the forthcoming bilateral.

Meanwhile, may I convey my thanks to you for agreeing to re-examine the tax rules applied to scheme participants. I look forward to hearing your conclusions.

I am sending a copy of this letter to the Prime Minister.

Lawson

MANPOWER : Special employment measures: Pt 13.



CONFIDENTIAL

cc 100



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6460.....

Switchboard 01-213 3000

NRPT

DW
12/9

John MacGregor Esq OBE MP
Chief Secretary
HM Treasury
Great George Street
LONDON
SW1

12 September 1985

*file done*LONG TERM UNEMPLOYMENT*will request of req.*

Tom King wrote to Peter Rees on 7 August setting out his proposals for extra fraud staff following discussion at E(A) on 23 July. We have not yet received a reply.

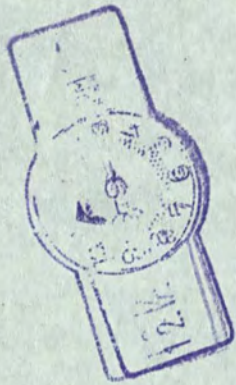
I am writing simply to say that I attach top priority to pursuing this exercise with urgency and vigour and I hope you can give immediate approval to the proposals Tom King put forward. In my view they are a minimum requirement and offer us a way of achieving a significant impact on the unemployment count and a saving of public expenditure at the same time. The fact that the extra staff costs fall on this Department and the much larger programme savings accrue to DHSS will not I hope delay your approval for the proposals.

I am sending copies of this letter to the Prime Minister and Norman Fowler.

*Lawrence
Haw*

CONFIDENTIAL

MANPOWER: Special employment measures: Pt 3



CONFIDENTIAL

SAT

10 September 1985

ENTERPRISE AND EMPLOYMENT

The Prime Minister would welcome a preliminary discussion with your Secretary of State and the Paymaster General about the new team's ideas for encouraging enterprise and employment. She would also wish the Chancellor to be present.

The aim is to hold a meeting soon after the Party Conference, and we shall be in touch to arrange a time. A note will be needed as the starting point for the meeting and perhaps we could discuss when you have had an opportunity to think about this.

I am copying this letter to Rachel Lomax (HM Treasury).

(DAVID NORGROVE)

David Normington, Esq.,
Department of Employment.

CONFIDENTIAL

✓
K
Yes
PRIME MINISTER

- (i) Agree that you would like a discussion after Conference of the new team's plans?
(ii) With the Chancellor? (He won't welcome new plans, probably for higher spending in some cases, being discussed in the middle of the Survey. Very bad feeling if the Treasury is not there.)

4 September 1985

See who now
Now that you have appointed a new strong jobs team, shouldn't you put in your diary a morning meeting with David and Ken to present to you (and the Chancellor?) proposals for carrying on the jobs strategy? A suitable time would be after Conference, which would leave them some 6 weeks to take the best ideas from DEMP files. and to develop

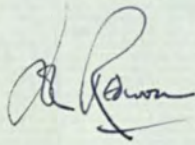
their own ideas.

Some ideas to discuss and follow up:

1. The success and possible extension of the Investigation Teams - around one quarter of all those claiming benefits in the areas tested so far ceased claiming them when they were asked some questions. If this turns out to be widespread in the South East, we could be talking of a register reduction of more than 100,000.
2. Consideration of a better mechanism for paying benefits, registering people as unemployed, and using the Unemployment Offices to track down fraud - the 27,500 people currently employed in the Unemployment Benefit Service do not seem to be deterring fake registration.
3. Development of training loans, progress monitoring on the 2-year YTS, and the Philip Goodhart training voucher scheme.

4. The Why Work? syndrome - discussion of what impact different levels of Family Credit, and different types of tax change, would have on the problem, and the jobs consequences.
5. The City Action Teams and Urban Land Programme - the progress being made in organising sales of large areas of public sector land to lower the price of land and thereby encourage more city development in the hard-pressed inner city areas.
6. Consideration of new low-cost schemes to reduce numbers on the count - possibly including increased support for self-employment and carefully targetted job subsidies.

These are just a few suggestions: David and Ken may well have other ideas. It is important to discuss all the options soon, since any proposals need to be in place by the turn of this year if they are to affect the registers before the next Election.


JOHN REDWOOD

David I am indebted
with your suggestions
more & more meetings. We
must make a list of requests
and deal with them together at the beginning
of next week - otherwise we shall achieve nothing.



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

David Norgrove Esq
Private Secretary
10 Downing Street
London SW1

30 August 1985 2

Prime Minister

DS
30/8

Dear David

Conservative Action to Revive Employment,
led by Sir Philip Goodhart,
'SKIP AHEAD' - CARE DISCUSSION DOCUMENT
Tinker and

You asked for a background note and line to take
on the above document which was covered in today's
radio coverage. These are attached.

Tony Baldry.

However, a shorter line to take would be:

- generally a constructive and serious approach;
- welcome support for expansion of YTS, and the need for increased importance of adult training;
- we shall be considering carefully the detailed points further.

Yours sincerely

Christine Van Schagen

C M VAN SCHAGEN
Private Secretary

BRIEFING FOR NO 10

'SKIP AHEAD' - A CARE DISCUSSION DOCUMENT

Line to Take

- We welcome CARE's positive support for the Youth Training Scheme, and their interest in higher education and training for young adults.
- The Government shares CARE's concern to improve training opportunities for adults. That is why we are more than doubling - to 250,000 next year - the number of adults trained with MSC support. Over half these opportunities are for unemployed people, including up to 50,000 of the long-term unemployed taking part in the Community Programme next year.
- We are restructuring our adult training schemes so that they will be more effective, and improving our marketing so that they will be better understood by potential users - both employers and individuals. Certainly agree this is important, and will take account of CARE's suggestions when we review progress.
- Glad that CARE recognises the major role in adult training must be filled by private industry. Government's own substantial expenditure (£265m on adult training this year) encourages and supports employers' own investment. We are currently looking at incentives for industry to invest in training, but are not persuaded that changes in the taxation system are the right answer.
- We are determined to open up more opportunities for adults to improve their skills - this is why we intend to introduce a pilot scheme of training loans, which will allow individuals to make their own decisions about training needs and help them meet the costs. The costs to the public purse of further proposals, such as training vouchers, must however be weighed against their effectiveness in meeting employers' and unemployed people's real needs.
- As for Higher Education, future levels of provision will be under consideration in the light of responses to the Government's Green Paper on higher education policy ('The Development of Higher Education into the 1990s', Cmnd 9524). The projections in the Green Paper assume an increase in the proportion of 18-19 year olds going on to higher education from 13.7% to 15.5%.

- The Secretary of Education is pursuing the question of restructuring of teachers' salaries.

Background Note'SKIP AHEAD'

- 1 This discussion document was published yesterday by the Conservative backbench group CARE (Conservative Action to Revive Employment), led by Sir Philip Goodhart MP, Mr Jim Lester MP and Mr Tony Baldry MP.
- 2 The paper is generally supportive of the Government's approach to training, but calls for further resources to be devoted to higher education and adult training in view of increasing unemployment among young adults.
- 3 Ministers may wish to welcome the group's interest in the problems of young adults, and avoid rejecting its recommendations (attached) at this stage, but suggest that some pose difficulties. In particular:
 - (number 4) changing benefit rules (because of the statutory requirement for claimants to be 'available for work')
 - (number 6) tax relief for industry (because of Government policy to simplify rather than multiply tax relief)
 - (number 8) a training voucher scheme (primarily, because of costs).
- 4 Recommendation 7 urges the Government to press ahead with a pilot scheme for training loans. A Consultation Paper setting out proposals for a pilot scheme in 1985/86 was issued in November 1984. In the light of consultations, a different approach was devised and new proposals are now being discussed with 8 banks who have expressed an interest in participation. They would provide the capital and administer the scheme and the Government would provide incentives in the form of a guarantee to the banks and a 'repayment holiday' to trainees. Subject to reaching agreement with the banks and Ministerial approval, the aim is to launch a 3 year pilot scheme early in 1986 to test the market.

RECOMMENDATIONS

- 1) All the separate adult training schemes promoted by the Government should be presented as part of one major Skill Improvement Programme - (SKIP).
- 2) Between 1984 and 1996, the number of 18 and 19-year-olds will fall by 33%. The Government should maintain level funding for higher education at the 'pre-squeeze' 1981 level. This will enable a substantially higher proportion of young people to go to university.
- 3) The Secretary of State for Education should take the opportunity afforded by the projected re-structuring of teachers' pay to ensure that there is an increase in the salaries of mathematics and scientific specialists.
- 4) The Government should modify the Supplementary Benefit rule which limits to 21 hours per week the amount of studying that the young unemployed can do without losing benefit.
- 5) There should be more basic courses for the unemployed at those technical colleges and colleges of further education which are now under-used.
- 6) The Government should divert part of the £9 billion per annum currently available for tax depreciation allowances on industrial building and plant to encourage training schemes by private industry.
- 7) The Government should press ahead with a pilot scheme for loans for people who want to take training courses.
- 8) The Government should introduce a pilot Training Voucher scheme. These Training Vouchers would be worth up to £1,000. Unemployed recipients would not lose their entitlement to benefit. Training Vouchers could become an important method of tackling our national skill shortages and helping the unemployed who have not been part of the YTS.

David Norgrove

(2) ~~Patricia~~
To put please with
the Department of
Employment's brief on this.

Sir Philip Goodhart has sent Michael
Alison a copy of the paper which he
and other Conservative Members of
Parliament have produced concerning
unemployment, and I thought you would
like to see a copy and perhaps put
it into the Prime Minister's weekend
box.

TESSA
30.8.85

Prime Minister
Probably only worth
glancing at to get the
flavour.

~~DN~~
30/8.

SKIP AHEAD

**SOME PROPOSALS FOR A
SKILL IMPROVEMENT PROGRAMME
(SKIP)**

by

SIR PHILIP GOODHART M.P.

with

JIM LESTER M.P.

TONY BALDRY M.P.

A C.A.R.E. DISCUSSION DOCUMENT

£1.00

SKIP AHEAD

SOME PROPOSALS FOR A SKILL IMPROVEMENT PROGRAMME

Work on this discussion document began after a study weekend for the Conservative Backbench Employment Committee at Templeton College, Oxford. The Chairman was Ralph Howell, and it was attended by Tony Baldry, Vivian Bendall, Sir Nicholas Bonsor, Tim Eggar, Sir Philip Goodhart, Richard Holt, Michael Howard, Robert Jackson, Geoffrey Lawler, Jim Lester, Sir Brandon Rhys-Williams, and one MEP, Michael Welsh.

SIR PHILIP GOODHART has been Member of Parliament for Beckenham since 1957. He was Secretary of the 1922 Committee, 1960-79. He has been a Parliamentary Under Secretary of State, first at the Northern Ireland Office and then at the Ministry of Defence, 1979-81. He has written two pamphlets on work-sharing and the problem of unemployment: 'Stand On Your Own Four Feet', 1982; and 'Jobs Ahead', 1984.

JIM LESTER has been Member of Parliament for Broxtowe, and for Beeston, since 1974. As Under Secretary of State at the Department of Employment from 1979-81, he did much of the preliminary work on the Youth Training Scheme. He is the founder and first Chairman of CARE, Conservative Action to Revive Employment.

TONY BALDRY has been Member of Parliament for Banbury since 1983, and is a member of the House of Commons Select Committee on Employment. A barrister by profession, he is Chairman of the Bow Group Standing Committee on Employment, and is the author of the Bow Group pamphlet, 'Reform the Wages Councils'.

A CONSERVATIVE ACTION TO REVIVE EMPLOYMENT -(CARE)- DISCUSSION PAPER

S K I P A H E A D

Almost everyone agrees that youth unemployment is the most serious social problem facing the country. Public opinion polls record this fact with monotonous regularity; and there is no dispute between the main political Parties about the importance of the issue.

The figures are certainly dreadful. In June 1985, the number of registered unemployed under the age of 25 had reached 1,198,000, but during that month Ministers in the House of Commons easily defeated a set piece Opposition attack on their policies for dealing with youth unemployment. At the Despatch Box they showed the confidence that comes from knowing that they had good arguments.

The Government could draw negative comfort from the fact that all the countries in Western Europe are afflicted with a similar problem, and that the percentage of young people under the age of 25 out of work was no worse than in most other countries. In June 1985, the proportion of under 25s in the total number of unemployed was 37.7%; the Common Market average (excluding Greece) was 36.5%.

On a more positive note, Ministers could draw comfort from the success of their Youth Training Scheme, which has proved popular and effective since it became fully operational in September 1983. Ministers claim that almost two-thirds of those completing a YTS course find a job or go on to some other form of training or education, and Peter Morrison, the Minister of State at the Department of Employment responsible for the operation of the scheme, can point to a survey of 15,000 trainees which showed that 84% thought that the scheme was worthwhile.

There has been general approval of the decision to extend the Youth Training Scheme for a second year, and most large firms seem ready to co-operate with this change, even though their costs could escalate quite sharply. As the Confederation of British Industry tartly points out, the Scheme would be even

SPECIAL NOTE

**ITEM SCANNED AS SUPPLIED
PAGINATION IS AS SEEN**

more successful if some public sector unions had not blocked the development of YTS in Central and Local Government. Peter Morrison argues, with justification, that the Government measures to encourage the training of young people "represent the most wide-ranging programme of reforms that has been produced for many years."

No doubt the Government will continue to encourage young people to price themselves into jobs. Ministers rightly remind their audiences that when the Electrical, Electronic, Telecommunications and Plumbing Trade Union agreed that the weekly pay of apprentices should be reduced from £41.63p to £27.88p, the intake of apprentices trebled.

There is also some hope that the Government will develop an enthusiasm for work-sharing projects specifically designed for young workers. Work-sharing for the young seems to have been particularly successful in Holland. (In the Dutch public sector and in major Dutch industries, a 32 hour week for 32 hours' Pay is now the norm for young Dutch workers.) Imaginative training schemes, realistic wage rates, and sensible work-sharing proposals all have their part to play; but the most important cause for optimism is the simple fact that there will soon be fewer young people looking for jobs.

The long-term prospects for softening the impact of youth unemployment are clearly encouraging. In 1985/86, the number of young people reaching the age of 16 is estimated to be 835,000. By 1991, this figure will have dropped to 667,000. In 1985/86, the number of young people joining the labour market is 119,000 larger than the number of people reaching retiring age and leaving work. By 1990/91, the number of people retiring will exceed the number of young people seeking work by 22,000.

All this plainly has substantial implications for the Government's training policy. At the moment, the Manpower Services Commission rightly devotes more than 75% of its £2 billion budget to schemes for young people. The shift in the demographic tide means that the MSC should soon be able to devote more resources to adult training. As public concern with youth unemployment changes, there will be an increased demand for schemes which help the long-term adult unemployed, and which are seen to help to reduce those skill shortages which limit growth. So far, TOPS and a cluster of other adult

programmes have not acquired the favourable image that YTS inspires. Ministers and members of the MSC are carrying out a running review of the adult training programme.

Ministers should recognise that the success of YTS stems in part from the fact that diverse schemes, (Mode A; Mode B;), have been linked together under one recognisable banner. The YTS has gained widespread support among employers, trade unionists and training specialists, because it is a well-thought-out, flexible, realistic training programme. It gained acceptance among young people, partly because it was seen to be a big and expensive programme. If Mode A and Mode B had been presented separately, they would not have had the same impact, and might quickly have acquired the sort of negative image that came to blight the Youth Opportunities Programme.

Some of the MSC adult training programmes, such as Open Tech, are stimulating and imaginative. Some are generally worthy, such as many of the Tops courses. Some bring new ideas to old problems, such as the Management Development Demonstration Projects, and the Department of Education's REPLAN. Considered separately, these schemes, however beneficial, have a limited impact. If all the adult training schemes were presented as part of one major Skill Improvement Programme - (SKIP) - the public in general, and potential users in particular, might be more aware of all the opportunities that are available.

In every one of the MSC's 55 training areas there should be an easily identifiable SKIP Centre where employers and potential trainees can get information about training opportunities. We note that there is doubt about the future of some of the 164 Information Technology Centres - (ITECS). A number of these might change their role and their staff and become SKIP Centres.

Then Ministers must have a new look at the question of how our higher education system in general, and our universities in particular, are to be fitted into our national training objectives. There still seems to be an awkward gap between the Government's genuine enthusiasm for widespread training and its reluctance to provide sufficient funds for an expanding higher education system.

There can be no doubt that the Prime Minister - one of the few people in this country who has received both a legal and a scientific training - would like to see the country awash with scientific graduates of all descriptions, but sadly the Government's twin enthusiasms for saving money and raising standards collided with Mrs. Thatcher's desire - which she often expressed when Minister of Education - to see a larger proportion of this country's youth attending university.

In 1981, the Government subjected the universities to more rigorous financial disciplines. This squeeze has produced some of the desired results. Recurrent costs per student have fallen by 2% in real terms in the last four years, and unit costs have fallen even further in grant-aided colleges. Entry standards to universities have also crept upwards - the average entrant to a university degree course must now produce two 'Bs' and a 'C' in his 'A' Level results, rather than two 'Cs' and a 'B'. Meanwhile, the student-staff ratio at universities has shown a small decline - from 9.4 in 1980 to 10.2 in 1984 - a level which is still remarkably high by international standards. In France, Canada and the United States, the university student-staff ratio is more than twenty to one.

There have, however, been real costs to put against these small gains. At a time when Ministers were repeatedly calling for more science graduates to provide a driving force for the new industrial revolution, the number of engineering students at university actually fell by more than 1,000. Meanwhile, the continuing uproar over university finance has frayed the natural links between the Conservative Government and many of its natural supporters in the universities. This argument cost the Prime Minister a well-deserved Honorary Degree at Oxford University. It also masked the fact that admission to polytechnics and other branches of public sector higher education had increased by almost 30% since 1979 - a welcome development that has passed almost un-noticed.

The proposals for the universities outlined in the Government's Green Paper, "The Development of Higher Education into the 1990s", seemed designed to perpetuate this row. The number of 18 and 19-year-olds in the population is expected to fall by 33% between 1984 and 1996. If the Government were to cut the number of university places by a similar 33%, the universities

would clearly face a crisis of major proportions. In fact, the Government plans to cut student places by half that amount, thus ensuring that the universities will face a perpetual half-crisis.

The Government's present expenditure plans will allow for just under 500,000 full-time students in the mid-1990s, and this projection suggests that there will be a continuing squeeze on university funds, by 2% a year in real terms. There are now 46 publicly-funded universities in the United Kingdom, (including the Open University). A real squeeze of 2% a year could mean the demise of one small university, such as Exeter, every two years.

If the Government relaxed its firm financial grip and provided funding in real terms at the 'pre-squeeze' 1981 level, full-time student levels in the mid-1990s could climb above 525,000. At current prices, this would mean increased Government expenditure of £100 million a year. (In 1984/85, public expenditure on higher education was about £3,400 million). The Government should find this extra money. Ministers have rejected the idea of introducing student loans to help defray the long-term costs of higher education, but it should not be difficult to devise a scheme which would require those graduates who have clearly derived substantial financial benefit from their degrees to pay back some of the public money that had subsidised their university education.

If the extra money is provided, will the students enroll in those scientific courses which the Government is particularly anxious to see expanded? If the number of scientific students is going to expand, more schoolchildren will have to take their 'A' levels in mathematics and scientific subjects. Perhaps the only beneficial by-product of the long-drawn-out dispute over teachers' pay has been the general realisation that there is a shortage of good specialist teachers of mathematics and science in the school system. The proposed re-structuring of teachers' pay scales should provide the Government with an opportunity to give a special financial boost to these specialist teachers.

Even if there is a substantial expansion in higher education, however, most young people will not have the qualifications to participate. The Government should now modify one of its own rules which positively discourages less-

qualified young people to continue with their education. At present, those on supplementary benefit are only allowed to study for 21 hours per week. After that, they lose their entitlement to benefit. This is sensibly designed to stop students who are already enrolled in the higher education system from becoming enmeshed in the supplementary benefit labyrinth. There is, however, a considerable difference between a student who has clearly succeeded, educationally, and someone in his twenties on the dole, with few, if any, educational attainments.

The long-term unemployed below thirty, (in this context, those who have been without a job for six months), should be eligible to attend approved courses at local technical colleges or colleges of further education, etc., without losing their entitlement to benefit. This would enable the younger long-term unemployed to make much greater use of what is often their most easily accessible training facility - the local technical colleges.

Many technical colleges and colleges of further education already provide courses for the unemployed. These courses improve basic skills such as literacy and numeracy. It clearly makes sense to encourage the long-term unemployed to enroll in such courses, rather than cutting their benefit. The recent report by the Audit Commission has underlined the fact that many non-advanced further education colleges are significantly under-used, and that some of the lecturers do little more than 21 hours of work a week themselves. Rather than close these under-used establishments, it would be better to encourage the unemployed to use them as a springboard to employment, through skill acquisition.

But even if an expanded higher education system is brought more closely in tune with the vocational needs of the nation, it is plain that the major role in the Government's Skill Improvement Programme must be filled by private industry. In order to encourage private firms to expand their commitment to training, the Government can choose one or more of three courses - exhortation, the stick, or the carrot.

There has been no shortage of exhortation recently. Many Ministerial speeches rightly take up this theme, and there is even speculation that

the next round of changes in the Government could produce a de facto Ministry of Training which would bombard firms with letters and leaflets drawing attention to examples of corporate training leading to improved corporate profit. As Tom King, the Secretary of State for Employment, recently wrote:

"British companies spent on average only 0.15 per cent of turnover on training last year - so little that it hardly shows up in the balance sheet. That is one seventh of the American figure, and one fourteenth of the best in West Germany."

He might have added that in Japan the Nippon Telegraph and Telephone Company enrolled 240,000 workers out of a total of 312,000 in company training courses last year. Meanwhile the giant electronics firm, Hitachi, estimates that its annual company training budget has reached £70 million, or about two thirds of its advertising expenditure.

Tom King went on to say:

"It is ironic that every company report and accounts include the most meticulously accurate calculations of depreciation of building and plant and their replacement cost, yet no such assessment is made of the knowledge and skills of those who will utilise these resources. Would anyone suggest that the latter depreciate any bit less quickly than any fixed assets? It is time that investors and the Stock Exchange took an interest in what provision companies are making to maintain and enhance the level of skills and competence of their workforce."

Of course there are pitfalls here for the Government. No sensible Government wants to underwrite the training costs of industry, if businesses can be persuaded or cajoled to underwrite these costs themselves. But the Government itself encourages "the most meticulously accurate calculations of depreciation of building and plant" through the taxation system. It has been estimated that even after the Budget changes last year the full range of depreciation allowances for building and plant available to industry amounted to more than £9 billion.

The 'carrot' part of the Skill Improvement Programme could consist of diverting a portion of this Government's support for building and plant into direct encouragement for training.

Over the last few years, the Government has cut the taxation of jobs by reducing National Insurance contributions, and it has also cut the subsidy for the introduction of labour-saving machinery. It should now devise changes in the taxation system which positively encourage training.

The final report of the Information Technology Skill Shortage Committee, headed by John Butcher, implies that one method might be assistance for training consortia, run by groups of companies. In America, the Reagan administration has provided substantial pump-priming funds for this sort of project.

The Government's training 'stick' might consist of a national training tax. This has been mentioned in Manpower Service Commission discussion documents, but runs counter to the Government's past policy of phasing out industry-wide training boards and training levies. A national training tax would clearly catch the attention of management, but it would add to costs and be unpopular. A judicious mixture of exhortation and financial 'carrot' is more likely to engage the willing co-operation of business in a field where enthusiasm is important.

But even if the level of company training increases five-fold in the next five years, there will still be many people who will not have easy access to any training. For some of those who find themselves in this position, the Government's proposed experimental training loan scheme should be of help. Ministers have earmarked up to £10 million for a pilot scheme which will allow some ten thousand training loans to be made. The potential trainees would be expected to put up about 20% of the required finance themselves. The banks involved in the scheme would put up the remaining 80% of the loan, with half of the bank's share being provided by the Government. As the Department of Employment notes: "If it is successful, the advantages for all parties would be considerable. More people will be trained in courses of immediate vocational relevance at very low net cost to the public."

There will be wider economic benefit from allowing market forces to affect the pattern of such training. The provision of new courses will be encouraged. The lending institutions for their part will be able to develop a new area of business and use it to attract new customers. ... The scheme is intended to cover any kind of course which will improve the applicants' earning capacity more than sufficiently to repay the loan with interest."

A recent MORI poll suggested that rather fewer than one in ten of the working population would be prepared to take out a bank loan for adult training. On the other hand, 62% of those questioned were interested in trying some sort of training, and half of those willing to train said that they were prepared to pay at least some of the costs.

Some pessimists might interpret the poll as an indication that the British workforce is less likely to respond to training opportunities than its counterpart in other countries, but if the proportion of people who were actively interested in training loans turned out to be even less than 5%, that number would still clearly absorb all the public money that is likely to be available for training loans in the near future. The Government should press ahead with its pilot scheme. The potential demand for a scheme of this sort could be very large, and it could play a major role in the Government's Skill Improvement Programme.

For those without the necessary resources of money, aptitude or ambition, to be able to participate in a training loan scheme, a new scheme of training vouchers could have substantial attractions. For some 200 years, educational philosophers from Thomas Paine, Adam Smith and John Stuart Mill, to Sir Keith Joseph, have been attracted by the idea of education vouchers. As outlined by Milton Friedman, "Governments could require a minimum level of schooling, financed by giving parents vouchers redeemable for a specified maximum sum per child per year if spent on 'approved' educational services. Parents would then be free to spend this sum and any additional sum they themselves provided on purchasing educational services from an 'approved' institution of their own choice. The educational services could be rendered by private enterprises operated for profit, or by non-profit institutions. The role of the government would be limited to insuring that the schools met

certain minimum standards, such as the inclusion of a minimum common content in their programmes, much as it now inspects restaurants to insure that they maintain minimum sanitary standards." The proponents of the only serious school voucher experiment, which was held in Alum Rock, California, argued that school vouchers would "increase the schools' responsiveness to their constituents, encourage diversity of educational programs, increase parental satisfaction, and ultimately improve the quality of education."

All those seriously attracted to the idea of school vouchers - including Sir Keith Joseph - have been defeated by the practical difficulties of grafting an education voucher system onto a system of compulsory schooling where there are a limited number of school places. These difficulties, which have torpedoed all prospects of success for education vouchers, do not apply to training vouchers. The introduction of training vouchers could lead to a very large increase in the whole training establishment, both public and private.

As with training loans, the Government should run a well-monitored pilot training voucher scheme. The priority group for receiving training vouchers should be the long-term unemployed under 30, who were not able to participate in YTS. A training voucher at a value of up to £1,000 could be redeemable at a recognised training centre in the public or private sector. As with loans, the individual would be expected to discover what attainable skills were most needed in the local marketplace, and decide which skills would give him or her the best chance of employment. A training voucher would be non-assignable. Employers who urgently needed people with particular skills might be encouraged to increase the value of the training voucher. The benefit entitlement of the long-term unemployed should not be affected by receipt of a training voucher. It would be valueless to them in cash terms, and they would continue to draw their normal benefit while they were undergoing their training.

There will certainly be teething problems. Next year, ten or twelve of the MSC's training areas could be given a million pounds to spend on pilot schemes. If these schemes prove to both attractive and effective, then a training voucher scheme could be extended to all the MSC training areas. A combined

system of training loans and training vouchers could make the whole training process more sensitive to the needs of the marketplace. It could help to solve the national problem of skill shortages; and it could give fresh hope and encouragement to tens of thousands of the unemployed.

Under the leadership of David Young, and then Bryan Nicholson, with Ministerial guidance from Jim Prior, Norman Tebbit and Tom King, the MSC has an enviable record in the field of youth training. The shifting demographic tide should allow the Government to adopt an adult Skill Improvement Programme which will match the success of the Youth Training Scheme.

RECOMMENDATIONS

- 1) All the separate adult training schemes promoted by the Government should be presented as part of one major Skill Improvement Programme - (SKIP).
- 2) Between 1984 and 1996, the number of 18 and 19-year-olds will fall by 33%. The Government should maintain level funding for higher education at the 'pre-squeeze' 1981 level. This will enable a substantially higher proportion of young people to go to university.
- 3) The Secretary of State for Education should take the opportunity afforded by the projected re-structuring of teachers' pay to ensure that there is an increase in the salaries of mathematics and scientific specialists.
- 4) The Government should modify the Supplementary Benefit rule which limits to 21 hours per week the amount of studying that the young unemployed can do without losing benefit.
- 5) ~~There should be more~~ basic courses for the unemployed at those technical colleges and colleges of further education which are now under-used.
- 6) The Government should divert part of the £9 billion per annum currently available for tax depreciation allowances on industrial building and plant to encourage training schemes by private industry.
- 7) The Government should press ahead with a pilot scheme for loans for people who want to take training courses.
- 8) The Government should introduce a pilot Training Voucher scheme. These Training Vouchers would be worth up to £1,000. Unemployed recipients would not lose their entitlement to benefit. Training Vouchers could become an important method of tackling our national skill shortages and helping the unemployed who have not been part of the YTS.



10 DOWNING STREET

From the Private Secretary

9 August 1985

This is just to record that the Prime Minister has seen your Secretary of State's minute of 7 August about measures to combat unemployment, for which she was very grateful.

Timothy Flesher

David Normington, Esq.,
Department of Employment.

df

PERSONAL

CC NO 2



Prime Minister.

PRIME MINISTER

Following our recent discussions there is a lot happening on the various actions we agreed about unemployment, and I thought you might like a progress report before you go away. The first part of this minute relates to the programme of direct action that we are taking on unemployment and the various steps to get more unemployed people back into work. The second part deals with steps to improve the effectiveness and the credit we get for the Community Programme.

Regional Fraud Teams

Following the success of the Thames Valley fraud check I have put in hand the next exercise which will be in Herts/Bucks and Beds starting at the beginning of September.

Recruitment for the additional fraud teams is now in hand. The next hundred investigators will be in post by 1st October and will be fully operational as quickly as possible thereafter. We can increase this by a further 150 investigators every 3 months, certainly for a year, and I have today written to Peter Rees proposing that we set this in hand. Even if the cost benefit ratio does not remain as high as the 6:1 we achieved in the Thames Valley it is nonetheless clearly most cost-effective.

Unemployment Review Officers

The additional 300 Unemployment Review Officers are being organised by DHSS. I understand they will be available early in the autumn and will start work immediately based on the

PERSONAL



Jobcentres. That will, of course, give us 850 UROs operating from Jobcentres and enable us to start re-establishing the system for interviewing all unemployed people after a certain period on the register.

I am also arranging immediately to set up in the Unemployment Benefit Offices displays of job vacancies from the Jobcentres and to start giving some real encouragement to those signing on to look at the available jobs. We have already started this on an experimental basis and there are some encouraging signs from even this very limited initiative. In addition, we are going to expand rapidly the new system of Jobclubs which provide help and advice to some of the least adequate among the unemployed in the simple mechanics of applying for work. This elementary and very inexpensive scheme has been remarkably successful in such difficult places as Middlesbrough and Durham in helping people who have been unemployed for some considerable time back into work.

We are backing up these measures with two further steps. The Jobcentres will be writing shortly to some half a million of the long term unemployed. The letters are designed to offer the help of the Jobcentre's services by asking what sort of assistance they need, for example by training or other advice, but in the process will ask certain other questions about the type of work the unemployed are seeking, the sort of wage they expect and how active they have been in seeking a job.

We shall back this up by two further exercises similar to those run in Crawley to see how far the information that we got in Crawley is typical of other areas. You will remember



that we established that 30% of those on the register were either not wishing to work or had made no effort to find work in the last three months.

I am also hoping to set up via Tommy Thompson at ORC a completely separate survey to try to get a better picture of the attitudes of the unemployed to work, including to taking part-time work, and also to get a better picture of their involvement in the black economy.

We have also asked Professor Blaug to do a study of the feasibility of introducing either a Workfare or Benefit Plus scheme in this country. He is now underway on this and hopes to have it ready by Christmas.

I have also had discussions with Douglas Hague on further research into the black economy. He recommended strongly that the best person to do further work on this subject was a Professor Pahl, who he brought in to see me yesterday. Professor Pahl has done an extensive study over some 6 - 7 years of the Isle of Sheppey, from which it is clear that he is strongly convinced that the black economy is almost entirely in the hands of the employed rather than the unemployed. Furthermore he was more interested in persuading me of the correctness of his views, than of discussing the objective merits of further research! I intend, therefore, to talk again to Douglas about this as I was not very impressed by Pahl.



With the exception of this last item, we are therefore well underway on a wide programme of work which we shall monitor very closely. I am determined that we identify every possible way in which we can improve the present labour market situation and put much more effective pressure on unemployed people, where there are jobs, to fill them.

Community Programme

I have been concerned for some time that we need better presentation of our employment measures. The very title, Community Programme, is not clear enough, nor do we get enough credit for the Government's role in funding it. I therefore asked the MSC to set in hand urgent action on ways in which we could repackage the Programme and to focus public attention on the value of the work it does.

Geoffrey Holland has now set up a small task force of bright young Principals to work on my suggestions. My original idea was to split up the Programme into different types of work, each with their own identity, such as a Conservation Corps, a Heritage Corps, and perhaps an Insulation Corps. I have since discussed this again and I believe that perhaps the title Job Force might be better, in which we would have such groupings as a Heritage Job Force, Action Sport Job Force, a New Broom Job Force (your title from last night!) and a Good Neighbour Job Force. I hasten to add these are not firm proposals yet but they illustrate the ideas on which we are working.



Within these headings we could incorporate the whole range of activities, some of which are already in the Community Programme and some of them have come from colleagues that I have written to to see which of their Programmes we could help with Community Programme work. These included ideas such as Patrick's request for help for Garden Festivals, Peter's for energy saving and insulation, Leon's for crime prevention and Drugwatch. All these can be presented in a very positive way and identified with the public perception of the good sense of giving unemployed people jobs to do on worthwhile projects. We already have underway the new initiatives with charities such as the Spastics Society, Dr Barnardo's, MENCAP, Sue Ryder and WRVS and these could further enhance the attractiveness of the Programme.

I am now considering whether we could relaunch the Community Programme, in this new structure. I am sure that this offers scope for really professional presentation and I have already talked to Tim Bell about ways in which we might market this in an effective way. He is, of course, very familiar with this field and I have arranged for Geoffrey Holland to follow it up with him as soon as possible.

The question which then arises is, if we did relaunch the Programme, what should its scale be in the year ahead. We are at the moment working on the 100,000 expansion agreed in the Budget. This started in June and helped last month's unemployment figures by some 7,000; it will build up to a register effect of 40,000 by November and a further 10,000 a month thereafter till the end of next May. It was originally suggested that some 250,000 was the maximum that the scheme



could stand without complaints of it destroying too many jobs elsewhere. The view now is, as you will have heard, that this could now be increased to 360,000 and possibly more. I think we should consider whether the relaunch should be accompanied by some expansion of the Programme.

The Two Year Youth Training Scheme

The other major publicity initiative which will come forward shortly will be the launch of our new two year Youth Training Scheme. The initial approach to the sponsors and the training providers will be in October. In January the major public launch directed at parents, teachers and the youngsters themselves and involving television, radio and newspaper advertising will get under way. This is a programme for which £3 million is budgetted and which might well justify more; Saatchi's are already working on this.

Other Items

There are two further major items on our programme; the Wages Council legislation is well under way and should be ready for early introduction in the new Session, and I have been very encouraged by the good reception we have had for our proposals throughout the Party.

The Green Paper on further trade union reform is being prepared for publication around the end of the year. This will help to keep the issue of trade unions and members' rights in the public eye. It was clear from Kinnock's

There is something you might be directly associated with

HF
8/7



press conference yesterday that he also appreciates how popular our reforms are proving to be and I am sure we are right to maintain the initiative in this area.

Taken together this agenda offers considerable scope for 'good news' and favourable publicity in the months ahead.

T K

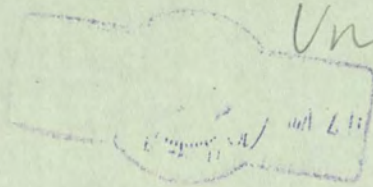
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P.S

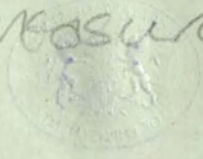
Encouraging news also on next Friday's

RP1 which is now forecast for 6.9 - 7.0

and down to 6.0 - 6 1/4 in August.



Unemployment measures

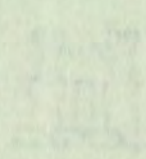


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Minister of State

cc NO

NORTHEN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Rt Hon T King
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

2 August 1985

Dear Secretary of State,

INDUSTRIAL TRAINING BOARDS AND OVERSEAS TRAINING

You copied to me your letter of 23 July.

will request if read.

I would be quite content for the amendments which you propose to be made to the 1982 Industrial Training Act.

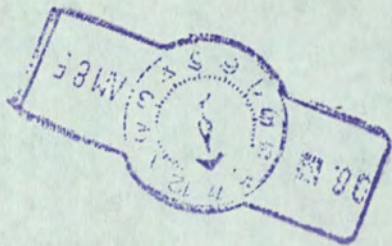
As the background note to your letter makes clear, separate arrangements apply in Northern Ireland. However the governing legislation is similar to that which applies in the rest of the UK and I would propose to seek amendments corresponding to those which you now propose, in due course.

I am sending copies of this letter to Lord Whitelaw, Members of H, other Ministers in charge of Departments, the Prime Minister and Sir Robert Armstrong.

*Yours Sincerely
William Little
Private Secretary*

for DR RHODES BOYSON MP

MANPOWER: S.E.M's: PELB





Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 August 1985

The Rt. Hon. Tom King MP
Secretary of State for Employment

Dear Secretary of State

ENTERPRISE ALLOWANCE SCHEME

Thank you for your letter of 23 July.

I am pleased that the MSC could press ahead quickly with pilot schemes to test the effectiveness of increased marketing and that it ought to be possible to gain some indications of the effectiveness of such marketing by September.

You propose that the qualifying period for the scheme should be reduced straightaway from 13 weeks to 8 weeks unemployment. In my letter of 5 July I said that my suggestion of an increase in the cash limit for the Enterprise Allowance Scheme was on the basis that it would not be accompanied by changes in the scheme's existing rules. I can understand the arguments which support such a reduction in the qualifying period. However I think that the effect of increasing marketing ought to be judged against the existing rules. A reduction in the qualifying period would increase deadweight to some extent and so raise the net cost of the scheme. I therefore can not agree to such a change at this stage. I believe we ought to see first what is achievable through increased marketing without changing the rules.

I was pleased to note that you say that there may be scope for finding offsetting savings from policy changes within the Community Programme or from elsewhere within your programme to provide for an expansion of the Enterprise Allowance scheme. I agree that this issue ought to be considered at the bilateral on 16 September. I think it would be helpful if our officials could discuss the possible expansion of the scheme and the necessary adjustments to which you refer in advance of the bilateral.

You also mentioned the question of the tax treatment of the allowance. The present popularity of the scheme does not suggest that tax implications are deterring would-be applicants. But I take your point about the public image of the scheme. I shall have another look at the tax rules, without commitment, to see whether something might be done.

I am sending copies of this letter to the Prime Minister and to David Young.

Yours sincerely
Tony Kwong

PP NIGEL LAWSON

(approved by the Chancellor
and signed in his absence)





MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Tom King MP
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NF

5 August 1985

will request of reg'd.

Your letter of 23 July to Willie Whitelaw sought agreement to early legislation to amend the 1982 Industrial Training Act to enable Industrial Training Boards to provide training services to overseas nationals abroad.

With my Department's sponsorship responsibility for the non-residential catering trades particularly in mind, I would like to express support for your proposal which would allow the Hotel and Catering Industry Training Boards to continue providing services. I note that the Board has entered into a number of contracts on this basis, and it is obviously desirable that they should be free to accept more as soon as possible.

As you have pointed out, a similar measure affecting the Agricultural Training Board recently passed through Parliament unopposed, and a similarly smooth passage seems probable for a comparable amendment to the Industrial Training Act 1982.

I am copying this letter to the Prime Minister, other members of H Committee, Ministers in charge of other Departments and Sir Robert Armstrong.

Tom King
Michael

MICHAEL JOPLING



4/2/85

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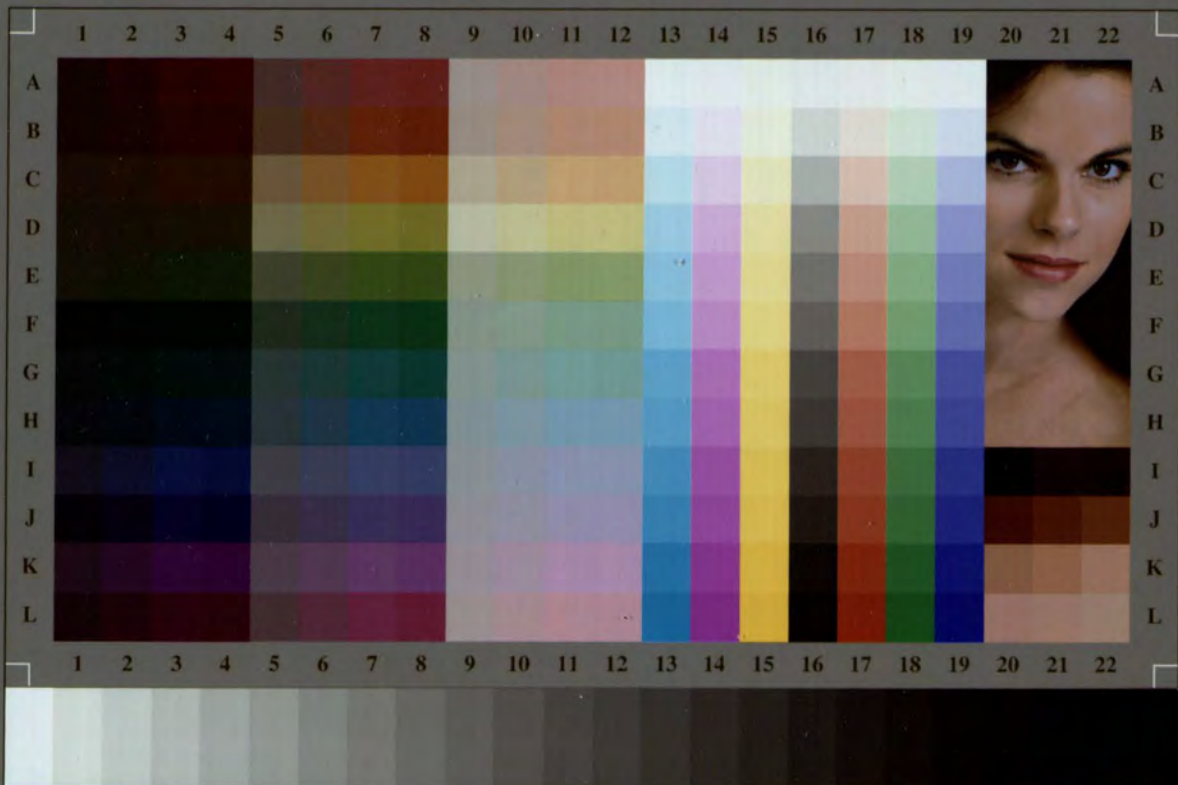
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PART 13 begins:-

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