

SECRET

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File  
JWP

MR. MOUNT  
MR. WALTERS

EMPLOYMENT MEASURES

Thank you for your minute of 23 July about the Job Splitting Scheme.

I have discussed the points you raise with Mr. Tebbit's Private Secretary (Mr. Shaw). Mr. Shaw acknowledged the force of the point that the Scheme might reveal a labour reserve, hitherto hidden, by attracting some people, e.g. housewives, back into employment and onto the unemployment register. The Scheme will have a safeguard built into it against this possibility, but my impression is that the criterion of eligibility will be a number of weeks' appearance on the register rather than a number of months'. This seems to me and seemed to Mr. Shaw to be insufficient to deal with the point, in sub-paragraph 2(f) of your minute, about possible malpractice. Mr. Shaw will discuss with Employment officials and let me know their conclusions.

The Department of Employment sees the attraction of a ceiling on wage rises as a further criterion of eligibility for the Scheme. They point out, however, that since the Scheme will be announced for one year only, it seems unlikely that employers would be induced by the Scheme to take a weak line on pay.

On your point that the Scheme will amount simply to a work-sharing scheme, since it will apply to existing full-time jobs being converted into part-time jobs, all I can say is that E Committee adopted the Scheme with their eyes wide open. Their discussion fully recognised that the Scheme will result not in a net real increase in equivalent full-time jobs, notwithstanding that there will be a reduction in the total register.

You asked whether the £500 subsidy applied to one or two part-timers. The answer is that it would apply whether there were one or two part-timers taken from the unemployment register. The Department of Employment will make this fully explicit.

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I hope this answers the point you put to me. May I suggest that, if on points of detail it does not, you take them up directly with Mr. Tebbit's office or the Department of Employment?

Mcs

26 July 1982

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cc Mr. Vereker

MR. SCHOLAR

Prime Minister

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EMPLOYMENT MEASURES

This has arrived too late.

1. There are some aspects of the Job Splitting Scheme due to be announced by the Employment Secretary next week that cause us concern.

Shall I  
some of  
put these

2. These are:

points to

(a) The Job Splitting Scheme could reveal a labour reserve, hitherto hidden, by attracting some people, eg housewives, back into employment and on to the register. Whilst this may not be adequately reflected in the unemployment statistics on the new basis (from November 1982 counted as UB recipients rather than registrations), there is little doubt that there is a risk of augmenting the working population.

Mr Tebbit, as  
points to consider  
in drawing up the  
Scheme in  
detail?

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not if appearance  
on the register  
for x months  
was a criterion  
of eligibility.

MLs

(b) Similarly, many of our other employment measures have been geared towards reducing increases in real wages. With this scheme, the wages offered to employees could be increased and an employer's resistance to wage demands reduced because of the subsidy. It might be a good idea to consider a ceiling on wage rises as a criterion of eligibility for the scheme.

1 year only  
with resistance

(c) One of the attractions of the scheme is the additionality criterion, that is to say, the scheme would apply only if the firm increased its "employment". But in practice since the scheme applies to existing full-time jobs being converted into part-time jobs, the scheme will amount to simply work-sharing rather than result in a net real increase in equivalent full-time jobs, although there will be a reduction in the total register. One would expect that a firm experiencing its normal wastage rate of 7-10% per annum would be able to convert those full-time jobs into two part-time jobs, and collect the £500 subsidy. It would have the advantage of requiring the two part-timers to

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/come from

come from the unemployment register, (and to have been on that register for some three months or so). In that sense it would discriminate against those who have been unemployed for a short period. But apart from that, it is important to see that it is primarily a work sharing scheme and will not generate any additional real equivalent full-time jobs, except in so far as the £500 subsidy works through into a reduction in real wage costs.

(d) It is not clear if the £500 subsidy applies to the one or two part-timers. We presume that if a firm employs 1,000 and turns 100 full-time jobs into 100 part-time jobs then it would not be eligible for a subsidy. Is this correct?

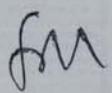
*Where a job is split whether 2 or 1*


(e) The cost savings envisaged therefore need to be treated with extreme caution with the above doubts in addition to the question of the employers' reactions - as yet unknown - and any notion of overall public expenditure savings must have a question-mark by it.

(f) We would judge a period of at least three months' receipt of UB as necessary for qualification for subsidy; anything less could render the scheme open to malpractice.

3. We would recommend continuing our endorsement of the scheme in principle, but we, and the House, would need to ensure that the details as developed are subject to rigorous appraisal with the above points in mind.

23 July 1982

  
FERDINAND MOUNT

  
ALAN WALTERS