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10 DOWNING STREET

From the Private Secretary

11 November, 1981

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MSC Estimate of Cost of Unemployment

You kindly provided a note for the Prime Minister's use at Question Time yesterday on the Financial Times report of 9 November about the costs of unemployment.

The Prime Minister was yesterday enquiring about the reasons why currency had been given to an estimate on this basis. The estimate of a cost of £4,380 per person a year, as I understand it, rests on the assumption that each unemployed person would, if they re-entered employment, do so in the private sector so that their payments of income tax, national insurance contributions and indirect taxes would all be sourced other than from the Exchequer.

The Prime Minister would like consideration to be given to an alternative method of presenting this figure in future; and to an alternative way of commenting on the published figure. Would not the cost of unemployment be better expressed purely in public expenditure terms in the first instance (i.e. unemployment benefit plus ERS plus rent and rate rebates)? The answer could then go on to give several different estimates of the revenue foregone on different bases - including the basis of the present estimate that all the unemployed if employed would pay their taxes from non-publicly financed incomes.

I am sending a copy of this letter to Richard Dykes (Department of Employment).

M. C. SCHOLAR

John Kerr, Esq,  
HM Treasury

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NEW MSC ESTIMATE OF COST OF UNEMPLOYMENT - REPORT IN FINANCIAL  
TIMES, 9 NOVEMBER 1981

1. The Financial Times report arose from the answer to a written Parliamentary Question from Sir David Price. A copy of the question and answer is attached.
2. MSC's Review of Services to the Unemployed was published in March 1981. It gave a figure, quoted in the question, of a cost of about £300m at 1979/80 prices for each additional 100,000 unemployed. It also explained in some detail how the figure was arrived at. A copy of the relevant extract is attached.
3. In February 1981, the Treasury published in its Economic Progress Report a figure of £3,400 (at 1980/81 prices) for the average annual cost of one unemployed person. The Treasury's current estimate of the average annual cost of unemployment for 1 person is £4,300 at 1981/82 prices - very close to the MSC figure quoted in the answer.
4. The Treasury and the MSC use essentially the same method to arrive at their estimates (although there are some relatively minor differences in approach) and the Treasury were consulted over the figure now published.
5. Max Wilkinson, the author of the article, contacted the MSC Press Office on Friday. He asked for the figures given in the table in the article, to update a similar table which was published with the original estimate. The figures of some £2bn each for the cost of unemployment and supplementary benefit in 1981/82 have already been given in answer to a PQ to DHSS. (Monday 19 October, Hansard Volume 10, Col 65, Answer by Mrs Chalker).
6. The increase between this latest MSC estimate and the estimate given in March is 46%, compared to an increase of some 30% in retail prices between the periods of the

two estimates. The higher increase than in retail prices partly reflects the increase in the proportion of better paid people and people with dependants becoming unemployed as unemployment rises.

2.20 Table 2.1 quantifies each of the main costs incurred in 1979/80, when the average unemployment level was 1.335 million. Total sums paid out to the unemployed are based on accounting records, and revenues forgone have been estimated using a weighted sum of the losses associated with particular categories of unemployed persons.

**Table 2.1**  
**Financial costs of unemployment**

	<b>£ million</b> <b>(1979/80 prices)</b>
(a) flat rate unemployment benefit	570
(b) earnings related supplement	90
(c) supplementary allowances	725
(d) rent and rate rebates (supplementary allowances recipients only)	45
<hr/>	
(e) SUB-TOTAL: TRANSFER PAYMENTS [(a) to (d)]	1430
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(f) income tax	1,330
(g) national insurance contributions	920
(h) indirect tax	275
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(i) SUB-TOTAL: REVENUES FORGONE [(f) to (h)]	2525
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NET FINANCIAL COST [(e) plus (i)]	3955

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2.21 The estimated net financial cost in 1979/80 of unemployment of 1.335 million is nearly £4,000 million, or some two-fifths of the 1979/80 Public Sector Borrowing Requirement (PSBR). These costs could not be fully eliminated, but reducing unemployment to the assumed minimum sustainable registered unemployment level of 700,000 would almost halve these financial costs down to £2,075 million. (This makes no allowances for changes in national insurance contribution rates at lower unemployment levels). Taking these estimates as a broad indication of the costs associated with further rises in unemployment would imply that each additional 100,000 registered unemployed would cost about £300 million per annum at 1979-80 prices in transfer payments and revenues forgone. Unemployment at 2 million costs about £3,850 million per annum above the "minimum sustainable" cost of £2,075 million or £5,925 million in all. At 2½ million unemployed the total costs would be £7,405 million.

forced up

# at BP accept 8.1% rise

By Philip Bassett, Labour Staff

**TANKER DRIVERS** at BP have voted decisively to accept the company's 8.1 per cent pay offer in a move which throws into confusion the prospect of what would effectively be an all-out national drivers' strike from next Monday.

Full results of voting by the company's 2,000 manual distribution workers — the first of the 20,000 in the major companies to vote — will not be disclosed until BP shop stewards meet negotiators from the Transport and General Workers' Union in London today.

However, unofficial shop stewards calculations over the weekend estimate that the vote to accept the offer, depot by depot, has gone about 18-6 in favour.

Neither the company nor senior TGWU officials were able to confirm the decision last night. The drivers and distribution workers at BP are considered to be traditionally more moderate than those employed by other major oil companies.

The BP vote will cause division in the drivers' ranks. It will throw the strike called for by the TGWU from next Monday by drivers in all the companies into considerable doubt, since negotiations, including acceptances of offers, tend to follow each other in the industry.

However, some shop stewards are convinced that more militant regions, particularly London, may well take action despite such votes as the BP decision.

They feel this could create further confusion. Since the strike has official TGWU support, the union might well bring considerable pressure to bear on any drivers who had voted to accept the deal to strike.

The firmness of the union's resolve over the dispute, following the collapse last week of the BL pay strike, was emphasised yesterday by Mr Alex Kitson, the TGWU acting general secretary. He was reported in a newspaper interview as saying that he wanted to bring out the tanker drivers to try to force an economic U-turn, or even a General Election, on the Government.

The Government has pre-Continued on Back Page  
Pay talks this week, Page 6

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well into the next century. The Kingdom's proven reserves were likely to be far higher than present estimates would suggest — around 170bn. Its published reserves (which compare with world-wide reserves of some 650bn barrels) were based on the amount of oil located by exploration and production wells, he said.

The estimates took no account of the extent of reservoirs indicated by seismic exploration work. "If we applied the same method of evaluation as Mexico you would be amazed. You would have to fasten your seat belt," he said. The Kingdom was discovering oil at about the same rate as its production — around 8.5m barrels a day.

Sheikh Yamani also dismissed industry reports that Saudi Arabia was considering building up a strategic petroleum reserve similar to the reserve stocks being put in place by the U.S. Saudi Arabia was evaluating the development of storage facilities to alleviate any transportation bottlenecks at loading terminals, he said.

It was unlikely that this storage would handle more than a week's supply of exported crude oil or four weeks' supply of refined products — normal development for an exporting country.

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making regional nationalism an overriding issue in the French-speaking South.

Under Belgium's complex proportional representation system the final results apportioned on a provincial basis, will not be known until later today.

All the big Belgian political families — the Christian Democrats, Socialists and Liberals — were this morning heading for roughly equal representation in parliament, with about 60 seats each. This could make the task of forming a government even more difficult than usual.

While a combination of any two of the three main parties would give them a majority, a coalition of the Flemish

# person costs £4,380 a year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

EVERY EXTRA unemployed person costs the Exchequer £4,380 a year, an increase of 46 per cent compared with the cost two years ago, says the latest official estimate.

It shows that unemployment costs have risen at one and a half times the rate of inflation for the period, and suggests that on the basis of present tax and national insurance rates total cost of unemployment this year will be £12.45bn.

The figure, from the Manpower Services Commission, includes direct cost of benefits and lost tax which would have been paid by the unemployed had they stayed in jobs.

8 per cent of men and 47 per cent of women earn less than the latest estimate of what it would cost the State to keep them on the dole.

The main reason for the steep increase in the costs of unemployment is that a larger proportion of skilled and better-paid workers have been thrown on to the dole in the last two years.

Consequently, direct cost of earnings-related benefits has gone up, and so has loss from the taxes and national insurance contributions which the chequer has foregone.

In 1979-80 the MSC put the total cost to the Exchequer of

## MSC ESTIMATE OF COSTS OF UNEMPLOYMENT 1981/82

(Assuming average 2.84m unemployed)

	£bn
Unemployment benefit	2.004
Supplementary benefit	2.000
Loss of income tax	4.257
Loss of NI contributions	3.280
Loss of indirect taxes including VAT	0.906
<b>TOTAL</b>	<b>12.447</b>

The new estimate will be important ammunition for those economists and Conservative Party dissidents who have been urging the Government to start a programme of reflation. For it indicates that every new job created would result in an average saving of £4,380 a year for the Exchequer, much more than was previously thought.

This saving could be set against cost to the taxpayer of any job-creating programme.

The calculation applies, however, only to jobs created in the private sector. For new jobs in the public sector, the saving would be somewhat less.

The new estimate has taken many officials in Whitehall by surprise because it is much higher than the most recent calculation of the Treasury in February, which put the cost of additional unemployment last year at £3,400 per person.

Both estimates are made on a similar basis, but on slightly different assumptions. Last night the Treasury said it was not ready to release its own estimate for unemployment costs this year.

It seems likely that when it does so, a sharp increase will be shown over its previous figure, for 1980-81.

The MSC's estimate, which puts total cost of keeping an extra person unemployed at £84 a week, is about 70 per cent of the average wage of men in manual work. According to the Government's most recent earnings survey, about

each additional 100,000 registered unemployed at £300m. The latest estimate of £438m per 100,000 this year, given in a Department of Employment written Parliamentary answer, is a 46 per cent increase.

In the same period the retail price index has gone up by only 30 per cent.

The Treasury's estimate that the cost of an extra 100,000 unemployed was £340m last year leaves out loss of indirect taxes such as Value-added Tax, as a result of the fact that people on the dole have less spending power than if they had remained in work.

This loss of indirect taxes amounts to about £320 a year per person this year, according to the MSC's estimate.

The Treasury says it would be theoretically incorrect to calculate total cost of unemployment by multiplying the cost to the Treasury for each extra unemployed person by the total number on the dole.

If all the present unemployed were back at work, the whole economy would be transformed so that tax rates and insurance contribution rates would probably be different, it adds.

However, the MSC has in fact made a rough estimate of the total cost, assuming present tax and contribution rates.

This comes to a total of £12.45bn on the basis that the average number of registered unemployed this year will be 2.84m. Clare plan for recovery, Page 3

DEPARTMENT OF EMPLOYMENT

WRITTEN REPLY

MONDAY 19 OCTOBER 1981  
WEDNESDAY 28 OCTOBER 1981

319 SIR DAVID PRICE (Eastleigh): To ask the Secretary of State for Employment, if he will bring up to date the figures quoted by the MSC in their report entitled "Review of Service for the Unemployed" that each additional 100,000 registered unemployed cost about £300 million per annum at 1979-80 prices in transfer payments and revenues foregone.

MR MICHAEL ALISON REPLIED:

Pursuant to his reply /Official Report 22 October 1981 Vol 10 Col 147 gave the following information:

The Manpower Services Commission estimate that each additional 100,000 registered unemployed cost £438 million per annum, at 1981-82 prices, in transfer payments and revenues foregone.

## Background Notes

1. The Exchequer cost figure given in this draft reply is based on two main assumptions:

(a) In the period 1981/82 the average level of registered unemployment (including school leavers and temporarily stopped workers) will average 2.84 million.

(b) In this period the minimum sustainable level of unemployment will be 0.7 million.

2. The Exchequer costs of 2.84 million persons registered as unemployed in 1981/82 are estimate to be as follows:

### A TRANSFER PAYMENTS:

1. Unemployment benefit (including ERS)	£2,004 mill
2. Supplementary benefit	£2,000 mill
SUB-TOTAL	£4,004 mill

### B REVENUE FOREGONE:

3. Income tax	£4,257 mill
4. National Insurance contributions	£3,280 mill
5. Indirect taxes	£ 906 mill
SUB-TOTAL	£8,443 mill
GRAND TOTAL	£12,447 mill

3. The total cost to the Exchequer of 2.84 million registered unemployed persons in 1981/82 is therefore estimated to be £12,447 mill. Lowering this level of unemployment to the minimum sustainable level of 0.7 million would reduce total Exchequer costs to about £3,068 million pa. This implies that each additional 100,000 registered unemployed would cost about £438 million per annum in transfer payments and revenue foregone.

4. Data on the level of transfer payments relating to 2.84 million unemployed have been obtained from DHSS. The associated level of revenues foregone has been estimated on the basis of the following assumptions:

(a) Persons entering unemployment earn 80% of national average gross weekly earnings for all workers. In July 1981 this national average is estimated to have been £108 (ie on the basis of the April 1981 New Earnings Survey, updated by the Department of Employment's index of average earnings).

(b) The average rate at which income tax would have been payable is assumed to be 25%

(c) 70% of the newly unemployed would have been contracted into the State pension scheme for National Insurance purposes. 30% would have been contracted out of the scheme.

(d) Indirect taxes would have been payable at the rate of 20% of net disposable income. 25% of the newly unemployed are assumed to avoid any reduction in their disposable income by dissaving and/or borrowing.

The marginal propensity to consume is assumed to be 0.9.

(e) 75% of persons entering unemployment register as unemployed.

5. Independent estimates of the Exchequer cost of unemployment have been made, and are being refined, both by the Department of Employment and H.M. Treasury. Although the approach used by MSC and these Departments in estimating the Exchequer cost of unemployment is broadly similar, Departmental estimates vary due to differences in the detailed assumptions adopted and in the coverage of Exchequer costs estimated.

6. MSC current estimates of the Exchequer cost of unemployment are 46% above those shown in the "Review of Services to the Unemployed". This exceeds the 30% rise in the Department of Employment's index of retail prices in the period July 1979 to July 1981 due to changes in assumptions which have now been made on the basis of more recent data. These changes in part reflect the tendency for the characteristics of the unemployed to more closely match those of the working population as a whole as unemployment rises to relatively high levels.





10 DOWNING STREET

From the Private Secretary

12 November 1981

I wrote to John Kerr yesterday about the MSC estimate of the cost of unemployment.

I think that we will need a form of words for the Prime Minister to use today. In line with the points she was making on Tuesday I have drafted the following:

"This figure (i.e. £12.4 billion) is made up of a number of components. Direct public expenditure on the unemployed is estimated in 1981/82 at around £4 billion. To get from that figure to a total cost of £12 billion - and, still more, to an estimate that each extra unemployed person costs the Exchequer £4,380 a year - involves making a range of assumptions, including an assumption that the previous employment of each person joining the register would itself have involved no cost to the Exchequer."

I would be grateful for your comments before Question Time this afternoon on this form of words.

I am sending a copy of this letter to Richard Dykes (Department of Employment).

M. C. SCHOLAR

Miss Jill Rutter,  
HM Treasury.

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*A. A. Douglas*

*A. Walters*



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*Margaret*

The Rt Hon Norman Tebbit MP  
Department of Employment  
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*NBPM*

// November 1981

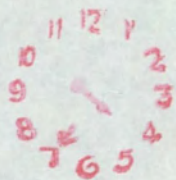
#### EDUCATION AND TRAINING

When we discussed your proposals in E Committee on 2 November you undertook to discuss with Keith Joseph his suggestion that some of the additional money to be made available to the MSC might, if necessary, be transferred to the education service. I share Keith's concern that we should do everything possible to encourage young people to stay on in full-time education; and like him I am taking steps to ensure that the additional funds which have already been earmarked for this purpose as part of our measures to alleviate youth unemployment are put to good use by the education authorities. Our objectives, however, in the schools and in further education could be achieved more quickly if additional resources were available; and the purpose of this letter is simply to confirm my support for Keith's approach to this problem and to say that I should like to be involved in any further discussions about it.

I am copying this letter to Keith Joseph, the Prime Minister and other members of E Committee, to Francis Pym, Nicholas Edwards, Michael Jopling, Norman Fowler and Sir Robert Armstrong.

GEORGE YOUNGER

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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

CONFIDENTIAL

8 December 1981

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George Younger in his letter of 11 November confirmed his support for Keith's proposal that some of the additional money to be made available to the MSC should if necessary be transferred to the education service. He asked to be included in any further meetings which might be arranged.

If further discussions are held on the prospects of additional funds being made available to the education service I too would like to be involved.

Copies of this letter go to Keith Joseph, George Younger, the Prime Minister and other members of E Committee, to Francis Pym, Michael Jopling, Norman Fowler and Sir Robert Armstrong.

Norman Tebbit  
Nick

The Rt Hon Norman Tebbit MP  
Secretary of State for Employment  
Department of Employment.  
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THE EMPLOYMENT COMMITTEE

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The Employment Committee adopted a Report on the MSC's Corporate Plan 1982-86 on Wednesday, 17th February.

The Report recommends that the Secretary of State for Employment should look again, with sympathy, at the MSC's request for provision for a higher number of places for the Community Enterprise Programme in 1982-83.

A copy of the Report is attached, and, as it has now been made available to Parliament, can be freely quoted.

22nd February 1982

CONFIDENTIAL

To be published as HC 195

HOUSE OF COMMONS  
Third Report from the  
EMPLOYMENT COMMITTEE  
Session 1981-82

THE MANPOWER SERVICES COMMISSION'S CORPORATE PLAN  
1982-85

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Ordered by The House of Commons to be  
printed 17 February 1982

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THIRD REPORT

The Employment Committee have agreed to the following Report:

THE MANPOWER SERVICES COMMISSION'S CORPORATE PLAN  
1982-86

1. The MSC submitted their draft Corporate Plan 1982-86 to the Secretary of State for Employment and the Secretaries of State for Scotland and Wales on 2 February. In accordance with the practice adopted following the recommendation in our First Report, Session 1979-80,<sup>1</sup> the draft Corporate Plan was made available to Parliament. We are glad to see that the improvement in presentation which we noted in our First Report, Session 1980-81,<sup>2</sup> in relation to the MSC Corporate Plan 1981-85, has been continued.
2. We have studied the latest draft Corporate Plan and we took oral evidence on it from Sir Richard O'Brien, Chairman of the MSC, on 10 February. There are a number of points to which we wish to draw attention.
3. The first concerns the level of unemployment. For the reasons set out in the draft Plan<sup>3</sup> it is particularly difficult this year to make predictions about future levels of unemployment. It is necessary however to have a working assumption for planning purposes, and while we accept that it is reasonable for the MSC to adopt for the purpose of this year's Plan the working assumption of a level of registered unemployment of around 3 million in 1983,<sup>4</sup> we consider that they should keep this assumption under review in the light of changing circumstances throughout the planning period.

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1. HC (1979-80) 444, para. 5.  
2. HC (1980-81) 101, para. 3.  
3. MSC Draft Corporate Plan, para. 1.3.  
4. *ibid.*, para. 1.4.



4. We wish particularly this year to draw attention once again to the level of provision for the long-term unemployed. In our First Report, Session 1979-80, we said that providing training and work experience for the long-term unemployed should be a principal objective of the MSC.<sup>5</sup> In their response the MSC said they shared the Committee's concern on behalf of the long-term unemployed.<sup>6</sup> The Commission reviewed this question in the present draft Corporate Plan, and in oral evidence Sir Richard O'Brien claimed that MSC schemes for the long-term unemployed had been successful, though limited in relation to the extent of the problem.<sup>7</sup> In reply to a question he said that the MSC did not consider that enough had been done for the long-term unemployed.<sup>8</sup> The MSC are planning developments which could improve the Community Enterprise Programme, including in particular opportunities for unpaid voluntary work using funds specially provided for this purpose. We note however that while the Commission considered that the provision for CEP in 1982-83 should be 60,000 filled places, the Secretary of State has decided that the level should be 30,000.<sup>9</sup> This is very small compared with the total of around 1 million long-term unemployed estimated for 1982. We consider that in view of the serious problems of the long-term unemployed more should be done for them, and recommend that the Secretary of State should look again, with sympathy, at the MSC request for a higher number of places. The MSC have confirmed that there would be no practical difficulties in filling 60,000 places.<sup>10</sup>

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5. HC (1979-80) 444, para. 20

6. HC (1979-80) 817, Annex, para. 10.1

7. MSC Draft Corporate Plan, paras. 5.5 - 5.10; Ev. Q.24-25

8. *ibid.* Q.21.

9. MSC Draft Corporate Plan, para. 5.8.

10. Evidence, Q.40-42.

5. We share the MSC's concern for the problems of unemployed young people and have noted the proposals made to deal with them, but we do not wish to comment at this stage. We will be looking at questions of youth unemployment and training later.

6. Sir Richard O'Brien told us that the MSC maintain close relations with the education services,<sup>11</sup> but we are not entirely satisfied that these have always resulted in adequate information concerning MSC programmes reaching young people in schools. We intend to keep a continuous interest in this question as it is important that the MSC and the education services, including the careers service, should work closely together.

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11. *ibid.* Q.17-19.



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INFORMATION FOR PRESS

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## THE EMPLOYMENT COMMITTEE

The Employment Committee will hold a Press Conference on Thursday, 17th December, at 5.00 pm. in Committee Room 16 at the House of Commons on its Report on the MSC Review of the Quota Scheme for the Employment of Disabled People. The Report was adopted yesterday.

The Report examines the Quota Scheme and ways in which it might be improved if the Government decide to keep the Quota Scheme. It recognises that the MSC proposals to replace the present system by a general duty linked to a code of practice could offer considerable attractions to the disabled but the Committee consider that the MSC should give further thought to the questions of the definition of the disabled, their identification by employers, and enforcement.

Other matters dealt with in the Report include the special problems of the mentally ill and handicapped, anti-discrimination legislation, the training of Disablement Resettlement Officers, designated occupations, and the role of education in improving employment opportunities for the disabled.

Confidential copies of the Report will be available beforehand. They will be distributed from the Main Committee Office in the House of Commons. Copies will also be placed in the Press Gallery.

17th December, 1981

CONFIDENTIAL

To be published as HC 27

MAP

HOUSE OF COMMONS  
Second Report from the  
EMPLOYMENT COMMITTEE  
Session . 1981-82

THE MANPOWER SERVICES COMMISSION'S REVIEW OF THE QUOTA  
SCHEME FOR THE EMPLOYMENT OF DISABLED PEOPLE

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The Employment Committee have agreed to the following Report:

MSC REVIEW OF QUOTA SCHEME  
FOR THE EMPLOYMENT OF DISABLED PEOPLE

1. In July 1981 the MSC published a report on their Review of the Quota Scheme for the Employment of Disabled People, and the Government asked interested parties for any comments by the end of the year.

2. The Committee decided to conduct an inquiry into this subject and sought the observations of a variety of organisations and individuals. They are grateful to all those who submitted written evidence or appeared as witnesses before them.

The Existing Quota Scheme

3. The Quota Scheme was established by the Disabled Persons (Employment) Act 1944, following the report of the Tomlinson Committee. The Scheme provides that employers with 20 or more employees must employ at least 3% registered disabled people. It is an offence to engage someone other than a registered disabled person if the employer is below the quota limit or will become so, unless he is granted a permit to do so on the grounds that no suitable registered disabled person is available. It is also an offence to discharge a registered disabled employee without reasonable cause when below quota (or when to do so would bring the firm below quota). The register of disabled people is kept at Jobcentres. Registration is voluntary and applicants must

show that they have a substantial handicap on account of injury, disease or congenital deformity in obtaining or keeping employment suited to their age, qualifications and experience, and that the disablement is likely to last at least a year.

4. When the Quota Scheme was introduced in 1944 it was widely supported, and for a good many years it appears to have worked well in meeting the Tomlinson aim of securing for the disabled "their full share, within their capacity, of such employment as is ordinarily available". The Scheme has the merit of simplicity: employers know what is expected of them. But over the years the numbers registered as a percentage of the workforce have declined substantially and there was general agreement among all those consulted that the Scheme is no longer working satisfactorily. By 1981 registered disabled persons constituted only 1.9% of the workforce so that general compliance with the Quota Scheme is currently impossible.

5. Various reasons for the decline in the success of the Quota Scheme have been mooted, such as changing attitudes of the disabled towards registration, and the fact that whereas in 1944 registration gave the disabled protection against dismissal, subsequent legislation giving protection against dismissal to employees generally has removed that reason for registration.

6. It is clear therefore that the Quota Scheme as it stands could not be made to work satisfactorily without amendment.

## An Improved Quota Scheme

7. If the Government decide therefore to keep a quota system the Committee think that they should examine the various possibilities of improving the existing scheme.

8. There are a number of ways in which this might be done. One obvious possibility would be to lower the quota figure to a level which would be more realistic in current circumstances, e.g. to 1½% or 2%. However, a single national figure is not necessarily the right answer. Variations in the percentage of employed registered disabled people in different areas of Great Britain, which range from 0.9% to 1.8%, suggest that different quota figures for different areas might be appropriate. Alternatively variations based on different industries or occupations might relate more closely to the real opportunities for employment of the disabled. It would be for the MSC to make the studies needed to set variable limits of this nature. The result could be a scheme which was more capable of being enforced than the present quota system. The Committee believe that if the Government decide to retain a Quota Scheme serious consideration should be given to ways of varying the Quota by area, industry or occupation.

9. The Committee believe it is not only the number of registered disabled people who find employment that is important, but also the quality of employment open to them. The MSC should consider whether account could be taken of this by steps short of their present proposals.

10. In any improved quota scheme attention should be given to incentives to the disabled and to employers. The Committee recognise however the difficulties which were set out by the MSC in their review, in the way of financial incentives to the disabled to register, such as tax reliefs. As to incentives to employers the Committee would support the continuance and expansion of existing schemes for selective financial support to employers to encourage the employment of disabled workers, such as the Job Introduction Scheme and grants for the adaptation of premises and equipment.

11. Several submissions gave support to the idea of a levy scheme, but the Committee are unable to recommend this. The MSC have set out the arguments against a system of levies in paragraph 8.15 of their report, and the Committee are in general agreement with them, particularly as regards the risk that employers might simply opt to pay the levy rather than take on disabled people.

12. Under any future scheme, whether an improved quota scheme or not, there is a need for better training for Disablement Resettlement Officers. This is considered in paragraph 24 below.

13. Similarly the problems of the mentally disabled in the field of employment, which differ in many ways from those of the physically disabled, constitute a general question which is examined in paragraphs 20 to 22 below.



14. Even with the possible improvements considered above, there remains the difficulty about any statutory quota scheme that since registration is voluntary there might not be enough registered disabled persons to enable employers to comply with the law. This is one of the fundamental reasons for the MSC's search for a new approach.

15. The MSC proposals are for a general duty linked to a code of practice. Employers with 20 or more employees would be obliged to "take reasonable steps to promote equality of employment opportunity for disabled people". Legislation would require employers to:

- a) give disabled people full and fair consideration for all vacancies;
- b) retain newly disabled employees wherever reasonable and practicable;
- c) provide full and fair opportunities for the career development of disabled people.

The code of practice would give guidance on the three principles (which would be taken into account in an industrial tribunal or court of law) and on other general matters both of policy and practice. It would provide guidance on the definition of a disabled person and recommend what proportion of a firm's workforce should be disabled people. (The MSC's suggested outline code retains the 3% figure, but all disabled people and not just those at present registered would be counted towards the quota.)

16. This is not a purely voluntary scheme. It is a statutory approach, and it would be an offence for an employer not to comply with the statutory duty. Only MSC officers would be able to take prosecutions, but every effort would be made by the MSC to resolve disputes by persuasion before legal action was taken. The MSC expect that few cases would require recourse to the law.

17. The Committee recognise that the MSC proposals could offer considerable attractions to the disabled, and the National Advisory Council on Employment of Disabled People support the MSC's general approach. But there are certain questions about which the Committee are not at present satisfied. The main ones are:

- a) The definition of the disabled - the MSC have not yet framed a new definition; they acknowledge the need to consult disabled people and other interested parties about a definition. Without a clear definition of the disabled it is not possible to judge the proposals.
- b) The identification of the disabled by employers - the MSC envisage that the code of practice would advise employers on how to recognise disability and what steps to take to ensure that disabled applicants or existing employees were encouraged to disclose their disability without fear that this would have an adverse effect on their employment prospects. But the Committee are concerned about possible difficulties here, e.g. would employers become involved in the medical examination of

employees? Would there be a risk of endangering the confidentiality of medical records? Would there be a form of conscription of unregistered employees? Would there not be a great deal of extra paper work?

- c) Enforcement - how for example would the requirement for employers to "take reasonable steps" be interpreted? The Committee also consider that more thought needs to be given to the parts which will be played by magistrates courts and industrial tribunals, and they are concerned about the length of time which could elapse before a decision is reached in an individual case under the proposals in paragraphs 8.29 and 8.30 of the MSC Report.

18. The Committee consider that the MSC need to give further thought to these problems. The Committee are unable to make a recommendation on the adoption of the MSC proposals until the MSC provide satisfactory answers to these questions.

19. If any scheme based on the MSC proposals was to be accepted by the Government, the Committee consider it essential that sufficient resources be made available to implement it.

#### The Mentally Disabled

20. There are special problems affecting the employment of the mentally disabled, who now represent a substantial proportion of all disabled people. Whereas it is widely

recognised that a person with a physical disability such as blindness or the loss of a limb can nevertheless perform a variety of jobs not affected by the particular disability, there is less understanding of the problems and potential of the mentally disabled.

21. MIND draw a distinction between people suffering from mental illness, which may be only temporary and not affect their employability at other times, and those who suffer from a congenital mental handicap where the problems are more difficult. The proportion of both mentally ill and mentally handicapped persons who register as disabled is much lower than the proportion of physically disabled people. This appears to be partly due to a fear that registration as mentally disabled is a stigma; in addition medical advice is often against registration.

22. The MSC claim that their proposals would help mentally ill and handicapped people more than the present quota scheme because they extend to all disabled people and cover experience in work as well as recruitment. But the difficulties claimed over stigma and prejudice would not simply disappear. No firm practical proposals have been suggested in the evidence the Committee have received for dealing with the special problems of the mentally ill and handicapped in the field of employment, and the Committee recommend that the MSC should give further thought to this group of the disabled.

Anti-discrimination Legislation

23. Several submissions argued that protection for the disabled should be given by anti-discrimination legislation like that which applies to discrimination on grounds of sex or race, and even that there should be a single Commission covering discrimination on grounds of sex, race and disability. The Committee do not support this approach. There is a fundamental difference between the disabled on the one hand and women or people of different races on the other in the field of employment. As the MSC Report says in paragraph 8.22, "while the characteristic of being female or belonging to an ethnic minority is not of itself an indication of inability to do a job, the characteristic of being disabled may well genuinely impair a person's ability to perform specific types of work".

#### Training of Disablement Resettlement Officers

24. There is general appreciation of the commitment of Disablement Resettlement Officers (DROs) in their efforts to place the disabled in employment, but some suggestions have been made that their recruitment and training could be improved. The Committee agree that more could be done in this field. They consider that the training and work of DROs should cover more thoroughly not only the placing of the disabled in employment but also the subsequent training and progress of the disabled; this would be essential under the MSC proposals. Moreover it is important that a sufficient number of DROs should be trained and made available for their important task.

### Sheltered Employment

25. The Committee were primarily concerned with the review of the Quota Scheme and did not directly inquire into sheltered employment. Little evidence was received on this subject. It is clear however that provision should continue to be made for those who because of the severity of their disability are unlikely to obtain or retain employment in open industry. The MSC should consider what improvements could be made in this field.

### Designated Occupations

26. Certain occupations are reserved for registered disabled people, namely passenger electric lift operators and car park attendants, and it is an offence, without special permission, to employ any other person on such work.

27. The MSC recommend that this provision should be abandoned. The Committee have noted the arguments of the MSC and others that it could be considered to be not in keeping with the philosophy of encouraging disabled people to compete as ordinary members of the workforce and could create the impression that disabled people are only capable of low grade work. But practical realities, rather than philosophical arguments, point to the need to continue the scheme: this is not the time to drop a measure which helps the disabled when there are some three million unemployed.

### Education of Employers

28. Witnesses have pointed to the need to encourage wider understanding among employers of the contribution that the disabled can make. The Committee agree with this but would extend publicity and education on these lines to all who are concerned with the recruitment and career advancement of the disabled, including for example the involvement and experience of trade unions: DROs should be encouraged to maintain contact with trade unions as well as employers.