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CONFIDENTIAL

Prime Minister

MINISTERIAL GROUP ON UNEMPLOYMENT AND FAMILY SUPPORT ISSUES
THE RULES ABOUT SUITABLE EMPLOYMENT

I attach a note by officials which examines further the question we discussed at our last meeting whether we should change the present legislative definition of suitable employment.

It is clear that this definition is not something we would adopt if we were starting afresh, but there are problems which the note explains in adopting another one, not least in requiring primary legislation to amend the present test. A more speedy and effective approach may be to develop the existing controls through Unemployment Review Officers. Because that would require more staff, I think we should mount quickly some experiments in one or two areas to give us hard information on which to assess the practical effect of strengthening present control procedures in relation to the under-25s.

A copy of this minute goes to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry and for Employment, Mr Sparrow, Sir Robert Armstrong and Mr P L Gregson. Both the Treasury and the Department of Employment have been consulted in the preparation of the note by officials.

18 February 1983

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# RULES REGARDING SUITABILITY OF EMPLOYMENT, AND RELATED ADMINISTRATIVE PROCEDURES

## A. WAGE LEVELS

### The Present Law

1. The rule that employment is not to be regarded as "suitable" for claimants to unemployment benefit if the wages which it would pay are lower than "those generally observed by agreement between associations of employers and employees" or "those generally recognised by good employers" is embodied in primary legislation (Section 20(4) of the Social Security Act 1975). The rule applies indirectly to unemployed claimants for supplementary benefit where regulations require benefit to be reduced if unemployment benefit is disallowed under Section 20 - this continued the previous discretionary practice of the Supplementary Benefits Commission (and the National Assistance Board before it). The direct application of the rule is to cases where a claimant refuses an offer of a job, rather than to general considerations of availability. The rule applies in this form to claimants after they have been unemployed for such time as it is reasonable in their case, which means in practice a range from immediately to within about three months depending upon the skill and experience of the individual concerned. Until then the rule is applied in terms of the claimant's usual occupation and of the rates of wages paid in the district.

### Operation of the Rule in Practice

2. The practical effect of the rule is not what one might expect from reading the legislation. The MSC accept vacancies which offer lower wages than are normal in the area, and they submit people to them. In present conditions all work is sought after so that vacancies of all kinds are filled quickly. The evidence from the MSC is that this applies equally to even the low paid vacancies. The experience is that people very rarely refuse jobs for any reason and this is borne out by the statistics on benefit disallowance. In 1981 there were 10,134 cases where employment was refused (for all reasons - wage levels cases cannot be separately identified) and these led to 4,779 disallowances of benefit. In the first three quarters of 1982 the totals were 5,344 and 2,212 respectively. General experience is said to be that claimants rarely refuse work on grounds

only of wages - where this is mentioned it tends to be one of a number of factors - though there are no hard statistics to demonstrate this.

3. There is an argument that change is necessary on economic grounds, rather than for benefit control reasons, because employers would make more low-paid jobs available if it were not for this rule. But we know that some employers already pay lower wages and that these jobs are taken. The extent to which more might do so cannot be known but, in view of what has been said about the effects of the rule in practice, the outcome of any change might well be smaller than was first thought.

Ways in which the Rule might be changed

4. It is quite clear that if we were starting with a clean sheet, we would not adopt such a rule. We have considered four possibilities which might replace it. The first would be to make no mention of wage levels, leaving the suitability of employment to be decided in the light of the circumstances of the individual concerned; but this would leave judgements to the adjudicating authority. The second would be to say that wages should be compared with benefit rates; but this could well turn out to be more generous than the current rule for people with high benefit rates. The third would be to change the rule to refer to wages being not less than, say, 80 per cent of those generally paid in the area; but some jobs would inevitably pay lower wages than this "floor" yet be suitable for some people. The fourth would be to adopt the US approach of saying that work should be regarded as unsuitable if the wages were "substantially less favourable to the individual than those prevailing for similar work in the locality"; this kind of approach might be suitable but it would need closer study.

Experience Abroad

5. In the course of examining possible changes we have looked at experience abroad to see whether that could help us to find a better formula. As indicated above, the USA has a different criterion and it is worthy of consideration in our context. We have found nothing further that could be helpful. The European approach seems to be to keep silent, in law, on the question of wage levels and instead to judge suitability in the light of the individual. We understand that this has caused problems in Belgium and Holland where some benefit claimants have been able to refuse jobs that have not met their high wage expectations. We have not been

able to find anything about practical effects elsewhere.

Possible Solutions

6. Any of the options for change would require primary legislation which would be contentious because many would see it as an attack on the unemployed and on the low-paid together. Given the considerations outlined above we do not think that a case has been made out for immediate legislation, though a change should not be ruled out for the future. We have therefore considered other possibilities.

Change for Supplementary Benefit Cases Only

7. Our first thought was whether it would be either practicable or desirable to have different rules in this respect for supplementary benefit - again following the US practice. One advantage of this approach would be that change could be by secondary rather than primary legislation. Nevertheless, on balance we think this undesirable. In the US the means-tested benefits for the unemployed are fragmented and vary from area to area. Here, we have a national scheme which is widely understood (in principle if not in detail) and accepted, and of which there are general expectations. Many people receive both benefits, and for them the application of different rules would be difficult and incomprehensible. Many claimants who receive only supplementary benefit have good work records and we should be accused of lack of sympathy if we apparently penalised them. It has been our aim to bring the rules for the two benefit into line as far as possible, for ease of administration as well as for public understanding, and we would prefer - in the long run - to change the rule for both benefits, rather than for supplementary benefit alone.

B. RELATED ADMINISTRATIVE PROCEDURES

8. We have gone on to examine the administrative procedures by which the rules are applied directly, as well as those that are indirectly related, to see what changes could be made so that the effects would at least move in the same direction as specific changes in the rules.

Directly Related Procedures

9. Whenever a benefit claimant refuses a job the MSC send details to the DE Unemployment Benefit Office (UBO). The UBO gets the claimant's explanation, if any, and then puts the case to the Insurance Officer (IO) who decides whether the employment was suitable for the claimant and whether he had good cause for refusal. Some cases come to the notice of the UBO other than through the MSC, most often through information from an employer; occasionally, though infrequently, from an Unemployment Review Officer (URO) of DHSS, when the same procedures apply. All cases are submitted to the IO so that there is no obvious way in which the procedures could be tightened up. One approach would be to ask MSC to ensure that all potential cases are referred in case any are slipping through the net there, though we would not expect this to lead to any big increase in submissions, firstly because experience is that people rarely refuse any kind of job nowadays, and, secondly, because voluntary registration means that the minority of claimants who want to avoid work, or to be over selective about jobs, will not go to a Jobcentre anyway.

Indirectly Related Procedures

10. The back-up procedure for control is unemployment review, performed by UROs in DHSS. They review the cases of all claimants (between 18 and 50) who remain unemployed for six months, initially by questionnaire at that point, then by interviewing people selected on the basis of their response, and non replies. Those not seen then are interviewed later, at about 15 months. The URO has to try to diagnose why the claimant has stayed out of work - simply lack of jobs; need for advice or other help (which the URO should give or arrange); or lack of offers (when the URO should apply pressure). The present complement of UROs is fully stretched on providing the minimum controls seen as acceptable as a concomitant to voluntary registration.

Administration Tightening Up

11. Any moves to administer the scheme more vigorously would probably be best made through the UR system, but this, or any alternative, would be expensive in manpower because it involves individual casework and the exercise of judgement, and can

lead to IO submissions and appeals. This means that it is not practicable to increase the attention applied to all the long-term unemployed and any extra effort would have to be focussed on some particular group (or groups) which causes us most concern. This might well be younger claimants, for two reasons. First, among younger claimants there are some people who can manage quite comfortably on benefit - those non-householders whose parents do not ask them to pay a due share to household costs while they are unemployed. Second, it is young people at the threshhold of their working lives among whom it is particularly important to inculate good habits and a sense of responsibility, and to whom careers guidance needs particularly to be given. The young unemployed are a mixed group overall - some find work very quickly (being young and generally healthy), some have problems because of lack of experience or skills (YTS should bring on improvement in the future), while some "stick" on benefit, being choosy about jobs and causing concern to UROs. Most of this last group have low benefit rate, so that they would be better off in work, low-paid or not. What is needed therefore is some sustained official pressure.

12. Even limited action of this sort would be expensive in staff. Simply to interview the under 25s who had been out of work six months, and at six monthly intervals thereafter except for those cases where the URO thought this unnecessary, would need about 450 extra UROs (and a few in DE). On experience of present UR work there would be a saving on public expenditure overall, because the benefit savings flowing from the work (after allowing for displacement) would exceed the financial cost of the staff. Nevertheless the increase in manpower makes such a scheme impracticable - at least unless it was proven that there were other benefits to make it a worthwhile and defensible investment. A possibility might therefore be to mount an experimental exercise in one or two areas to concentrate on this group of claimants, with perhaps special emphasis on the unregistered, and with the UROs given a wider brief to seek out any lower paid vacancies, suitable for low benefit claimants, which are not now notified to MSC. This would need careful evaluation but it would enable us to judge the value of the procedure without commitment for the future.

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