

CONFIDENTIAL

P.01147

PRIME MINISTER

Future Development of Community Programme

(E(A)(83)15)

BACKGROUND

FLAG B.
FLAG A
The then Secretary of State for Employment was invited by the Sub-Committee in June (E(A)(83)1st Meeting) to bring forward proposals in due course on the future development of the Youth Training Scheme (YTS) and the Community Programme (CP). The Secretary of State is considering separately a report by officials on a review of the YTS. E(A)(83)15 contains his report on CP following a review by officials which has been circulated under cover of a letter from the Secretary of State's Private Secretary of 28 October: its conclusions are in Section 8.

2. The CP was announced by the then Chancellor of the Exchequer in his 1982 Budget statement. It provides the opportunity for those aged from 18 to 24 who have been unemployed 6 months, and others unemployed for a year, voluntarily to take part in work of benefit to the Community while remaining free to take a permanent job if available. The Secretary of State points out (paragraph 2 of E(A)(83)15) that the Government's commitment to "maintain special help for the long term unemployed through CP" was included in the Conservative Party's Election Manifesto this year. He considers that the scheme has proved a success; that, although it is based largely on part time work, this has not given rise to significant problems for sponsors or participants; and that the target of 130,000 places should be reached early in 1984 (E(A)(83)15 paragraph 3).

3. The Secretary of State reports (paragraph 4 of E(A)(83)15) that he has agreed with the Chief Secretary that the average wage limit

CONFIDENTIAL

CONFIDENTIAL

which sponsors are obliged to observe under the scheme should remain at £60 for the time being, and not be raised to £62 as was proposed in June. He says that he "will be prepared to look at this again" when some current uncertainties about other costs are resolved.

MAIN ISSUES

4. Main issues appear to be:

i. Should CP continue when the Government's existing commitment expires?

ii. What changes should be made to the CP compared with the present arrangements?

iii. Should the Secretary of State for Employment announce before the end of November that the programme will continue for a further two years from October 1984 with a limit of 130,000 placed (paragraph 14 of E(A)(83)15)?

Continuation of the scheme

5. It seems likely that there will be general agreement that CP should continue after October 1984. Existing expenditure plans provide for such continuation and the Secretary of State says (in paragraph 2 of E(A)(83)15) that his proposals would not require additional expenditure.

Possible changes in CP

6. The Secretary of State identifies three possible approaches to the future of CP. The first is a "benefit plus" scheme, which is discussed in paragraphs 6-7 (and in paragraphs 5.2 to 5.15 of the official report). This would replace wages based on the "rate for the job" with payments based on individual benefit entitlement plus an allowance to cover working expenses etc. The Secretary of State's

CONFIDENTIAL

judgement is that practical gains from the change are not great enough to warrant the risks, which might affect the viability of the programme. The Sub-Committee will wish to bear in mind that the scheme originally proposed in 1982 by the Chancellor of the Exchequer was a "benefit plus" scheme. In consultation following the 1982 announcement, strong opposition to this approach and to the lack of "a rate for the job" was expressed by local authority associations, the TUC and many voluntary organisations. In response to these views the Government modified its original proposals. It would be difficult, in effect, to revert to them now. And one of the main arguments that weighed with Ministers in 1982 - that if sponsors object to the terms of the Programme they will refuse to provide the places it requires - will remain valid.

7. The second option identified by the Secretary of State (E(A)(83)15 paragraphs 8-10) is the suggestion that at least some of the unemployed should be required to do work of value to the Community in return for their benefit. Practical and financial considerations are spelt out in more detail in paragraphs 5.16 to 5.22 of the official report and in the annex. The Sub-Committee will wish to consider how far the argument that the Community should be entitled to expect some return from those in receipt of benefit should outweigh the likely political difficulties of a scheme which would be attacked as involving compulsion. Other relevant factors include whether there would be additional costs in a "work for benefit" scheme and whether they would be likely to be balanced by the value of work done; and the Secretary of State's view that it would be necessary to apply the scheme to a restricted group (who would continue to be counted as unemployed).

8. Instead of these more radical options, the Secretary of State canvasses some detailed modifications of the CP identified in paragraph 11 of E(A)(83)15, (his "Option 3"). He does not wish to reach conclusions on these possibilities until the results of the



CONFIDENTIAL

survey by the MSC of participants in CP are available in 1984; but the Sub-Committee may wish to express preliminary views.

9. The proposals which would, inter alia, reinforce the existing tendency of the CP to act, in practice, as a "benefit plus" scheme are as follows:

a. Measures to achieve greater "targeting" of higher paid jobs under the scheme to those (mainly family men) on higher rates of benefit. The Secretary of State envisages that it would be necessary to offer guidance rather than write such a requirement into the rules. If successful, this would reduce net costs of CP, though not gross expenditure.

b. Disqualification from benefit if CP jobs are refused. The official report concluded that the practical effects of this would be small. The references in the then Chancellor's initial announcement to the voluntary nature of the programme might weigh against it. On the other hand, the benefit rule already applies to the YTS, which is voluntary, and applied to the Community Enterprise Programme which preceded it; and it could be argued that the sanction should apply to offers of CP places as to other job offers. On the question of compulsion, the Sub-Committee will wish to consider how far arguments to which it has given weight in the case of "work for benefit" schemes are also relevant here.

c. CP could be restricted to benefit recipients. The advantage would be largely financial (the extension of CP to non-benefit recipients puts up the net, though not the gross, cost of the scheme because no countervailing benefit savings are involved). On the other hand, it might be difficult to justify the exclusion from the scheme of some categories of non-benefit recipient (though the sex discrimination problem referred to by the Secretary of State in paragraph 11(c) of

CONFIDENTIAL

E(A)(83)15 will be eased this month when married women become eligible for benefit in their own right).

d. An element of training could be included in the present framework of part time CP. This could have some training benefits and would have presentational advantages if the CP were made more restrictive in other respects. Most of the funds involved, however, would have to be found from the Adult Training Programme. The Sub-Committee will wish to consider whether the resources involved could be better applied for training purposes in CP than elsewhere.

e. The Sub-Committee will no doubt welcome the Secretary of State's proposal to reinforce the guidance he has given MSC to ensure that CP projects both improve long term employment prospects and create practical value to the community of immediate and specific benefit. They may have views, however, on the handling of further moves more specifically to exclude political activities from the scope of the scheme; and to have clarification as to whether the proposed stricter approach should apply only to new projects or to existing ones as well.

10. The Secretary of State says that he is considering separately whether provision is needed in 1984 to assist YTS trainees and other unemployed 17 year olds unable to find a job; and that he will be considering alongside other possibilities whether the CP should be open to 17 year olds. It could be argued that this would prevent the effect of resources already spent under YTS from being dissipated by continued unemployment among YTS "graduates". On the other hand, it could be argued that it would devote an unfair share of the available resources to 17 year olds at the expense of older unemployed. The Sub-Committee may have a view.

Announcements

11. It helps the management of schemes such as CP, which depend

CONFIDENTIAL

on outside sponsors to provide places, to give assurances of reasonable stability in the schemes. It is therefore unlikely, if the Sub-Committee agree that CP should continue after October 1984, that they will object to an announcement on the lines proposed in E(A)(83)15. You will probably wish to invite the Secretary of State for Employment to clear the text with his colleagues.

HANDLING

12. You will wish to ask the Secretary of State for Employment to begin by speaking to his paper. In view of his predecessor's part in the original initiative, the Chancellor of the Exchequer may wish to have an opportunity to comment on the proposals; and the Chief Secretary may have expenditure points on the possible changes identified in E(A)(83)15. The Secretary of State for Social Services will wish to comment on points concerning benefit.

CONCLUSIONS

13. You will wish to reach conclusions on the following:
- i. whether CP should continue for a further two years from October 1984 with a limit of 130,000 places;
 - ii. whether this extension should be announced before the end of November by the Secretary of State for Employment, as he proposes;
 - iii. whether the "benefit plus" and "work for benefit" approaches should be ruled out.
 - iv. whether the Sub-Committee has any views at this stage on the possible modifications which the Secretary of State will be considering.

P L GREGSON

2 November 1983