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2 November 1983
Policy Unit

PRIME MINISTER

COMMUNITY PROGRAMME

Benefit-Plus and Workfare

Tom King opposes the idea of transforming the Community Programme into either a Benefit-Plus scheme or Workfare.

- i. Benefit-Plus would save only £70 million out of £570 million presently spent on the CP - that's if sponsors would accept Benefit-Plus. The truth is that most of them didn't when Geoffrey Howe proposed it. And they wouldn't this time, either.
- ii. Workfare, according to Peter Morrison, remains controversial in the United States. One further difficulty not mentioned is that it could apply only in those areas where sufficient work was available. There would be angry complaints about the unemployed being compelled to work for benefit in some areas and not in others. We have already agreed that the only group which might reasonably be denied benefit are unemployed 16-18 year olds living at home, who have left school and refused YTS.

We doubt whether the saving either of an explicit Benefit-Plus scheme or of a general Workfare scheme would be worth the political hassle.

Reforming the Community Programme

We agree with Tom that the more promising route is to try to reform the Community Programme so that it more nearly approaches a Benefit-Plus scheme.

- (a) Targetting. Yes. Asking sponsors to give priority to family men for the higher-paid jobs on the programme is surely sensible, and is much less complicated for a sponsor than asking him to take on people only on the basis that their wage should be roughly the same as their benefit.
- (b) Benefit Sanction. No. Denying benefit to those who refuse CP jobs would land us in much the same political trouble as

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the Workfare scheme: it would be regarded as conscription for work. The minute suggests that there might be an analogy with YTS. But YTS candidates are youngsters who will be supported by their parents if they fail to obtain benefit; whereas CP candidates are older, and almost all independent of their parents.

- (c) Restricting to Benefit Recipients. Yes. We really ought to restrict the Programme to people who are receiving benefit. So long as the places are scarce, they should go to those who need them most.
- (d) Training. No. The proposal to include 13 weeks of training in CP is likely to increase the cost of the Programme, without bringing significant benefits. Training makes sense when it is a thorough preparation in skills that will be used, and when it is properly related to relevant work-experience, as (we hope) it is in the YTS. A mere 13 weeks of instruction, allied to the sort of work done in the CP, is highly unlikely to make the recipient more employable.
- (e) Community Benefit and Priorities. Yes. As the number of projects builds up, MSC certainly ought to be choosier.

The Next Stage

Since we have already nominated 130,000 places as our target for 1984/5, we cannot stop short of the figure without being accused of abandoning the unemployed.

Should we widen the scope of the CP to include 17 year olds who cannot find a job after coming off YTS?

In principle, there is no objection to this. But it would, of course, increase the demand for CP places and the pressure to increase the number of those places. MSC believe that, if they had the money, they could expand the programme to double the number, to 260,000.

But before we do, we should stop and think whether there is a better way of fulfilling the aims of CP:

- i. to provide the long-term unemployed with morale-boosting work;

- ii. to ensure that socially useful tasks are undertaken;
- iii. to reduce numbers on the unemployment register.

The Voluntary Projects Programme

Does the CP fulfil these aims as well as the Voluntary Projects Programme (VPP)? The VPP is an experimental scheme, under which the MSC gives support to voluntary agencies that perform socially useful tasks. The scheme has a number of advantages:

- it costs the Exchequer a net £7 million;
- after only a year, it already provides work for no less than 60,000 volunteers, and 500 supervisors, at a net cost per job of roughly £120, compared with £1,500 for the CP (all figures excluding the benefit that is or would otherwise be paid);
- supervisors on the VPP are paid an average of only £5,000 pa, compared with full local authority rates for supervisors on the CP;
- volunteers on VPP get nothing except their expenses, compared with union hourly rates on the CP;
- about 25 per cent of the volunteers on VPP get useful training in basic skills such as literacy and numeracy from the voluntary agencies for which they work, at almost no expense to the taxpayer;
- the morale-boosting effect of voluntary work is presumably at least as great as employment under the CP.

But:

- the scheme is not restricted to the long-term unemployed (though almost all the volunteers and all the supervisors are unemployed);
- volunteers remain on the unemployment register.

We understand that the voluntary agencies would rapidly take up more places if they were on offer.

VPP could be aligned more closely with the Community Programme:

- (a) by stipulating that additional recruits should be long-term unemployed, as in CP;

- (b) by classing VPP workers separately from other unemployed people on the register. This is only logical, since although they continue to receive benefit, they are not exactly "out of work".

The MSC could then consider CP and VPP together as a Combined Community and Voluntary Programme - which could be expanded at much less cost. For example, an expansion of 100,000 places split equally between CP and VPP might involve a net Exchequer cost of about £81 million per year, as opposed to £150 million for an extra 100,000 places for CP alone.

We suggest that, in framing proposals for any expansion of the CP beyond 130,000 places, Tom King should be invited to consider whether the VPP should not play an equally prominent role.

fm
FERDINAND MOUNT



10 DOWNING STREET

Prime Minister

There seems to be widespread agreement on

- (i) extending CP after October 1984
- (ii) rejecting benefit plus and workfare
- (iii) need for modifications such as targeting

Issues remaining are

- (i) extension to ex YTS trainees and unemployed
- (ii) increase in size
- (iii) link with VPP

AT

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QUEEN ANNE'S GATE LONDON SW1H 9AT

2 November 1983

2 Tom,

FUTURE DEVELOPMENT OF THE COMMUNITY PROGRAMME

I was interested to see your paper E(A)(83)15 in which you make proposals for the future development of the Community Programme. My interest comes partly from the contribution which the Programme can make to reducing crime, by providing useful occupation for people who might otherwise be at risk of committing offences; and partly from my concern for the voluntary sector, since many projects are sponsored by voluntary organisations.

I think that on balance you are right to reject Options 1 and 2 in present circumstances, and I agree that Option 3 is the best way forward. I also agree with the announcement which you propose to make. I should however be grateful if the Programme's potential contribution to crime reduction and my concern for the voluntary sector could be taken into account when various possibilities within Option 3 are being considered. I wonder if your officials could keep in touch with mine on the results of the participants surveys, and if my officials could have an opportunity to make suggestions before you reach any final conclusions.

I am sending copies of this letter to the Prime Minister, to other members of E(A) and to Sir Robert Armstrong.

The Rt Hon Tom King, MP

Chas Ror
Bridge

2 JUL 1985

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David Barclay Esq
Private Secretary
10 Downing Street
LONDON
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28 October 1983

Dear David

COMMUNITY PROGRAMME

My Secretary of State has circulated a memorandum to colleagues on EA on the future development of the community programme. I enclose a copy of the detailed report by officials which is referred to in paragraph 5 of the Memorandum.

Copies of this letter go to all colleagues on EA, and to Sir Robert Armstrong.

Yours sincerely

Brett Bonner

BRETT BONNER
Private Secretary

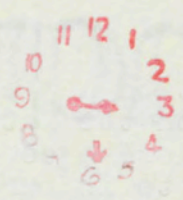
*I also enclose a copy for the Policy Unit.
Would you be so good as to pass it on if done*

\$

*CT
28/10*



28 OCT 1983



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**The review of
Community Programme (CP) 1983**

Report by officials

Department of Employment

OCTOBER 1983

REVIEW OF THE COMMUNITY PROGRAMME

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SECTION 8

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ANNEX

WORKING FOR BENEFIT

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REVIEW OF THE COMMUNITY PROGRAMME (CP)

SECTION 1: TERMS OF REFERENCE AND CONTENTS OF THE REPORT

Terms of Reference

1.1 We were asked to review the features of the Scheme in the light of experience and the original intentions; and to consider the case for supplying unemployed ex-YTS trainees under age 18 with opportunities for community work.

Contents of the Report

1.2 Long term unemployment is large and growing, and the Government is committed - in the Election Manifesto - to maintaining special help for the long term unemployed through the Community Programme. However it continues to be important that any programme for them, while meeting the basic aim of providing them with temporary employment, meets other objectives which Ministers have in mind in so far as they are consonant with the economic delivery of an employment programme for the main target group.

1.3 This report therefore covers the following matters:-

The origins and main features of CP, setting out the intentions of Ministers and the main influences which led to CP taking its current form (Section 2).

The extent and nature of long term unemployment, and the main characteristics of the programme which has been devised to help such people (Section 3).

The experience of CP (Section 4).

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Options for change (Section 5).

1. A "benefit plus" approach.
2. A possible scheme under which the unemployed would be required to work for benefit.
3. Modifications of CP in the direction of a "benefit plus" scheme.
4. A more training oriented Community Programme.

The provision for 17 year olds unemployed after YTS. (Section 6)

Priorities within CP, taking account of views expressed by Ministers and the likelihood that the programme will reach its current target of 130,000 places by the end of this financial year, so that MSC will need and be able to be more selective in choosing projects (Section 7).

Conclusions (Section 8).

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SECTION 2: ORIGINS AND MAIN FEATURES OF CP

2.1 The first special employment measure to give priority to the long-term unemployed was the Special Temporary Employment Programme, which also invited sponsors to provide temporary jobs on projects of community benefit. This Scheme, which was launched in 1978, was developed from the Job Creation Programme and was itself replaced by the Community Enterprise Programme (CEP) in 1981.

2.2 The Community Programme, which replaced the Community Enterprise Programme, was first announced by the then Chancellor, in the 1982 Budget statement. He said that the Government was prepared to increase public expenditure by £150m (excluding supervision costs) on behalf of the long-term unemployed. The starting point for his proposal was the opportunity for long-term unemployed people to perform work of benefit to the community:

"We can all see, in our local communities, tasks of environmental improvements, or of bringing help to those in need, that are crying out to be performed. Lord Scarman rightly drew attention to this in his recent report. He pointed out that there could be great advantage in schemes for socially useful activity, in place of current unemployment and social security arrangements. There are people needing work and work that needs to be done; the need is to match the two".

2.3 The Chancellor's scheme had in common with previous schemes administered by MSC as agents for DE that -

- (i) The work should be of community benefit;
- (ii) The scheme should benefit long-term unemployed people; and
- (iii) Workers on the scheme should not be included in the unemployment figures.

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2.4 There was, however, one major difference from previous schemes, which had paid the rate for the job. The Chancellor explained that he wished to introduce a "benefit-plus" approach:

"The central idea would be to give those who have been on the unemployment register for some time the chance to work for the benefit of their own community, while still getting broadly the equivalent of their benefit entitlement plus an addition for expenses and the like. They would remain free to take a regular job if it came along. And it would be for them to decide whether or not to participate in such a scheme."

2.5 The main opposition to the Chancellor's proposal was to his benefit-plus approach. Informal consultations carried out by the MSC and discussions at Commission meetings revealed a wide measure of agreement that the scheme should, like the Community Enterprise Programme, operate within nationally agreed wage rates and that participants should have the status of employees. These views were held by the local authority associations (most strongly by AMA and COSLA), many voluntary organisations and the TUC, who laid down four conditions on which they would be prepared to consider a new scheme. One of the conditions - that the scheme would not provide lower remuneration than that provided under CEP - was clearly designed to maintain the rate for the job. The other conditions - that the scheme was subject to trade union influence; would not affect collective bargaining; and would not displace normal jobs - were consistent with the Chancellor's proposal.

2.6 The National Council for Voluntary Organisations (NCVO) articulated the concern of many voluntary organisations. As well as opposing the concept of benefit-plus they commented on the need to develop a strategy for the long-term unemployed rather than to concentrate on short-term initiatives, and they expressed concern about the potential impact of CP on volunteering (which they feared might come to be seen as an activity for the unemployed); about the confusion caused by the multiplicity of schemes; and about the absence of consultations before the Budget statement. The NCVO said the voluntary sector saw CEP as a better basis for future development.

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2.7 The outcome of extensive discussions was Government agreement to the merger of the existing exclusively full time CEP into the new scheme which kept payment of the rate for the job but largely on the basis of part-time work. By having a mix of full-time and part-time workers on their projects sponsors would achieve an average wage of £60 a week and so keep down costs. In effect, although the hourly rate for the job is paid, the remuneration may be very much less than for a normal full-time working week, which may include overtime and bonus payments.

2.8 When the Chancellor announced the details of the new Community Programme on 27 July 1982, he indicated that the scheme, which MSC had put to the Employment Secretary, satisfied his original intentions.

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SECTION 3: NATURE OF THE COMMUNITY PROGRAMMEThe Target Groups

3.1 The Community Programme is the one special employment measure directed specifically at helping the large and growing numbers of long-term unemployed people. In April 1983:

- 1.1m - a third of all the unemployed - had been unemployed for more than 12 months, compared with 0.33m in April 1980 - a quarter of the unemployed. 0.5m had been unemployed for more than two years. These numbers could be up to 50% greater if short interruptions are ignored.
- Roughly 25% of the 1.1m are aged 55 and over, 50% are aged 25-54 and 25% are under 25;
- 900,000 are men and 200,000 women.
- Particularly in the case of the 18-25 age group a substantial proportion of the unemployed are from the ethnic minorities.

Without the Community Programme the number of long-term unemployed people would be expected to reach 1.25m in early 1984 and continue to drift upwards very slowly thereafter. Preliminary estimates of the impact of the Programme suggest that this figure could be reduced by over 150,000 to about 1.1m by 1985. However, the total is still expected to exceed 1m at the beginning of 1987.

3.2 In addition to those unemployed for more than 12 months CP is also open to people under 25 who have been unemployed for 6 months or more. In April 1983 there were almost 310,000 (190,000 men and 120,000 women) in this group. There is therefore a potential client group of almost 1½ million.

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3.3 The client group is indeed even larger than this because the definition now being used for CP is (a) those aged 18-24 and unemployed for 6 of the last 9 months including the last two, and (b) those older people unemployed for 12 out of the last 15 months including the last two. These relaxations of the eligibility criteria have been made in order to encourage long-term unemployed people to fill short-term vacancies in CP projects without disqualifying them for further CP work, and to avoid penalising those whose long period of unemployment may have been broken by short periods of employment (eg postal work at Christmas). It also means that those who stop claiming unemployment benefit for short periods for reasons such as sickness do not become ineligible. It is not necessary to be in receipt of unemployment benefits to be eligible provided there is proof of unemployment; at present about 13% of CP participants are in this category.

3.4 There are some within this group who are not active job seekers although the steps taken to help the older long-term unemployed to leave the labour force (extension of long-term SB to the unemployed over 60s and automatic credits) should reduce that number. Nevertheless evidence from surveys suggests that at any one time the great majority will still be actively seeking work, that they are prepared to consider changing jobs (two thirds in the Economist Intelligence Unit survey said that they were now prepared to consider anything) and, while full-time work is preferred, a considerable number (especially women) are prepared to consider part-time work. However the chances of their finding jobs are relatively small. In 1982 only 15% of those unemployed for more than a year left the register over a 3-month period, compared with 40% of those who had been unemployed for less than 3 months.

Operation of the Programme

3.5 CP relies on sponsors to bring forward proposals for projects which will provide temporary jobs for long-term unemployed people. In most cases the sponsors are making use of CP to get a particular piece of work done that would not otherwise be done; they are making the judgement that the financial assistance they get (labour costs and some overheads) for employing long-term

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unemployed people justifies the limitation on their freedom to recruit and the other requirements they have to meet. Since some projects stretch over more than one year or take some time to organise, sponsors favour continuity in the rules and like to be consulted about any major changes; they have criticised the repeated changes in the past.

3.6 MSC administer CP as agents of DE. MSC officials attract sponsors, advise on the rules of the Scheme, approve applications, pay claims and monitor activities. The Employment Division of MSC has therefore set up teams of officials who are responsible for particular areas, operating from Jobcentres or other local offices. The majority of projects, and certainly all the more important ones, are submitted for approval to area manpower boards which consist of representatives from employers, trade unions, local authorities and other interested bodies.

3.7 To simplify administration for small organisations MSC is encouraging the establishment of Community Programme managing agents; they undertake to provide a certain number of places on projects run by a variety of different sponsors. The agent receives an additional fee (£100 per filled place) but is reimbursed by MSC on roughly the same basis as other sponsors who provide places directly; in turn the individual project sponsors have contracts with the agent so that they receive the necessary funds for their projects.

Future expectations and coverage

3.8 MSC are currently aiming at a target of 130,000 filled places and believe that they could double this figure by March 1985, provided that the Government takes an early decision and that the Scheme is operated under the present rules and with the average wage maintaining its real value. As the figures in para 3.1-3.2 show, the numbers of long-term unemployed people exceed the target by a very large margin.

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3.9 The gross cost of CP (including expenditure incurred under CEP) is estimated to be about £380m* in 1983-84 and £580m* in 1984-85 (the first full year) on the assumption that the Programme continues on its present basis. When Ministers announced the introduction of CP with effect from October 1982 an undertaking was given that the Programme would continue for at least two years. Since then the 1983 Conservative Manifesto has stated that "We will maintain special help for the long-term unemployed through the Community Programme."

3.10 Long-term unemployed people may also benefit from other special employment measures which provide jobs or training. Unpaid voluntary service is encouraged by the Voluntary Projects Programme (VPP), which will continue to operate alongside CP. VPP currently assists some 61,000 people, but they are still counted as unemployed.

*The European Social Fund makes grants for this programme. £11.8m was allocated for CEP for the first 3 months of 1982.

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SECTION 4: EXPERIENCE WITH CPProgress up to the end of August

4.1 At the end of August there were over 83,000 filled places on the Programme and nearly 129,000 approved places. These figures include residual CEP places and were divided between full and part-time as follows:

	<u>FULL TIME</u>	<u>PART TIME</u>	<u>TOTAL</u>
Approved places	49,000	80,000	129,000
Filled places	33,000	50,000	83,000

78% of entrants were men and 22% women.

4.2 Take-up of CP has been lower than expected in the southern half of England because sufficient potential sponsors have not come forward with ideas for projects and the allocation of places has been reduced by over a quarter in London and in Eastern Region, with smaller reductions in Southern Region and the Midlands. These places have been re-allocated to the regions of higher unemployment.

4.3 Although initially there were considerable doubts about the attractiveness of part-time places, both to sponsors and to employees, these have generally not been borne out by experience of CP in operation. The part-time places are of widely varying duration, as is shown by the following analysis in July:

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	<u>Percentage of total approved places</u>
Less than 16 hours	1%
16-24 hours	36%
Over 24, less than 30 hours	23%
30-35 hours	12%
Over 35 hours	28%

It will be noted that at least 60% of participants are in part-time work on the definition used for SB and FIS purposes of less than 30 hours a week.

The Average Wage in Operation

4.4 The spread of wages on CP projects is wide, ranging from below £30 to the maximum (which was raised from £92.50 to £98 in July 1983). However, 65% of wages are below £60. If the evidence on the spread of wages is compared with the age distribution of clients (54% are under 25) there are indications that the part-time jobs with lower wages may be going to young, predominantly single, people for whom even a part-time wage represents an improvement on benefit. Only 33% of entrants to CP are married, compared with 66% of men and 20% of women in the PSI sample of long-term unemployed. It appears that the marital status breakdown of CP participants may not be typical of the long-term unemployed in general and that the Programme is attracting a particularly high proportion of young single people. (More precise information will be produced by the MSC survey of participants now in progress; the main report will not be available before 1984.)

4.5 Since the £60 average wage limit was set in September 1982, average earnings have increased by some 5%, with manual earnings rising by 4.2% from an average of £125 to £130 for a full working week. The principal settlements affecting CP wage rates have been those for the local authority manual workers (4.87% increase, payable from November 1982) and the building industry (increase of 5.6%, payable from June 1983). As wage rates rise, sponsors - who are required to pay the rate for the job - will be experiencing increasing

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difficulty in keeping within the average wage. Some are already operating at the limit. Unless they can meet any deficit from their own resources, there are only two options open to them, either to fail to fill full time vacancies arising from turnover on the scheme or to decrease the number of hours worked by the existing workforce. The latter course would cause difficulties as sponsors would regard it as a breach of faith, and it might well produce legal problems, since it could represent, at common law, repudiation of a fundamental term of the contract of employment by the employer.

4.6 An increase in the average wage from £60 to £62 would go some way to help sponsors. It would not, however, match the increase in wages paid to similar workers or the 4.3% uprating of supplementary benefit in November 1983.

Effects of CP on participants

4.7 The fact that CP jobs are being filled indicates that the wages and the jobs offered are acceptable. There is as yet no hard evidence on the non-income effects of the Programme on participants. However, MSC field and Head Office staff have formed the impression from their many contacts that people are glad to be given the opportunity to work and are for the most part enthusiastic about the projects on which they are working. This has the effect of increasing their self-confidence and self-esteem which should in turn improve their job prospects.

4.8 No criteria have been set for judging whether CP is successful in its effects on participants. One approach would be to judge CP a success if it keeps participants constructively occupied for up to a year; this is a limited aim which can be expected to be achieved. Another approach would be to try to judge whether CP has improved long-term employment prospects; one measure of this would be the post-CP placing ratio (for comparison, the post-CEP placing ratio was 16%). This would also have to be looked at in comparison with the extent to which the long-term unemployed who have not been on CP get into employment (using for example, the findings of the PSI study).

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Effect of CP on the community

4.9 53% of places approved so far are on environmental, building and landscaping schemes; about one-third on general personal services schemes; and the remainder spread between a range of other categories. For several reasons, however, these may change:

- (i) The scheme is only about half way towards its target of 130,000 filled places.
- (ii) At present local authorities account for about half of projects, compared with two thirds under CEP. Some local authorities have been slow off the mark in deciding to participate in the Programme, but the proportion of projects sponsored by local authorities is now expected to increase. Ministers would like to increase the proportion of projects sponsored by private firms.
- (iii) Because MSC is faced with the need for a very fast build up in order to achieve the target, there is at present little scope for selecting between projects. Once the target is achieved MSC will be in a position to be more selective and operate priorities.

Training

4.10 Sponsors may organise training required in order to perform the work efficiently and spend as much as they think appropriate from within the allowance of £440 for operating costs and up to £10 per head per week from the wages provision. There has also been no objection to a limited amount of training of a general nature, eg to improve literacy and numeracy. There is, however, a statutory restriction on going much further than this. CP cannot be turned into a training programme because it is run under Section 5 of the Employment and Training Act, which authorises expenditure only on temporary employment. Main legislation would be needed to remove this obstacle, unless the rather complicated procedure in the following paragraph were to be adopted.

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4.11 There is pressure from some sponsors and critics of CP to incorporate a greater training element (which might also attract additional EC grant). This could only be done at present by running a single programme incorporating both temporary employment under DE's powers in the Employment and Training Act and training financed by MSC from its own grant-in-aid. This arrangement would be technically complicated, but feasible.

Conclusions to be drawn

4.12 Despite initial hostility and the difficulties of rapid expansion with new features, particularly part-time work, CP has been successfully launched. It is still, however, a new Programme and its acceptability with potential sponsors (the key to its success), trade unions, and pressure groups could again be called into question. Its strength is that it was eventually accepted by all interests on the Commission and by the vast majority of prospective sponsors. There is a danger that fundamental changes in its objectives and rules at this stage will be damaging. Sponsors in particular are looking for a period of stability and their continued support could be in doubt if changes which they think are unnecessary are pushed through. This needs to be kept in mind when the options are considered.

SECTION 5: OPTIONS FOR CHANGE OR DEVELOPMENT

5.1 It was part of the original objective to break away from wage rates and relate the remuneration to benefit plus expenses. But the main aim was to make more constructive use of the money paid in benefit to the unemployed and to give the unemployed the chance to work for the equivalent of their benefit plus an addition for expenses. The then Chancellor publicly stated that he was not seeking to pull down wage rates and that it was not the intention to compel unemployed people to accept places on the Community Programme when offered. The options below, however, discuss not only the benefit-plus approach but also other possibilities which go beyond the position taken in the Government's 1982 statements.

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Option 1 Break the Wage-Rate Connection and Introduce a Benefit-Plus, or Fixed Allowance Scheme.

5.2 A "benefit-plus" approach would mean that individuals would receive payments at the rate of their benefit entitlement (normally supplementary benefit but, rarely, unemployment benefit) plus a standard allowance from which they would have to meet their work expenses - notably for travelling. In the discussion last year following the Chancellor's announcement an allowance of £15 was proposed.

5.3 In such a system:-

- a) Individuals would receive varying incomes according to their personal circumstances and unrelated to the work they perform - so that two men doing the same work might receive very different rates;
- b) Benefit-plus would generally give single people much less than they would be likely to earn in ordinary jobs, or on full time CP (although not less than on part-time CP - see 5.9 below);
- c) The position is less clear cut for married couples and for those with dependants. But some would receive more than the rate for the job, or than they could earn in other jobs;
- d) Payments based on benefit-plus would probably have to be regarded as wages and would therefore be subject to tax and national insurance contributions while also bringing in entitlement to FIS for those with children. Such reductions would make almost nugatory any incentive to take benefit-plus, at least for those without children; on the other hand, because of the "poverty trap" it is not possible to give an extra £15 to a family man without making him far better off than he would be in large numbers of other jobs;

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e) The £15 allowance was intended to apply to a full-time scheme. It would probably need to apply pro rata to a part-time scheme (eg £3 a day). This would complicate the system presentationally and administratively.

5.4 Table 1 shows how a benefit-plus scheme would work, using the £15 allowance already discussed, and assuming the scheme to be providing full-time work. It shows the effect, as it would probably be perceived by the claimant, of adding £15 to his benefit but then subjecting the total payment to tax and national insurance.

TABLE 1

Benefit-Plus Showing Gross and Net Incomes

Family Type	Supplementary Benefit Entitlement £	Benefit Plus (SB + £15 gross) £	Net Payment (after tax and NI Cont) £	
Single Non householder over 18 years	24.55	39.55	34.42	(9.87)
Householder	28.80	41.80	35.80	(9.00)
Married Couple with:-				
No children	43.50	58.50	51.80	(8.30)
1 child (aged 3)	48.20	63.20	54.67	(6.47)
2 children (aged 4,6)	50.85	65.85	56.29	(5.44)
3 children (aged 3,8,11)	58.05	73.05	60.69	(2.62)

Notes:-

- Supplementary benefit entitlement assumes only other income is Child Benefit, and no special requirements apart from the heating addition given automatically to families with a child under 5.
- The figures in brackets in the last column show the increase in net income.

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5.5 This table does not show the full picture, particularly for families with children, because there would usually be entitlement to means tested benefits (housing benefit, FIS, free school meals, free welfare milk) while on Benefit Plus. Table 2 therefore shows the total income support (TIS) after allowing for these additions to income. The table takes no account of work expenses, which it is intended should be met from the increase in income.

TABLE 2

Total Income Support (TIS) for illustrative family types with Benefit-Plus

	Supp B Entitlement	Benefit-Plus	TIS on Supp B	TIS on Benefit Plus	
Single Non H/H	24.55	39.55	24.55	34.42	(9.87)
Single H/H	26.80	41.80	26.80	33.88	(7.08)
MC	43.50	58.50	43.50	50.40	(6.90)
MC + 1 age 3	48.20	63.20	56.17	68.81	(12.64)
MC + 2 age 4 & 6	50.85	65.85	67.82	82.17	(14.35)
MC + 3 age 3, 8 & 11	58.05	73.05	84.02	95.78	(11.76)

5.6 These tables show that the interaction of the various factors described means that no claimants would in practice have £15 clear extra income from which to meet work expenses.

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5.7 To base payments on an individual's benefit entitlement plus the additional allowance would be a complex and administratively cumbersome system, even on a full time basis. Benefit payments to an individual can change from time to time and this could lead to disputes over the right figure to use. We have therefore considered the possibility of standardised payments as in TOPS. These rates are currently £41.55 for single people and £66.25 for married (though TOPS allowances are themselves subject to review). Table 3 shows what the effects of this approach would be on the same family types as used in Tables 1 and 2.

TABLE 3

Total Income support (TIS) for illustrative family types with flat rate CP allowance

	Supp B Entitlement	Allowance	Net allowance after tax and NI	TIS on Supp B	TIS on Allowance
Single Non H/H	24.55	41.55	35.64	24.55	35.65 (11.10)
Single H/H	26.80	41.55	35.64	26.80	33.80 (7.00)
MC	43.50	66.25	56.54	43.50	53.30 (9.80)
MC + 1 age 3	48.20	66.25	56.54	56.17	68.66 (12.49)
MC + 2 age 4 & 6	50.85	66.25	56.54	67.82	82.16 (14.34)
MC + 3 age 3, 8 & 11	58.05	66.25	56.54	84.02	96.16 (12.14)

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5.8 This scheme would be administratively simpler than a scheme using individual benefit levels but would have the drawback that, at whatever level the rates were set, individuals would be affected in different ways and would not therefore have a consistent advantage - let alone a £15 advantage - over benefit.

5.9 For purposes of comparison a fourth table has been constructed showing how earnings under CP at three levels (an example of a low rate, average rate and maximum) compare with the benefit-plus approach. The table shows that something like benefit - plus can be achieved in practice when the rate for the job is paid, provided the low paid jobs are generally taken by those who are only entitled to the lower rates of supplementary benefit. The table also shows how participants in part-time work fare. The last column assumes that, except for the single non-householder, the part-time participants continue to receive SB and are therefore better off by the £4 disregard than before starting part-time work.

TABLE 4

Comparison of Benefit-plus and In Work Incomes

Family Type	Total Income Support from Benefit-plus (from table 2)	Total Income Support in Full Time Work (including CP) with earnings of			Total Income Support in Part Time Work (including CP) with earnings of £45
		£45	£60	£98	
	£	£	£	£	£
Single Non householder over 18 years	34.42	37.60	46.75	69.93	37.60
Householder	33.88	34.62	38.82	51.78	30.80
Married couple with:-					
No children	50.40	39.40	51.05	62.88	47.50
1 child (age 3)	68.81	67.03	68.83	70.00	60.17
2 children (4&6)	82.17	79.86	82.32	80.08	71.82
3 children (3,8&11)	95.78	91.28	96.32	94.44	88.02

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5.10 The following might be features of either the benefit-plus or the standardised payment variants:-

- (i) reduction of SB (or disallowance of UB) for refusal of suitable places could be introduced;
- (ii) the scheme could be restricted to benefit recipients;
- (iii) In other respects the scheme would have the same features as the current CP, including the exclusion of participants from the unemployment count.

Scope and Costs

5.11 Making payments at the standardised rates in 5.7 would cost less than the operation of CP at present. If all other assumptions remain as for CP and the Programme size is 130,000 over one year the costs of this benefit plus scheme would be as follows:

	New Scheme	CP
£m		
Gross additional expenditure (GAE)	503	587
Net additional expenditure (NAE)	303	379
Net Cost (NEC)	165	200

The net cost per place per year would be £1,270 compared with £1500 on CP. The same number of places would be financed as under CP. The net cost could, however, be reduced by further restricting the scheme to benefit recipients which would seem a particularly suitable condition to attach to a scheme so directly related to benefit payments.

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Likely reactions

5.12 Opposition to the benefit plus approach could be expected to be quite as great as in March 1982. The most serious drawback to such a scheme would be the difficulty of attracting sponsors, many of whom would be deterred by the move from the employer/employee relationship to one of agent. Sponsors argue strongly that it is payment of a wage which enables them to replicate the work environment including normal industrial discipline. Without this there would be concern about the motivation of the participants and the quality of work.

5.13 In March 1982 it was thought unlikely that local authorities in the major urban areas would sponsor projects, because of lack of support from elected members and the major trade unions. These considerations would be just as strong now; indeed they might be reinforced by the success of CP. Many voluntary organisations also expressed opposition to benefit-plus in 1982 and there is no reason to suppose that their attitude will have changed.

5.14 If the Government decides to go ahead with such a scheme, it has to be faced that it might well have to be run without trade union or Area Manpower Board approval and that there would be immense difficulties in finding sponsors to provide a scheme on the same scale as CP.

5.15 All interests on the MSC are likely to oppose payments based on benefit plus, especially when they have every reason to believe that CP is a success. TUC Commissioners would be particularly strongly opposed. There must be serious doubts whether Commissioners could be persuaded that the MSC should run such a scheme and if they agreed to it, it would probably be a majority decision. There is a real risk that DE would have to run the scheme itself.

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OPTION 2: WORKING FOR BENEFIT

5.16 An alternative approach would be to require at least some of the unemployed to do work of value to the community in return for their benefit and any necessary work-related expenses. This is the concept behind the Workfare Scheme in the United States.

Main features

5.17 A scheme of this kind would probably have the following features:-

- (i) It would be compulsory. Those chosen who refused to participate would lose their benefit on the basis that an alternative source of income (the scheme) was available, although there would have to be an appeals machinery. In the present situation, loss of unemployment and supplementary benefit may be compensated for by urgent needs payments. If the logic of the scheme is followed through, people who refuse should also be denied urgent needs payments.
- (ii) It would require main legislation in any case but this would be particularly contentious if the possibility of urgent needs payments were removed.
- (iii) By contrast with option 1, which gets away from the rate for the job approach, benefit would be worked for at the appropriate minimum rate for the job. This is how Workfare operates in the US. It might be desirable for administrative reasons to depart from this principle by standardizing hours to some extent, despite some diminution of the principle of working for benefit, but whichever way it was organized all or virtually all the work opportunities provided would be part-time.

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- (iv) Since the basis of the Scheme would be working in return for benefit, those concerned would remain on benefit, and continue to be counted as unemployed.

Further details of such a scheme are given in the Annex.

5.18 The overall cost of operating such a scheme would inevitably be higher than simply leaving people on benefit. Reimbursement of work expenses for those participating (fares, meals etc), administration (undoubtedly higher than CP because of the need to police and enforce a compulsory scheme and deal with appeals), costs of supervision and materials, might amount to £1,000 per place per year. This leaves out of account, as do comparable calculations for CP, the counterailing valuation of the benefit to the community of the work done. This option may also give rise to savings in benefit from those discouraged from drawing it by the existence of the scheme. However, this latter effect is extremely difficult to compute.

5.19 The salient considerations appertaining to such a scheme are:

- (i) As the scheme would be compulsory it would ideally have to be big enough to offer work to everyone in the target group. There is a case therefore for narrowing the target group at the outset to produce a relatively small group, for most of whom it would be possible to provide work. This would reduce problems of equity over who was selected to 'work for' benefit, though inevitably there would be some mismatch between the capabilities and geographical distribution of any target group chosen and the work available. An example of a possible target group is the 18-24 year olds who had been out of work for more than 2 years (c 100,000) though even with this group some (eg, some of the disabled) would have to be excused the work offered, and an appeals mechanism could not be avoided.

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- (ii) The work provided would essentially be unskilled work of public benefit in the public sector or in other projects of benefit to the community. The intention, as with CP and earlier Government job creation programmes, would be to avoid displacing normal jobs. Because of the compulsory element and absence of the normal employment relationship (the sponsor would have to take on whoever was sent along) and because the time an individual worked would be generally shorter and outside the employer's control, projects would be more difficult to run.
- (iii) It is unlikely that the MSC, as at present constituted, would be prepared to operate the scheme or that DHSS would have much interest in doing so. It has therefore to be assumed that it would be run by DE.

Likely reactions

5.20 Judging from the reactions to the benefit - plus proposition in 1982, there would be a great deal of opposition to the introduction of a scheme of this kind. In practice the key difficulty would be a shortage of sponsors and so of projects. Whereas the MSC estimates that there is the potential to double the size of CP in its present form, there could be very great difficulty in finding even as many as the current number of CP places for a Workfare-type scheme. It is likely that the majority of local authorities and voluntary organisations who provide CP places would be unwilling to operate a scheme of this kind, either for political reasons or because they would consider a workforce of 'pressed men' too difficult to manage. For this reason output would be less - and hours might on average be somewhat shorter than on CP.

5.21 The community benefit flowing from the scheme would probably be less than from CP. In the face of sponsor reluctance, the Government might have to look in other areas more directly under its control or influence, such as the NHS, though here too serious problems and controversy could be expected. This

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would have a possibly unfavourable impact on the sort of work that could be provided and implications for the size of any target groups chosen, especially as central government has a poor record in providing places for CP and YOP.

5.22 Because of the connotation of enforced labour, particular hostility to a scheme of this kind can be expected from members of ethnic minorities and the organisations representing them. There is a concentration of unemployed ethnic minority young people in the 18-24 age group.

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OPTION 3: Community Programme modified to bring effects closer to a benefit-plus scheme

5.23 Table 4 above shows that there is generally a close correspondence between income support under the benefit plus approach and average earnings under CP (£60), and para 4.4 indicates that CP may already be operating like a benefit-plus scheme, with the lower paid jobs generally going to those with lower benefit entitlement. CP could be modified in a variety of ways to increase this effect without changing explicitly to a benefit-plus basis. These possible modifications are described below.

(a) More targetting

5.24 The weakness of CEP in terms of net costs was that single people (on benefit of £25) received a full-time wage, averaging £75. The net cost of helping single people was therefore very high. The introduction of part-time work under CP has reduced average net cost, but it is still possible for single people to be given full time jobs. The MSC survey of participants will throw light on the extent of this because it will be possible for the first time to relate wages received on the scheme to previous benefit entitlement, but relevant results will not be available until the end of the year. The cost-effectiveness of the scheme could therefore be increased if full-time CP jobs were reserved for a particular category, eg married people with a dependent spouse and children.

5.25 The degree of hostility to such a proposition would depend on how it was presented. The introduction of a novel criterion, that is marital status determining who should get a job, would no doubt be criticised but a statement that sympathetic consideration should be given to particular groups (eg 24-49 year olds with dependents or people aged 50 and over) might be better received.

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5.26 The latter approach would require no legislation. Such targetting could be introduced from October 1984 within the present CP framework. There are however, good reasons to defer a decision until the results of the MSC survey are available. If these indicate that CP places are already for the most part going to people who would fall within the target group or groups, the Government would have the choice of not intervening at all or to some extent disarming opposition by presenting the introduction of targetting as an endorsement of what was already taking place.

(b) Allow disqualification for benefit for refusing a suitable CP job

5.27 This would in theory increase the pressure on unemployed people to accept CP places. It would reverse the Government's original intention of having a voluntary scheme with unemployed people free to decide whether or not to participate (see para 2.4) and return to the situation under CEP, when unemployed people could be disqualified from benefit for refusing suitable employment (RSE). Two qualifications should, however, be made:

- (i) There are very few disqualifications for refusing suitable employment. In practice, therefore, this option is unlikely to make any great difference to the attitude of unemployed people towards CP. Moreover, at present there is no difficulty in filling CP places.
- (ii) At present if an individual leaves CP for no good reason (probably at some inconvenience to the sponsor) or is dismissed for misconduct, the normal unemployment benefit procedures already apply and if appropriate there can be a disallowance or reduction of benefit.

5.28 The counterbalancing practical benefits are likely to be very small, although as RSE was accepted under CEP, it should not be opposed now. But it would be criticised as a reversal of policy, would revive changes of compulsion and sponsors could complain about another change in the rules.

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(c) Restrict CP to benefit recipients only

5.29 It is estimated that about 13% of CP recruits are not benefit recipients. This makes no difference to the gross cost of CP, but pushes up the net cost because there are no offsetting benefit savings. The effect on the unemployment count is also reduced.

5.30 Non-recipients could be excluded by a simple change in the CP rules, without legislation. The presentation of such a change would require careful handling. So far, only two special employment measures have been restricted to benefit claimants. The Enterprise Allowance Scheme is specifically designed to compensate unemployed people for the loss of benefit when they set up new businesses; the reason for the restriction to benefit recipients is therefore self-evident. The Job Splitting Scheme was introduced as a self-financing measure, with the job splitting subsidy paid for out of benefit savings. Nonetheless, the restriction to benefit recipients has been highly controversial, because the immediate effect is to exclude many married women who are looking for part-time jobs.

5.31 Restriction of CP to benefit recipients on the grounds that this would improve the cost-effectiveness of the scheme is likely to be equally, if not more controversial. Critics would seize the opportunity to say that the Government were concerned only with saving money and reducing the employment figures and there could be accusations of sex discrimination, as with the Job Splitting Scheme where, unlike CP, the majority of participants have been women. The scheme could, however, be presented in a positive way as an answer to critics of Government policy who ask why the money spent on unemployment benefit is not put to better use. Not only would the scheme save money, it would also fit in with the concept of useful activities, which would not otherwise have been carried out, being done in return for benefit.

5.32 Our legal advice is that on the face of it such a rule would have a discriminatory effect. If, however, a case were brought against the Department the defence would be a justification of the rule on grounds of

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economy; for example, it was necessary in order to finance the Scheme or it had a significant effect on its cost-effectiveness. But if there appears to be no insurmountable obstacle, this could be a good time to make the change because the new Equal Treatment Regulations will allow married women to claim benefit in their own right.

(d) Training

5.33 The introduction of any or all the above modifications to CP could be eased by building more training into the scheme, using resources from the TD adult training budget. The case for reopening discussion on this is as follows:-

- (i) the combination of part-time work and training would be relevant to the needs of many unemployed people, particularly the unskilled and those in the 18-24 age group who will have missed out on the opportunity of YTS foundation training.
- (ii) Training and work experience may be mutually reinforcing, so that better subsequent employment prospects are obtained through combining these than providing them separately to separate client groups. Experience with other MSC programmes has shown the value of an integrated programme in which people are trained off-the-job, practise their new skills on-the-job and may then be motivated to go in for further training. It may be possible to introduce standards of occupational skills into the programme and link it with other adult training.
- (iii) The cost might be higher than CP on its present form but it might be a better long-term investment. Money could be transferred from TOPS to meet additional expenditure.

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5.34 If more training were built into CP,

- (i) CP sponsors would be able to offer, on a voluntary basis, on or off the job training, either job related or to enhance employment prospects;
- (ii) CP employees would be paid during "working" hours, but would not be paid any allowances for training out of working hours, eg if on a part-time CP job;
- (iii) some extra training costs would still be met partly out of CP (sponsors are already allowed to use part of their wages grant and all their overheads grant for training), but they would be substantially supplemented from the TD adult training budget; perhaps 50,000 out of the 130,000 CP places might involve significant amounts of training.

Nonetheless, CP would remain primarily a work scheme rather than a training scheme.

5.35 The move to more training could be presented as a positive step to enhance CP and as an offset to the tightening of other conditions of the Scheme. It should be comprehensible to and popular with sponsors and the client group, as more and better training on CP has been widely supported in responses on the Adult Training strategy consultative document. There should be no major administrative problems.

5.36 The cost per place would be higher than CP, because of training, which might amount to £725 per annum per place over and above the cost of CP, on the assumption that participants receive 13 weeks training if unskilled, and 3 weeks if skilled. If participants receive the average CP wage of £60, the comparative costs are as follows:-

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Unit costsCosts per place per year

	<u>CP</u>	<u>CP & training</u>
GAE	£4472	£5197
NAE	2877	3602
NEC	1519	2244

5.37 This proposal will need to be looked at in the context of decisions on the Adult Training Strategy and the balance of training programmes provided by MSC Training Division.

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OPTION 4: A NEW TRAINING AND WORK EXPERIENCE SCHEME FOR 18-24 YEAR OLDS

5.38 Why are we considering this at all? This scheme also would meet some of the criticisms levelled against the small amount of training possible under CP and would concentrate resources on an age group particularly likely to lack training. Main features would be:-

- (i) the programme would be run separately alongside CP. The total number of places in CP and the training programme could be kept at 130,000 or increased, but the places on the training programme would come out of the total places allocated for CP;
- (ii) 18-24 year olds would be eligible for the training scheme or ordinary CP. In due course those who had already had access to YTS might be excluded from the training scheme either by the raising of the lower age limit or on the basis of individual circumstances;
- (iii) participants would be offered work of benefit to the community for half the week (probably 20 hours);
- (iv) they would be encouraged to take part in training or relevant further education for some or preferably all the rest of the week;
- (v) they would be paid an allowance at the same rate as TOPS (currently £41.55 for single people and £62.70 for married);
- (vi) training would span a wide range of skill levels, kinds of job and occupational sectors and could be provided directly by sponsors, and by colleges of education, skillcentres and spare private sector capacity.

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5.39 The Programme could be run like VPP under MSC powers. No new legislation would be needed.

5.40 The attractions of such a scheme are that:-

- (i) it would meet a widespread concern among sponsors to increase training under CP and, because of the shift towards YTS-type arrangements, would be likely to attract a wider range of responses, including more private sector employers;
- (ii) many young people in the age group lack training and could benefit from it if relevant to future employment;
- (iii) it offers a justification for paying an allowance rather than a wage, thus breaking away from the rate for the job concept for an important section of the labour market.

5.41 There are, however, a number of problems and disadvantages:-

- (i) the legal position over funding would have to be resolved. Would it be a DE funded employment scheme like CP, a training scheme funded from the MSC's grant in-aid, like YTS, or a combination of the two?
- (ii) A new programme, somewhere between CP and TOPS, would create a major new discontinuity, would add complexity to MSC programmes and would confuse some sponsors and clientele.
- (iii) Very many unemployed young adults probably feel that a "real job", even on CP, better meets their needs than a training scheme.
- (iv) Payment of allowances for the work part of the scheme would deter sponsors because of likely industrial relations difficulties.

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- (v) The scheme might further skew MSC resources towards the young at the expense of the older long-term unemployed.
- (vi) The problem of "training for what?" would arise in an acute form. The scheme would arouse expectations of improved employment prospects which probably could not be fulfilled. A temporary employment programme does not carry this expectation to the same degree.

Unit costs

5.42 Assumptions used:

6 months' training, 6 months' work experience. Training costed as for TOPS courses.

Training allowances: £44 per head per week (most trainees assumed to be single.)

Comparative Cost per place per year

	CP	Training & work experience 18-24 year olds
GAE	£4472	£4979
NAE	2877	3930
NEC	1519	3682.

5.43 On GAE this option is cheaper than building more training into CP, as discussed in option 3, but is more expensive in terms of NAE and NEC. This is because of greater flow-backs from tax and NI contributions when wages rather than training allowances are paid.

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5.44 Any decision about this option would have to be considered in the light of the Adult Training Strategy and the balance of the MSC training programmes.

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SECTION 6 PROVISION FOR 17 YEAR OLDS UNEMPLOYED AFTER YTSThe possible Scale of the Problem

6.1 The report on the long term development of YTS suggests that YTS should in the period under review develop so that it will comprehensively cover all under 18s leaving full time education. But only one year's training will be provided.

6.2 In the next few years, however, it is not expected that all YTS trainees will find jobs and many will remain unemployed after YTS. If experience with the Youth Opportunities Programme is any guide, perhaps 200,000 of those who come off YTS each year may not find jobs; 125,000 of them will be under 18. In addition there could be a further 15,000 other unemployed 17 year olds who have, for example, been in non-YTS jobs for a year and then become unemployed. Thus the total number of unemployed 17 year olds for whom some provision might be made could approach 140,000.

The case for and against providing for this group

6.3 In favour of making some provision for the unemployed 17 year olds, it can be argued that for them to be unemployed for any length of time is a waste of the investment in those who have been through YTS; those concerned would be particularly disillusioned because their expectations have been raised by YTS; and the credibility of YTS itself could be undermined if substantial numbers remained unemployed thereafter.

6.4 However, there are strong arguments against further specific help to YTS trainees. They will already have had the benefit of a years' YTS training, and further provision especially to take them up to their 18th birthday could be seen as mere time-serving. The scale of YTS would make it impracticable to accommodate all ex-trainees who were unemployed, except possibly at an

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exorbitant cost. Special employment measures are expensive, even in net terms, and it would not be possible to help everybody. Moreover, there will be many unemployed people who will receive no help from special measures at all and it might appear to be invidious to offer a second tranche of assistance to those under 18.

Existing Provision and Ways of Adapting Current Schemes

6.5 There is some scope for dealing with this group of young people through existing schemes. The review of the Youth Training Scheme suggests a number, including extending YTS itself. Other options would involve the Young Workers Scheme, Community Industry and the Job Splitting Scheme (section 5 of the YTS report). It is unlikely, however, that any of these last options would make more than a relatively small impact on the number of unemployed 17 year olds. So we examine below two additional possibilities - either to modify the rules of CP to cover 17 year olds or to construct a special community service scheme expressly for them.

Possible changes in CP(a) Change the age limit

6.6. To lower the age limit of CP to below 18 would be easy to administer and would provide jobs for this client group, although temporary in nature. The present qualifying period would remain so the real cost would be relatively low, since in effect additional places would only be provided for the 6 months or shorter period between leaving YTS and current eligibility for CP. (Those aged 17½ or more would of course still wait until they were 18).

(b) Reduce the qualifying period

6.7 It would be possible to reduce the qualifying period for this age group, so that they do not have to wait 6 months - possibly to 2 or 3 months to allow some time for job search or even to 6 weeks. Alternatively, the possibility

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of allowing unemployment before YTS to count towards the qualifying period would assist. The justification for this would be stronger if CP was restricted to benefit recipients only; the new rule would then assist young people who had been genuinely seeking work and who were late getting a YTS place.

6.8 Adoption of either of the suggestions at (a) or (b) above would mean that 17 year olds would have to take their chance in applying for jobs in competition with older workers. Many might be unsuccessful and remain unemployed and demoralised. On the other hand, sponsors might recruit 17 year olds to ease their problems with the average wage; 17 year olds rates are mostly below the adult rate and in addition they might be prepared to work part-time to a greater extent than adults. It would theoretically be possible to count time on YTS as unemployment and so give priority to ex-YTS trainees, but this would be a major and complex change in the programme, importing a strong preference to such people. However, unless CP were expanded the introduction of ex-YTS graduates under any of the variants suggested above would be at the expense of other people, further biasing special employment measures towards the young.

6.9 In short, while existing measures make some provision for 17 year old ex-YTS trainees and could be adapted to make rather more, the overall effect would be unlikely to make a major impact on the size of the problem. The following section therefore examines a possible new scheme.

A new scheme of community service

6.10 A further alternative would be to introduce a new scheme of community service. Instead of a CP wage, a £25 allowance would be paid and it would provide specifically for the 17 year old client group.

6.11 The problem would be to distinguish the scheme from YTS and the Community Programme and to find sponsors prepared to run it. One possibility would be to encourage sponsors who currently run YTS community projects to

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take up the new programme, particularly as the initial aim under YTS is to reduce or eliminate programmes of this type which will provide 100,000 YTS places in 1984/5. Insofar as sponsors who had run YTS schemes based on a £25 allowance could be persuaded to transfer to the slightly older age group, some of the difficulties which are likely to be found in trying to organise programmes based other than on wage rates for adults would undoubtedly be avoided. It is unlikely, however, that the run-down of community service projects under YTS in 1984/5 would provide more than 30,000 places at most and so it would fall well short of the estimated number of unemployed.

6.12 Additional sponsors would be needed who would be difficult to find if any guarantee of places were to be given. To achieve the desired register effect, the scheme would have to operate in the traditional areas of "additional" work which would make the established range of sponsors the most likely organisers. They have shown themselves to be highly resistant to suggestions that they should organise work, as opposed to training, at anything other than the rate for the job. Thus they are unlikely to welcome a suggestion that any new scheme should be offered. There would also be very great difficulties in producing arrangements which offered good quality work and, if this cannot be done, the scheme would be rapidly discredited and some of the criticism would be directed at YTS in the same way as if no work at all was provided. In any case if it is to be a separate programme new administrative arrangements would be needed.

6.13 There are two further problems with any such scheme. The first is definition of the eligible group. There are grounds for confining a community service scheme to those under 18 (at least at the date when they enter it). It makes acceptance of the concept of an allowance more likely both in principle and in practice (the gap between an allowance and 18 year old (ie, adult) wages is considerably more than the gap between the allowance and 17 year old wages). It could be argued that the Government's strongest commitment is to the under 18s. On the other hand, the 18th birthday is arbitrary in relation to school-leaving and entry and exit from YTS. Those who entered YTS quickly after leaving school would be better helped than those

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who had to wait, so those who were lucky in their first year would be advantaged in their second. This points to any scheme being open to all those leaving YTS, but this would have considerable implications for the costs.

6.14 The second problem is the cost. Even if the £25 allowance were adopted the cost would amount to some £175m. This would have to be found at the expense of helping some other group, presumably the long term unemployed.

Costs

6.15 It has not been possible to assess the age range in a way which allows the cost of the scheme to make provision from the end of YTS to the 18th birthday to be assessed. Costs are therefore based on schemes offering 6 month opportunities and are probably slightly higher than schemes making provision to the 18th birthday. As already noted, the "client group" of all unemployed 17 year olds, including unemployed YTS "graduates" and all those who have had a job but become unemployed, is estimated to number 140,000. The table gives very rough estimates of costs of a full programme year in each case, on the assumption that the places provided would be in addition to planned CP provision:-

OPTION	£ms:	GAE	NAE	NEC
(i) Open CP to 17 year olds with 6 months qualifying period, no priority to 17 year olds		64	47	27
(ii) Open CP with 6 weeks** qualifying period, no priority to 17 year olds		128	94	55
(iii) Open CP with 6 months qualifying period, priority to 17 year olds		128	94	55

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(iv) Open CP with 6 weeks qualifying period, priority to 17 year olds	256	188	109
(v) New Community Service scheme, as CP but £25 pw allowance for total client group	175	107	84

* Notes on options: for (i) and (ii) it has been assumed that half the client group will get CP jobs if no priority is given to them. For options (i) and (iii) it has been assumed that retention of the 6 month qualifying period would exclude half of all unemployed 17 year olds. For all options if the necessary resources are taken from CP, there would be an additional cost in benefits paid to adults displaced from CP. For 17 year olds an average wage of £45, rather than £60, has been posited.

** Taken as an example, but the 6 week period could be extended so reducing costs.

Conclusions

6.16 To reduce the CP age limit to 17, but not to change the eligibility rules would put ex-YTS trainees on an equal footing with other members of the labour force. Ministers could show that something was being done and there was no discrimination against this group. However this would not guarantee a chance of employment of anything like the whole of the client population.

6.17 To reduce the qualifying period for CP would seem to give 17 year olds priority and be requiring sponsors to make complex changes to accommodate them, diverting resources from the adult long term unemployed.

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6.18 A community service scheme is at first sight attractive, but even if some sponsors could be found from YTS, it would have to be recognised that we would be introducing a distinct new scheme for a very narrow section of the labour market. It is unlikely that sponsors could be found in sufficient numbers to provide places for the large potential client group and indeed it would not be possible to find sufficient sponsors to provide places for all unemployed 17 year olds in 1984/5. It might be possible to make a modest start if Ministers wish and the scheme might build up in 1985/6, but it would be impossible to guarantee everyone a place at the beginning. Such a scheme could be heavily criticised as being neither training nor employment. The "temporary palliative" argument could be hard to rebut.

6.19 The cost of such a scheme would be high. If no new money is available the cost must be met from existing provision. Therefore any new scheme must be funded at the expense of something else. An obvious option is to meet the cost from the CP budget. This would have the effect of skewing MSC expenditure even more heavily in favour of young people at the expense of adults, the long term unemployed, and the "lost generation" of those over 17 who missed employment and YTS.

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SECTION 7 COMMUNITY BENEFIT AND PRIORITIES FOR PROJECTS

7.1 Section 5 of the Employment and Training Act simply empowers the Secretary of State to provide temporary employment for unemployed people and gives no guidance on the setting of priorities as between forms of such employment. CP was seen by Ministers as a way of bringing together unemployed people and work of community benefit, and little attempt was made to amplify this initially. Further guidance has been given from time to time on Ministers' priorities, particularly as problems arose with individual projects, often with those which had first started under CEP or even earlier. There is a need, however, to consider whether the priorities are appropriate and clear.

7.2 Basically CP must remain a programme which provides temporary employment for the long term unemployed, and one test must be that it provides a constructive alternative to unemployment (and the use of public money which would otherwise be paid out in benefits to the unemployed). Thus the provision of work for a year is itself an aim of CP, although the work has to satisfy various criteria. Moreover, the provision of work can have a longer term advantage to the individual concerned. There is no evidence yet of the effect of CP, but 90% of participants in a survey of CEP said that (apart from financial considerations) a place on the Programme helped them. Repeated references were made to counteracting depression and to the demoralising effect of long term unemployment. Participants also welcomed opportunities to gain work experience, to work in different environments, and to make a contribution to the community.

7.3 The longer term benefits to the individual were recognised in the Secretary of State's recent guidance to the MSC (letter of 1 November 1982) when he said that a spell on CP "ought to make a significant contribution towards increasing the long-term employment prospects of those concerned and/or to result in the creation of something of practical value to the

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community". It seems appropriate to emphasise that in the case of CP both these aims should be fulfilled in each project. It is therefore suggested that there should be an explicit statement that all CP projects must:

(i) Improve the long-term employment prospects of participants;

and

(ii) create something of practical value to the community.

7.4 On the first of these two aims the Secretary of State has also said that "any community project should provide, so far as possible, a working environment with the usual disciplines of the workplace, including the pace of work which would be found in industry or commerce".

7.5 On the second of these two aims, the Secretary of State has said that the project "could be an environmental improvement (say, something visible like a canal that has been restored) or the provision of an amenity (say, some improvement in the facilities of a nature reserve) or the provision of a practical service - like helping old people or the handicapped in their day-to-day lives; but in any case it ought to be some tangible asset to the community".

7.6 Guidance on the second of these aims has been set out in the handbook to sponsors. It states that all Community Programme projects should be of demonstrable benefit to the wider community in which the work is undertaken. It makes clear that the provision of employment for otherwise unemployed people, although it undoubtedly gives rise to economic benefit, is not of itself of sufficient benefit to the community to justify support under the programme. The community benefit must be clearly derived from the activities supported under the scheme, for example, environmental improvement schemes; the provision of social and personal services for disadvantaged members of the community who are not employed on the scheme; the workshop manufacture of a project which provides a particular benefit to some part of the community which would not otherwise be available to them. It is emphasised that these items are just examples and are not meant to be read as a comprehensive

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definition of community benefit, and that it is for the MSC's local advisory bodies to determine whether benefits will accrue to the local community from any particular project.

7.7 This approach is very broad brush. Projects can obviously meet widely differing objectives within the spectrum of community benefit. It would be hard to argue that one type of project is inevitably superior, especially as like is not necessarily being compared with like. Thus, environmental projects provide long-term benefits, but may need other funds initially for materials, and later for maintenance; social service projects provide immediate benefits, but may have little long term effect and can encourage the establishment of services which are not viable without CP money. Moreover it would be difficult to try to produce an exhaustive list of types of projects which are admissible. It would cut across innovation, and might make it more difficult to rule out projects which have one undesirable feature, but clearly are on the approved list. Again, whatever the precise status of the area board, some onus has been laid on it to consider the question of community benefit and it would seem right to continue to give this a local focus. It would seem therefore that the best approach would be to give more emphasis to features which rule out projects even if broad criteria are met and we suggest below what might be done on these lines.

7.8 Political activities. First, difficulties in a number of types of projects have arisen because activities have become political or were thought capable of becoming so. The MSC instructions on political activity are being revised, but the general approach has been agreed by Ministers on the following lines:-

- (i) Sponsors must identify in advance the activities for which they seek funding.
- (ii) Sponsors must be warned that funding may be withdrawn immediately if they go beyond these activities and undertake political activities.

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- (iii) MSC officials must monitor the activities of sponsors in order to be able to identify any political activity.

7.9 Strict application of these rules should make it more difficult for projects undertaking a number of activities to get off the ground, or to gain renewal. In cases where political activity emerges during the currency of a project it would make it easier to close these down.

7.10 Improving employment prospects. Secondly, it may be possible to eliminate some undesirable projects by supplementing the criteria in paragraph 7.3. In particular it would seem to be appropriate to emphasise that community benefit should not take precedence over improvements in long-term employment prospects. Projects must satisfy both criteria. Community art schemes are unacceptable where the work provided, although possibly of community benefit, is unrelated to the requirements of the industrial or commercial world.

7.11 Immediate and specific benefit. Thirdly, it would also seem appropriate to insist that projects should provide immediate and specific, rather than potential, community benefit, with some practical value readily identifiable as a result of the project. Under this approach some 'research' projects may not qualify and the MSC is already drawing up guidelines applying this general principle to particular kinds of project.

7.12 However, even with these supplementary criteria it is difficult to see how some projects which are regarded as undesirable eg, trade union centres for the unemployed and projects providing general education, can be excluded solely through such amplification of the eligibility criteria.

7.13 However, the MSC are approaching the 130,000 filled place target for CP and will soon be in a position to be more selective in the choice of projects with the emphasis on quality rather than quantity. Priority should be given to those projects which will be most successful in meeting the two objectives in para 7.3, and which provide the greatest benefits to local communities

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within the guidance given in paras 7.4-7.6. The interpretation of criteria is necessarily subjective, and unless very detailed guidance is given to area manpower boards some types of projects which Ministers might regard as undesirable might still be approved, and it will be difficult to avoid all controversy. It is also possible, that unless further guidance is given on priorities, area manpower boards may draw the conclusion that the pattern of projects in existence when the target of 130,000 places is reached is broadly acceptable and should be retained, with projects which come to an end being replaced by new projects of broadly the similar kind.

7.14 To sum up, Ministers need to decide how far they wish to give specific guidance on the nature of the projects to be supported under the Community Programme. Such guidance could be given at two levels:-

- (a) The broad criteria set out in paras 7.3 to 7.5 about improving prospects of participants and achieving community value; these criteria could be supplemented as suggested in paras 7.10 and 7.11; or
- (b) Specific intervention to limit or exclude certain activities regarded as undesirable (eg, centres for the unemployed, general education etc).

7.15 So far, Ministers have followed approach (a), although the temporary moratoria in respect of new centres for the unemployed and new research projects have followed approach (b). Approach (b) is likely to require Ministers to be personally identified as responsible for the policy and to be controversial both because of debate about the merits of the decision (eg, whether helping the unemployed through centres is of less merit than helping old people or the disabled) and about the removal of discretion from the MSC and its area manpower boards. Fuller guidance on the interpretation of the criteria (ie approach (a)) and the application of priorities should make it more likely that only projects which meet Ministers' aims would be approved. However, approach (b) seems to be the only absolutely certain way of fully achieving them.

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CONCLUSIONS

8.1 It is clear that long term unemployment will continue to be a major problem: the total is expected still to be over one million in 1987, and the Government has declared that it will continue to operate the Community Programme to help the long term unemployed.

8.2 The Community Programme has been successfully launched and accepted by all interests on the Manpower Services Commission and the vast majority of sponsors, despite initial controversy, and because it is primarily a scheme of part-time work substantially different from its predecessors. It is still a new programme and sponsors are looking for a period of stability.

Possible alternative schemes

8.3 Two possible alternative schemes with basically different approaches are discussed:-

- a) Benefit plus or a fixed allowance scheme (Section 5 (Option 1) (5.2 - 15).
- b) Working for benefit (Option 2) (5.16 - 22).

In each case the report sets out the likely reactions. The detailed considerations necessarily vary, but the gains from changes on the lines of these two options are uncertain and there is a considerable risk to the viability of a programme for the long term unemployed, because sponsors would be reluctant to operate the revised arrangements on the scale necessary.

Possible changes in CP

8.4 Option 3 therefore sets out a number of possible changes in CP designed to bring the effect of the programme closer to a benefit plus scheme:

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- a) More targetting so that the low paid jobs go to those on low rates of benefit. To make status decisive in job selection might be hard for sponsors to accept, but to ask for sympathetic consideration to the claims of particular groups would be feasible. The extent to which targetting is at present achieved will not be fully known until the survey results are available, and a decision should be taken then. (5 24-26).
- b) Disqualification for benefit for refusal of a CP job - reversion to the position under CEP (5.27-28).
- c) Restrict CP to benefit recipients only would increase cost effectiveness, but might be open to criticism on sex discrimination grounds (5.29-32).
- d) Introduce training systematically, to, say, 50,000 CP places, the cost to be met from TD's adult training budget (5.33-37).

8.5 Option 4 is a separate allowance based training and work experience scheme for 18 - 24 year olds to run alongside CP. It would be cheaper than building training into CP in gross terms because of the allowance, but dearer in net terms (5.38-44).

Post YTS unemployed

8.6 The question of provision for those unemployed on leaving YTS is also dealt with in the report on the development of YTS. This report concentrates on a possible change to the Community Programme and the possibility of a new scheme.

8.7 Community Programme A reduction in the age limit to 17 is possible, but other changes in the rules to benefit 17 year olds (reduction in qualifying period) would give them priority and would require sponsors to make complex changes to accommodate them, diverting resources from the adult long term unemployed (6.6-6.9).

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8.8 A Community Service Scheme A scheme with a £25 allowance for 17 year olds could cost £175m. It would be difficult however, even if existing YTS community service schemes were converted, to find sufficient sponsors. A guarantee of a place would seem to be ruled out. There are presentational difficulties with what for the individual would be a short term engagement, neither job nor training (6.10-15).

Community Benefit

8.9 Existing guidance is on the right lines, but could be usefully supplemented, as MSC will need to be more selective in approving projects, on the basis of broad criteria. But Ministers may need to consider if they wish to achieve fully their aims whether a more detailed approach is required, despite some attendant difficulties (Section 7).

Timing Considerations

8.10 We recommend that Ministers should make an announcement in October that the Community Programme will be continued beyond October 1984 for at least another two years.

8.11 This announcement might also cover Ministers' decisions on the level of the average wage, which should remain at £60 for the time being.

8.12 The announcement should also indicate that Ministers will be considering further the details of the Programme on the basis of experience with it so far, as revealed by the forthcoming MSC survey. CP will continue in its present form until October 1984 as the Government have already undertaken and any modifications required by experience so far will not take effect before October 1984.

8.13 This would not inhibit the introduction before then of any modifications designed to help 17 year olds, and indeed other changes could be introduced at an earlier date, eg, to apply from the beginning of the 1984/5 financial year if it was felt that they were consistent with the Government's undertaking.

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WORKING FOR BENEFIT

1. This scheme would be in effect compulsory for the group defined below since benefit would be reduced or cancelled for those who failed to do the assigned work.

ELIGIBILITY

2. Unemployed SB claimants aged 18-24 who have been unemployed for over 2 years. There were 100,000 in this group and the vast majority, say, 85% of this group are single.

PROCEDURE

3. The detailed procedure would depend in part on whether MSC or DE were responsible for placing. The staff running the scheme could be attached to Regional Benefit Manager's staff at DE regional office; or conceivably in the Employment Services Division of MSC who are responsible for CP, or within DHSS - particularly if the target were to be the workshy.

4. UBO staff would identify those eligible and, on the second anniversary of their registering as unemployed, these claimants would be referred to the special scheme section for assessment and allocation to a suitable job. A card would be issued to the claimant to give to his supervisor who would endorse it, detailing the number of hours completed in the fortnight and post it back to the section whose staff would check and refer for non compliance action as necessary. The card would be returned to the claimant when he attended the UBO to prove unemployment - at the signing stage, if no new task allocation were needed or available.

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5. Individuals would remain on the scheme, as long as they were unemployed or within the age group. [Though it could also be organized to provide work for a fixed period - eg 12 months].

6. Procedures for authorising absence for sickness and for reinstating cancelled benefit would need to be established.

Amount of Work

7. Using the basic 'rate for the job' and varying the hours worked to match the benefit entitlement of each individual would be administratively complex. It would be more straightforward to set the same amount of work for everyone, for example two days per week. The disadvantage is that this reduces the contrast with CP, and takes away the direct link of working for the amount of benefit received, but the disparity would be less for the 18-24 age group.

Work Expenses

8. Payment of a standard flat rate for expenses, in addition to benefit (as in most US examples) would be cheaper to administer than paying actual costs. The amount paid would need to cover transport expenses, any special clothing requirements, meals at work. (The allowance might be £1.50 - £3 a day - the latter figure apparently being that envisaged under the last Chancellor's benefit-plus scheme). The allowance could be paid automatically through the benefit giro system.

Sponsors

9. As far as possible sponsors would be the same as under CP - local authorities and voluntary organisations. Similarly, the work would need to satisfy the CP criteria of value to the community, and avoid displacement of normal employment. Realistically many present sponsors would not participate and it would be necessary to supplement this with work in parts of the public sector more directly under Government control - eg the NHS.

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Operating Costs

10. Sponsors would be paid a contribution towards materials and equipment expenses. This might be of the same rate as CP-£440 per year, but on a pro rata basis (ie £176 for 2 days work).

Supervisors

11. US reports suggest unexpectedly high supervision costs were sometimes incurred. Supervisors could be on a similar basis to CP, ie, full time wages costs up to agreed limits, but the ratio may need adjustment to take account of part time working. The cheapest arrangement would be to graft work done on the scheme onto existing work and supervisory arrangements, but this may only infrequently be possible in UK circumstances.

Deterrent

12. The scheme may act as a deterrent to those about to enter the target group and encourage them to sign off. This would include those individuals already working and those not willing to work. Some such effect could be assumed, but it may be small. The main effect of deterrence on the scheme may be simply to increase the turnover of the unemployed on the register and on sponsors' schemes. Some US schemes found a deterrent effect (for receipt of food stamps) but even with control groups this proved difficult to measure. The scheme may induce people to accept low paid jobs because they would have to work for benefit anyway.

Tax

13. Since the money paid is benefit, it should continue to be taxed on the same basis as benefit.

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Exemptions

14. It will be inappropriate for the scheme to be imposed on all the target group. For example some jobs would clearly be unsuitable for some disabled people. One possibility would be to exempt the registered disabled from compulsion. At the borderline there will be a significant number of problem cases, giving rise to controversy and appeals.

Appeals

15. There would need to be a right of appeal. US experience reports very extensive use of appeals. An appeals procedure would be required for appeals against

- inclusion in the target group
- allocation of work
- non payment for absenteeism
- non payment in case of changed circumstances, sickness etc.

The existing appeals machinery for benefit could be used, either to the Insurance Officer or Supplementary Benefits Officer. Appeals would need to be handled quickly. A slow appeals procedure might be used to circumvent the scheme (eg., under union orchestrated protest action).

Legislation

16. Primary legislation would be required. It is very doubtful whether an opportunity of this kind would satisfy current tests of suitability.

EC Aspects

17. The EC would need to be notified if any form of subsidy was paid to the private sector, for example, payments for supervisors.

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Costs

18. Administrative and related costs would be higher than with CP because of the high volume of appeals and difficulties with policing and assigning suitable work. Participants would continue to sign as unemployed so there would be no savings in the Unemployment Benefit Service. Administrative costs would include finding and approving sponsors, identifying the target group members, allocating work, processing the cards, paying the expenses allowance, policing and enforcement, appeals procedures. Details of items of cost are attached.

Staff

19. The scheme would be more staff intensive than CP for the reasons given above. This might suggest that at least 800 additional staff might be needed.

Register Effect

20. Participants would continue to sign and receive benefit. They would also be available for ordinary work. To exclude them from the unemployment count would cut across the accepted criteria for inclusion. Nevertheless some register effect can be expected. Some supervisors will be recruited from among the unemployed. The scheme would deter some from claiming benefit, and they may not enter employment. This would reduce the unemployed count and DHSS believe this could amount to 5 to 10% of the eligible population.

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Administration costs

Administration costs per place on the Community Programme are estimated to be £80 per place. It is thought that the administration costs of workfare will be significantly higher, and provisionally an allowance of £160 per place is assumed.

FlowbacksSupervisor flowbacks

Supervisor flowbacks arise from exchequer savings on benefit payments to supervisors who would otherwise have been unemployed, and exchequer revenue from the taxation of supervisors earnings and national insurance contributions. Supervisors flowbacks average £280 per year per place.

Disincentive effect

It is thought that workfare will result in at least 5% of the eligible group ceasing to register as unemployed and not going into employment. There will be exchequer gains from benefit savings, amount to £65 per year per place.

Gross and net costs per place

With these assumptions the gross cost of a place on workfare will be about £1,150 and the net cost about £800 per annum.

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Workfare : Revised CostsItems of CostTravel costs and expenses

Travel and other costs are assumed to be £1.50 per day. For a 2 day week and 48 weeks per year, the cost per place will be £144 per annum.

Materials and equipment grant

Under the community programme sponsors can receive a materials and equipment grant of £440 per place. For two days work per week the equivalent grant for workfare will be £176 per year.

Supervision

The Community Programme is designed to allow one supervisor for every 10 places. The same ratio is assumed for workfare because it is thought that part time jobs will require the same amount of supervision time as full time jobs. With the Community Programme assumption about supervision time, each place will incur supervision costs of £617 per year.

Managing Agents

A grant of £100 per year per place for a managing agent is included in the cost of CP. It is further assumed that 59% of Community Programme places will require a grant, so that the average grant per place is £59 per annum. These assumptions are also adopted for workfare.

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Table 1 Gross and net cost per place

	f cost per year
Travel and other expenses	144
Materials and equipment grant	176
Supervision cost	617
Managing agents	59
Administration cost	<u>160</u>
Total Gross Cost	<u>1156</u>
Exchequer flowbacks	
- supervisor flowbacks	280
- disincentive flowbacks	<u>64</u>
Total flowbacks	<u>345</u>
Net Cost	811

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