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CCND
BIF with Treasury response

AT 23/10

PRIME MINISTER

EMPLOYMENT AND TRAINING MEASURES 1985-86

1 I was invited to bring forward further proposals on these measures in the light of our July discussions and my PES Bilateral with the Chief Secretary (E(A)(84) 20th meeting). As we have reached agreement I thought I would write to you and E(A) colleagues about the outcome.

2 You will recall that the background to the proposals in my July paper E(A)(84)41 was of a rising level of unemployment in sharp contrast to the other signs of economic improvement. At present there will be a decline of 40,000 unemployed off the count in the impact of the employment and training measures in 1985-86. The proposals that I made would not only have averted this decline but would have increased the impact by helping more of the long term unemployed.

3 The unemployment situation continues to deteriorate but nonetheless I have amended certain of my proposals to take account of our previous discussions and the need to contain public expenditure. My revised proposals for 1985-86 are as follows:-

- a. to fix the weekly rate of approvals under the Enterprise Allowance Scheme at 1,250 instead of the figure of 1,600 that I estimated to be the effect of my July proposals. In deference to colleagues' views I propose now to limit approvals to this lower level;

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- b. to make one minor change to the eligibility rules to the Youth Training Scheme so as to enable entry by about 1,000 18 year olds who for various valid reasons have not had the chance to take up places at 16 or 17;
- c. to continue the Young Workers' Scheme in its present form in 1985-86. I am continuing my examination of its possible replacement in due course by a "Passport for Job" Scheme, but it is clear from the work so far that such a scheme could not be ready in time for a start in April 1985;
- d. to continue the Voluntary Projects Programme at broadly its present level as agreed at E(A) in July;
- e. to continue, with some improvements in the rules, the Job Splitting Scheme and the Part-Time Job Release Scheme.

The costs can be met from within my reduced baseline provision for employment and training measures as agreed in my bilateral with the Chief Secretary. (The detailed figures are set out in the attached Table 1).

4 In March 1984 our measures reduced the unemployment count by 450,000. These proposals will cause a small reduction to that figure but will still achieve an impact of 440,000 by March 1986 (Table 2 gives the details). It will therefore be seen that the new baseline provision will not have any greater



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effect on unemployment than at present. I have to say I believe that we shall need to look again over the coming months at ways of increasing the effect of the measures including expansion of the Community Programme for the benefit of the long term unemployed as I suggested in July, but I do not press it at this stage.

5 I propose, as suggested in July, to alter the public presentation of these measures in future so that they are no longer regarded as "special" but fit into the context of all the employment and training measures that we operate. I intend particularly to emphasise their positive contribution to promoting employment (rather than reducing unemployment), both directly and through improving the operation of the labour market. I am glad to say that all of the measures now have a continuing PES line subject to normal annual review. By getting away from the stop gap impression given by year to year financing, we will not only encourage take-up, but also enable more efficient management and evaluation of the schemes

6 In July colleagues asked me to report back after my PES bilateral. My more limited proposals are within my reduced expenditure baseline provision agreed with the Chief Secretary and this minute therefore fulfils my remit from E(A). I think it would be advantageous to announce our decisions in the course of the Debate on the Address and I would therefore appreciate a response by the end of the month.

7 I am copying this to other members of E(A) and to Sir Robert Armstrong.

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23 October 1984

TABLE 1

CO OF EXISTING MEASURES AND PROPOSALS

1. Baseline provision in the 1983 PES was:

	<u>1985-86</u>	<u>1986-87</u>	£m
YTS	993	1079	
YWS	45	43	
CI	27	28	
EAS	39	-	
JSS	3	-	
CP	588	606	
VPP	4	-	
JRS - Full-time	195	130	
JRS - Part-time	71	73	
Administration	<u>73</u>	<u>72</u>	
	2039	2031	

2. The latest forecasts of expenditure subsequent to the July paper E(A)(84)41 show the following changes on existing policies:

	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	£m (Note 1)
YTS	-180	-279	-302	
YWS	- 14	- 17	- 20	
EAS	+ 22	0	0	
JSS	- 2	0	0	
VPP	+ 8	+ 4	0	
JRS - Full-time	+ 10	(- 60	(- 82	
JRS - Part-time	- 64	((
	<u>-220</u>	<u>-352</u>	<u>-404</u>	

3. The additional costs of the proposed changes as compared with the 'no change' position are:

	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	£m
YTS (Note 2)	(2)	(2)	(2)	
EAS	+ 50	+125	+128	
JSS	+ 3	+ 3	+ 3	
VPP	0	+ 8	+ 12	
JRS - Full-time (Note 3)	- 6	- 6	- 6	
JRS - Part-time	+ 5	+ 10	+ 12	
Admin costs (Note 4)	0	0	0	
	<u>+ 52</u>	<u>+140</u>	<u>+149</u>	

Note 1: 1984 PES Bid compared with uprated 1983 PES provision for 1986

Note 2: The YTS change can be accommodated within estimating margins and should not add to forecast expenditure.

Note 3: The reduction of Full-time JRS represents the effect of not fully uprating taxable allowances in return for the bid for £5m for the Part-time scheme.

Note 4: The net administrative costs should be zero because the additional staff required to administer the proposals will be offset by savings including consequential savings in benefit staff.

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TABLE 2

IMPACT OF EXISTING MEASURES AND PROPOSALS ON UNEMPLOYMENT

	Effect on unemployment count March 1984 (Actual)	Gross cost per person supported in 1984-85 cash prices (Note 1)	Net Exchequer cost per person off unemployment count in 1984-85 cash prices	Estimated effect on unemployment count by March 1986	
	('000)	£	£	Current forecast ('000)	Extra effect of proposals ('000)
<u>Programmes for young people</u>					
Youth Training Scheme	251	1589	1400	230	+ 1
Young Workers Scheme	10	557	2400	7	-
Community Industry (Note 2)	8	2030	1378	8	-
<u>Programmes providing jobs in the labour market</u>					
Enterprise Allowance Scheme	9	1984	650 (Note 3)	-	+ 20
Job Splitting Scheme	1	750	-200	1	+ 5
<u>Programmes providing jobs outside the labour market</u>					
Community Programme Voluntary Projects Programme	96	2838	1876	111	-
					participants not removed from the unemployment count
<u>Programmes providing for early retirement</u>					
Job Release Scheme	88	3246	1630	52	-
Part time Job Release Scheme	0	1588	574 (Note 4)	0	+ 4
TOTAL:	<u>451</u>			<u>409</u>	<u>+ 30</u>

Note 1: The amount spent per person assisted by each scheme excludes administrative costs

Note 2: Figures in 1982-83 cash prices

Note 3: Estimate is based upon the effect over two years. The one year estimate is £2650

Note 4: It is currently estimated that the effect of the proposals to increase the allowance and to pay the Job Splitting Scheme grant might as much as double the net cost.

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