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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

SPECIAL EMPLOYMENT MEASURES IN 1982/83

Memorandum by the Secretary of State for Employment

The Committee on 15 July deferred decisions on a number of my predecessor's proposals (E(81)25th Meeting). I deal in E(81)98 with training for young people and in this paper with other outstanding matters.

2. There has been no improvement in the employment prospects since the Prime Minister's announcement on 27 July. The prospects remain particularly poor for young people and the long-term unemployed.

3. The remedy must come from economic revival and the maintenance of our strategy. But the further action proposed below can help provide jobs or training for the hardest hit among the unemployed. It would further help if, in examining expenditure priorities, we consider whether greater weight can be given to employment-generating projects, as the Committee agreed in July. And the suggestion then made that a training condition should be included in aid and procurement contracts seems worth adopting.

YOUNG PEOPLE

Youth Opportunities Programme (YOP)

4. To improve the training content of YOP, I propose 100,000 12-month places of training and work experience in 1982-83 in line with my proposal in E(81)98 for a comprehensive scheme from September 1983. The cost would be within the additional expenditure already announced.

5. I propose to raise the YOP allowance in November 1981 from £23.50 to £25. This will be the first increase for 2 years, during which the retail price index has risen by 25%; it represents a further reduction in real value. The allowance is increasingly criticised and, while I cannot accept the Manpower Services Commission's (MSC) proposal of £28, and am determined to lower its real value as YOP becomes more valuable to the trainee, some small increase must be made.

Community Industry (CI)

6. I propose expanding this scheme from 7,000 to 9,000 places with increased emphasis on 18 year olds to whom YOP no longer applies. CI net wages, however, should be increased by less than the YOP allowance with a view to eventual parity (for 16 year olds from £25.16 to £26 on average, with pro rata increases for 17 and 18 year olds).

The Long Term Unemployed

7. By 1983 there will be 800,000 unemployed for over a year, so I propose an increase in the Community Enterprise Programme (CEP) to 50,000 places in 1982/83 and 1983/84. In addition, to help employers recruit the long term unemployed to real jobs, I propose to start in 1982/83 in Assisted Areas a new employment subsidy for the long-term unemployed on lines advocated by Professor Layard. £50 a week would be paid for up to 12 months to any employer in manufacturing (outside the public sector) taking on an additional employee from among those unemployed for six months or more. The scheme would run for two years and would reduce the unemployed register by some 6,000 in April 1983 and 10,000 in April 1984. I do not recommend a wage limit as in the Young Workers Scheme. It would greatly reduce the potential of the scheme for male manual workers.

Temporary Short Time Working Compensation Scheme (TSTWCS)

8. Use of this scheme is falling; by April 1983 the register effect will be down to 18,000. I propose that it should close for applications in March 1984, with the level of support reduced from 9 to 6 months from April 1983. Together with the new employment subsidy this represents a move from supporting existing jobs to encouraging recruitment to new jobs.

Job Release Scheme (JRS)

9. The Prime Minister announced new age-limits up to April 1984 for all except the disabled, who can at present enter from age 60. It would be appropriate - in the International Year of the Disabled - to announce that the present arrangements for the disabled will also continue up to April 1984. I also propose that the job release allowance should be uprated from April 1982 by the normal reflation factor of 9% as take up is sensitive to small variations in the allowance.

Expenditure and Staff Costs

10. DE estimate that these proposals would keep a maximum of 130,000 off the register at March 1983 at a gross cost in 1982/83 of £170m. They would raise the total register effect of special measures to a maximum of 590,000 at that date at a total gross cost of £1.62 billion. The net costs are significantly lower than the gross costs. (Details in Annexes 1 and 2).

11. About 250 more staff are likely to be needed for CEP, 110 for the new subsidy and 1,000 for YOP. These increases should be offset by fewer staff to pay benefits.

European Social Fund (ESF)

12. A number of these measures would be eligible for support under the ESF and accord with our current thinking on the review.

Conclusion

13. I await MSC final proposals on YOP and CEP. Subject to that I invite my colleagues to approve these proposals for announcement at an appropriate point in the new Session.

14. Discussions on public expenditure are clearly relevant to all this and the Chief Secretary has stated his position in C(81)51.

Department of Employment
16 October 1981

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EXPENDITURE OF SPECIAL MEASURES

	1982/83		1983/84		1984/85	
	Provision available including July 81 additions	Further Requirement	Provision available including July 81 additions	Further Requirement	Provision available including July 81 additions	Further Requirement
Community Enterprise	146	115(combined)	146	212(combined)	154	-
Layard Subsidy	-		-		-	130(combined)
TSTWCS	123	29	65	-	69	-
Job Release	276	9	456	-30	560	-132
Young Workers Scheme	61	-	102	-	102	-
Long Term Training	47	12	38	13	40	-
Careers Strengthening	11	-	12	-	8	Included in YO
YOP*	782	-	590	-	413	-
Comprehensive Scheme*	-	-	-	600	-	825
Community Industry	24	5	25	7	26	7
	1470	170	1434	802	1372	830

* These figures will also provide for some additional expenditure in connection with the New Training Initiative

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SPECIAL EMPLOYMENT MEASURES IN 1982/83
(including additional bids)

ANNEX 2

<u>Scheme</u>	<u>Net cost per person off the register</u>	<u>Register Effect March 1983</u>
	£	
Community Enterprise Programme	1,600	50,000
Layard Subsidy	5,000 (1,800 in 2nd year)	6,000
Temporary Short Time Working Compensation Scheme	600	18,000
Job Release Scheme	1,800	91,000
Young Workers Scheme	7,000 (3,900 in 2nd year)	12,000
Long Term Training		26,000
Youth Opportunities Programme	1,500	320,000
Community Industry	1,650	9,000
		<hr/> 532,000*

* 587,000 including men aged 60 and over receiving
long term supplementary benefit.

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NOTE The figures for register effects are DE estimates based on a number of uncertain assumptions and take no account of the indirect effects on employment of the measures that would be needed to finance them.