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CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB COMMITTEE ON ECONOMIC AFFAIRS

FUTURE DEVELOPMENT OF COMMUNITY PROGRAMME

Memorandum by Secretary of State for Employment

I was invited to bring forward proposals on the future development of the Community Programme (CP) (E(A)(83)1st Meeting Minutes).

2 CP in 1984/85 will, at a gross cost of £570m, provide 130,000 mainly part-time temporary jobs, outside the market sector, for those unemployed for 12 months, or 6 months if aged 18-24, at a net Exchequer cost per job of £1,500. There are now nearly 1.5m in these categories and we cannot expect the number to fall substantially over the next few years. In the Manifesto we said we would maintain special help for the long term unemployed through CP and I am sure we need a programme of this size. However, our commitment to run the programme in its present form runs only to October 1984, so we could make changes then. I set out below the options, which would not add to the expenditure provision for CP.

3 CP originated with the idea in the 1982 Budget Speech of matching work of benefit to the community which needed to be done with the desire of the long term unemployed to work, by payment to the latter of a small allowance on top of benefit. This proposal proved controversial and potential sponsors generally found it unacceptable. The Manpower Services Commission therefore put forward an alternative scheme based largely on part-time work (£60 a week on average), but incorporating the concept of the rate for the job for the hours worked. The scheme has proved a success - part-time

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work has not given rise to significant problems for sponsors or participants. The 130,000 target should be reached early in 1984 and MSC consider that if they had the resources they could expand the programme rapidly to twice its size.

4 In the context of discussions about provisions for 1983/84 I have agreed with the Chief Secretary that the average wage limit should remain at £60 for the time being - despite the difficulties for the sponsors - but I will be prepared to look at this again when some of the current uncertainties about other costs have been resolved.

OPTIONS FOR DEVELOPMENT

5 I have considered three options, the first two of which would radically change the concept of CP. Option 3 contains possible changes designed to realise better our original aims in setting up CP. These options have emerged from a full review by my officials in consultation with the Treasury and DHSS. Copies of the detailed report have been made available to Departments concerned.

Option 1: Benefit plus scheme

6 The first option is to revise the scheme to make it a benefit plus scheme on the lines originally proposed in 1982 ie, an allowance for working expenses (say £15) plus benefit.

7 This would break the wage link but would run into the same problems as last year. Further fundamental changes in the scheme would be resented by sponsors who wish for continuity. To pay a modest, but taxable, allowance for work expenses on top of benefit raises considerable administrative difficulties and we would need to go for a flat rate allowance rather than the individual benefit base. There are some indications that the actual effect of part time CP is to concentrate those with low benefit entitlements in the low paid jobs, but we cannot assess the extent of this until MSC have the results of the participants survey early next year. A precise comparison of costs is not possible until those results are available, but present broad indications are that if we could mount a successful scheme the gross cost could be about £500m a year, some £70m less than CP, on the basis of standard allowances of £41 for single and £66 for married people. But in view of the attitude of sponsors it is very questionable whether we could do so. I do not therefore consider that the practical gains from changing over to the benefit plus principle are great enough to warrant risking the viability of the programme.

Option 2: Working for benefit

8 The second option is to require the unemployed, or some of them, to do work of value to the community in return for their benefit. The Reagan administration is promoting the introduction of such schemes in the USA where they are known as 'workfare'. Schemes of this kind in the USA normally work on the basis that benefit is worked off at the Federal minimum wage rate ($3.35 an hour) which is usually somewhat lower than the rate for the job. The participants are normally still counted as unemployed.

9 Extra costs over and above benefit involved would probably be similar to those for option 1, but it would be cheaper overall than the existing CP. However, such a scheme, which would represent a major shift in welfare policy, would attract hostility at least as great as the original proposal for CP and there would be major difficulties in finding sponsors to provide suitable work, particularly as a result of its compulsory nature and the absence of normal employment relationship. It would probably be necessary to choose a target group for all or most of whom places could be found (eg, the 100,000 18-24s unemployed for more than 2 years) if its operation were not to appear random and arbitrary. There would inevitably be selection problems at the margin and a lack of provision for other long term unemployed. Main legislation would be needed and could be controversial.

10 The Minister of State (Peter Morrison) recently visited the USA to look specifically at some workfare schemes. He has reported that even in the United States, notwithstanding the generally much tougher attitudes towards welfare recipients, workfare remains a controversial issue, particularly in regard to its cost effectiveness. The current coverage of workfare schemes is limited to those states and counties which choose to introduce it; and many of the schemes in operation are still regarded as experimental. This contrasts sharply with our own uniform national system. Peter Morrison's considered view is that an attempt to transplant the principle of working for benefit into the UK would not be sufficiently advantageous at this stage to warrant the political storm it would undoubtedly generate: it would be difficult to defend a system which would be regarded as involving conscription for work, with all the administrative complexities which that implies. I support Peter Morrison's conclusion that we should not embark on this course at least in present circumstances.

Option 3: Modifying CP

11 The current evaluation of CP may confirm the present indication that CP is in fact operating close to a benefit plus scheme and I have considered a number of possibilities for increasing its effectiveness in this direction without new expenditure.

(a) Targetting. We could direct sponsors to take on people only on the basis that their wage is broadly commensurate with their benefit. Sponsors are, however, likely to regard this as an unreasonable restriction on the management of projects. But in the light of the participants survey (which may show that this is already occurring in fair degree) we could consider asking sponsors to consider sympathetically the claims of those on high rates of benefit, mainly family men, for the higher paid jobs on the programme.

(b) Benefit sanction. Because of the voluntary nature of the programme emphasised in the 1982 Budget speech it was decided the unemployed cannot be disqualified from benefit if they refuse CP jobs. This is primarily a matter for the Social Services Secretary, but I think there is a case for reversing that decision. The rule now applies in YTS which is a voluntary scheme.

(c) Restricting to benefit recipients. At present some 15 per cent of CP participants were not in reciept of benefit before joining the programme. It would be possible to reduce the net cost by excluding such people. The Enterprise Allowance (EAS) and Job Splitting Scheme are already so restricted. One of the main groups excluded would be married women not in receipt of benefit and we could be open to charges of sex discrimination, though I am advised that we should have a good defence. I am inclined to make this change. Like targetting (3(a) above) this option would reduce the net costs of CP, but not the gross expenditure.

(d) Training. Within the present framework of part-time CP it would be possible to offer up to the equivalent of 13 weeks training in a year for 50,000 when they are not working on the programme. Whether this is a sensible use of resources depends on the outcome of the Adult Training Strategy review, as it would be necessary to transfer money from training funds to run this programme although a training element would increase the possibility of money from the European Social Fund. I will return to this option in the light of the review.

(e) Community benefit and priorities. As CP reaches its target it will be possible for MSC to be more selective in its choice of projects. I propose to reinforce the guidance I have already given MSC to ensure that all CP projects both improve the long term employment prospect of participants and create something of practical value to the community of immediate and specific benefit, and that political activities are strictly excluded. The effect should be to exclude those few fringe projects about which our supporters have doubts.

I am considering separately whether any provision is needed next year to assist ex YTS trainees and other unemployed 17 year olds who are unable to find a job. One option would be to open CP to 17 year olds, and I shall be considering this further alongside other possibilities.

COSTS

12 The costs of any of the options set out above would be contained within the agreed planned public expenditure.

CONCLUSIONS

13 I do not consider that Options 1 and 2 in present political circumstances present us with viable alternatives to or worthwhile advantages over the current programme, which has been successfully built up on the basis of part-time work. There have been too frequent changes in this temporary work programme and sponsors need continuity. I therefore favour building on the present operation of the Programme on the lines indicated in Option 3. This approach would I believe get us a long way towards our objectives. However, I should not want to decide which of the possibilities in Option 3 should be pursued until the results of the participants survey are available.

14 If colleagues agree, I propose therefore to announce before the end of November that the programme will continue for a further 2 years from October 1984, with a limit of 130,000 places, but that I will be considering whether any modifications within the framework of the programme should be made, particularly in the light of the information from the participants survey.

Department of Employment TK
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