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EA(83) 7th Meeting COPY NO 71

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON ECONOMIC AFFAIRS

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 3 NOVEMBER 1983 at 11.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon James Prior MP
Secretary of State for
Northern Ireland

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for the
Environment

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Trade
and Industry

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Alick Buchanan-Smith
Minister of State
Department of Energy

The Hon Peter Morrison MP
Minister of State, Department
of Employment

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson
Mr J F Stoker

SUBJECT

FUTURE DEVELOPMENT OF COMMUNITY PROGRAMME

FUTURE DEVELOPMENT OF COMMUNITY PROGRAMME

Previous reference: (E(A)(83) 1st Meeting conclusion 2i)

The Sub-Committee considered a memorandum (E(A)(83) 15) by the Secretary of State for Employment.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he had been invited to bring forward proposals on the future development of the Community Programme (CP). CP in 1984/85 would provide 130,000 mainly part-time temporary jobs, outside the market sector, for those unemployed for 12 months, or 6 months if aged 18 to 24, at a net Exchequer cost per job of £1,500. There were now nearly 1.5 million in these categories and the number could not be expected to fall substantially over the next few years. In its Manifesto the Conservative Party had said that they would maintain special help for the long-term unemployed through CP and he was sure that a programme of the present size was needed. However, the Government's commitment to the programme in its present form ran only to October 1984, so changes could be made then. The scheme had proved a success. The 130,000 target should be reached early in 1984 and MSC considered that if they had the resources they could rapidly double the programme. He had agreed with the Chief Secretary that the average wage limit should remain at £60 for the time being but would be prepared to look at this again when some current uncertainties about other costs had been resolved. He had considered two options which would radically change the concept of CP. A third was to change CP in ways designed to realise better its original aims. The first option was to revise the scheme to make it a "benefit plus" scheme on the lines originally proposed in 1982. This would break the wage link but would run into the same problems as in 1982. Further fundamental changes in the scheme would be resented by sponsors who wished for continuity. There were in any case some indications that the actual effect of part-time CP, as it worked at present, was to concentrate those with low benefit entitlements in the low-paid jobs, but the extent of this could not be assessed until the results of the MSC survey of participants were available early in 1984. He did not consider that practical gains from changing to the "benefit plus" principle were great enough to warrant risking the viability of the programme. The second option was to require unemployed people to do work of value to the Community in return for benefit. The Reagan administration was promoting the introduction of such schemes in the USA where

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they were known as "workfare". However, such a scheme would attract hostility and there would be major difficulties in finding sponsors, particularly as a result of the scheme's compulsory nature and the absence of normal employment relationships. It would probably be necessary to choose a national target group for all or most of whom places could be found. There would 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. The Minister of State in the Department of Employment (Mr Morrison) had recently visited the USA to look specifically at "workfare" schemes. He supported the Minister of State's conclusion that the Government should not embark on this course at least in present circumstances. The current evaluation of CP might confirm the present indications that it was in fact operating close to a benefit plus scheme. He had therefore considered, as a third option, a number of possibilities for increasing its effectiveness in this direction without new expenditure, and these were set out in his memorandum. He would not wish to decide which of the possibilities should be pursued until the results of the participants survey were available. He proposed therefore to announce, if possible before the end of November, that the programme would continue for a further two years from October 1984 with a limit of 130,000 places, but that he would 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.

In discussion the following were the main points made -

a. There might be advantage in focussing the scheme on those unemployed for longer periods by raising the qualification for the scheme from the present level of 12 months' unemployment, or 6 months' for those aged 18 to 24, to unemployment for 2 years and 1 year respectively. On the other hand, there would be considerable political disadvantage in withdrawing provision under the scheme for those unemployed for less than a year.

b. Disqualification from benefit of those who refused CP jobs could be applied immediately following an announcement by the Secretary of State for Employment. It would place refusals to take part in the CP on a consistent basis with the generality of refusals of reasonable offers of

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employment; and particularly with refusals to take part in the Youth Training Scheme. On the other hand, present arrangements had been adopted because of the emphasis laid when CP was announced on its voluntary nature. It would be advisable before taking action to see what problems associated with refusal to take part were shown by the MSC survey of CP participants. There was at present no evidence of any lack of volunteers for CP posts. Any advantages to be gained from making the change would be outweighed by the disadvantages if the co-operation of the voluntary movement with the CP were prejudiced. It would therefore be desirable to take soundings of voluntary organisations on this issue, although their views should not necessarily be decisive.

c. It was arguable that since the CP and other special employment measures were costed in net, rather than gross terms, the same approach should be adopted to the assessment of infrastructure investment projects.

d. A high proportion of CP projects was in the local authority sector. The quality of management of CP projects was also often poor. Matters might be improved if the Community projects concerned could be put out to tender, with a contractual requirement that successful tenderers should take a minimum proportion - say 90 or 95 per cent - of the labour required from the unemployment register. However, such an arrangement would be unduly rigid, and would be likely to lead to difficulties with employers and conflict with the TUC, whose co-operation with the CP was on the basis that normal jobs would not be displaced. It would be undesirable to encourage the extension of the CP in the market sector of the economy.

e. Though many CP projects had created considerable local benefit, further efforts should be made to improve their quality. Consideration should be given to how the CP could be put to greater use in providing alternatives to prison for young offenders and to how the benefits of the scheme could be directed more towards the elderly.

f. The Development Commission had argued that some of the resources devoted to the CP might be better deployed in support of the Commission's efforts to create permanent jobs in rural areas. On the other hand the

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Commission's efforts, while undoubtedly worthwhile, could not be viewed as a feasible substitute for the CP's role in providing jobs quickly for large numbers of the long-term unemployed.

THE PRIME MINISTER, summing up the Sub-Committee's discussion, said that there was agreement that the CP should continue for a further two years from October 1984 with a limit of 130,000 places. The scheme should continue broadly on its present basis: a scheme involving working for benefit should not be embarked on, nor, at least for the period to October 1986, should a "benefit plus" approach be adopted. Eligibility for the extended scheme should be restricted to benefit recipients in the interests both of restricting the net cost and of concentrating available resources on the most needy. Further efforts should be made to reinforce any tendency under the existing scheme for the wages received by participants in CP to be broadly commensurate with the benefits they would otherwise have received; and the Secretary of State for Employment should report further when the results of the survey of participants by the MSC were available, on how this might be achieved by changes in the rules or by further advice to sponsors. The Sub-Committee welcomed the intention of the Secretary of State for Employment to reinforce the guidance he had already given the MSC to ensure that all CP projects both improved the long-term employment prospects of participants and created something of practical value to the Community of immediate and specific benefit. Every effort should be made further to improve both the quality of projects chosen and the quality of their management. Most members of the Sub-Committee took the view that a refusal of an offer of a place under the CP should lead to loss of benefit provided that this change could be made without seriously prejudicing the co-operation of sponsors, and particularly of the voluntary movement. The Secretary of State for Employment should consider further and report to the Sub-Committee on this point and on the possibility that an element of training might be added to the CP. The Secretary of State for the Environment would pursue separately with the Secretary of State for Employment the question of whether Exchequer funds should be made available through the Development Commission for the creation of permanent jobs in rural areas. The Secretary of State for Employment would consider further in consultation with the Chancellor of the Exchequer and other members of the Sub-Committee the terms and timing of the announcement he

proposed to make. Given that the original scheme had been announced in 1982 by the then Chancellor of the Exchequer in his Budget speech, it might, depending on the circumstances, be appropriate for the continuation of the scheme to be announced in the Chancellor's Autumn Statement.

The Sub-Committee -

1. Approved the proposals in E(A)(83) 15, subject to the points made by the Prime Minister in her summing up of the discussion.

2. Invited the Secretary of State for Employment to bring forward proposals to the Sub-Committee in due course on the matters indicated in the Prime Minister's summing-up.

3. Invited the Secretary of State for Employment to consult the Chancellor of the Exchequer and other members of the Sub-Committee on the terms and timing of the announcement of the continuation of the CP beyond October 1984.

Cabinet Office

3 November 1983

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