



Manpower

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P.0811

PRIME MINISTER

Annual Review of Special Employment Measures

E(82)58

BACKGROUND

Special employment measures (schemes designed essentially to support employment, or reduce the numbers on the unemployment register, though also providing useful output as a by-product) have been operated for several years by successive governments. The main special employment measures now in operation are as follows.

- (a) Youth Opportunities Programme: this is to be subsumed in the new Youth Training Scheme from September 1983.
- (b) Community Enterprise Programme: this provides work of social value for young people and the long-term unemployed. At present it is running at about 30,000 places a year.
- (c) Temporary Short-Time Working Compensation Scheme: this subsidises short-time working in firms experiencing a temporary reduction in demand but with reasonable prospects of long-term viability. It was agreed in last year's Public Expenditure Survey that it should be closed in March, 1984.
- (d) Job Release Scheme: this provides an allowance for older workers who retire prematurely if their jobs are filled by people from the unemployment register. You announced changes in the qualifying ages in July 1981: the present lower age limit is 62 for men. Its future after March 1984 is subject to review.
- (e) Young Workers Scheme: you also announced the introduction of this scheme, which came into effect from January 1982. It provides subsidies to employers who employ young people at less than £45 a week.



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2. There is also the fairly small Community Industry programme, which provides employment for a few thousand disadvantaged young people; and the Enterprise Allowance scheme, which helps unemployed people to start up small businesses (this exists so far only as a small number of pilot schemes: it is not intended to expand it until the results of the pilot schemes are available).

3. Finally, the Chancellor of the Exchequer announced in his Budget speech that the Government was willing to make available up to £150 million a year to finance a scheme under which the unemployed would do useful work in return for an allowance equivalent to social security benefit plus a modest premium. We understand that agreement has very recently been reached bilaterally between the Secretary of State for Employment and Treasury Ministers on the details, but these have yet to be announced.

4. The special employment measures have always been regarded as temporary and subject to regular review. Hence the title of the Secretary of State for Employment's memorandum E(82)58. However, the main current measures either have a limited life, or are subject to review by a stated date, or are the results of recent political initiatives and are bound to continue in being for some time. The Secretary of State therefore does not propose major changes; we understand that Treasury Ministers take a similar view.

5. Instead, the Secretary of State proposes the introduction of a new measure: a job-splitting scheme, under which a subsidy would be offered to any employer who split one full-time job into two part-time jobs, provided that the vacancies for part-time workers were filled by recruits from those who were on the unemployment register and drawing benefit. He suggests that the scheme could be introduced from 1 January 1983 and run until 31 March, 1984. The rate of subsidy would be decided in the light of employer's costs and reactions, but would probably lie between £500 and £1,000 (presumably these are annual figures). Because of the effect on social security benefits the scheme would produce a net reduction in public expenditure and manpower. The scheme would be announced towards the end of this month.



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6. You have already held a preliminary discussion of possibilities in the area with the Ministers most directly concerned. Mr Scholar's letters of 2 and 6 July (not copied to all members of the Committee) record your view that the job-splitting subsidy is the only one worth pursuing.

MAIN ISSUES

7. The main issues appear to be as follows:

- (i) Is the proposal adequate, or should other measures be introduced or existing measures expanded?
- (ii) Is the broad outline of the proposed scheme satisfactory?
- (iii) How should it be announced, if it is approved?

Adequacy of Proposal

8. It might be argued that with unemployment standing at over 3 million, and likely to increase for some time, action on a much larger scale is required: the Lords' Committee on Unemployment has suggested additional gross expenditure of £5 billion a year. However, the Secretary of State for Employment strongly discourages any such suggestion; and in the light of the discussion of public expenditure in Cabinet on 15 July it seems unlikely that any other Minister would wish to pursue it. If he did, the appropriate forum would be this year's Public Expenditure Survey; and he would no doubt be expected to find from his own programme any additional financial provision that was required.

The Proposed Scheme

9. The proposed scheme clearly has attraction since, if successful, it would substantially reduce the numbers on the unemployment register and drawing benefit; the size of likely takeup must be a matter for speculation at this stage. The main objection is that it could be regarded as coming too close to the ideas advocated by the TUC and others for job-sharing and reductions in working hours in order to create new jobs. Ministers have



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attacked these ideas as likely to reduce industrial efficiency and inflate unit costs. It may be hard to refute the argument that the present proposal will have a similar effect: if it does not, why should a subsidy, which might be as high as £1,000 a year, be required in order to persuade employers to join the scheme?

10. You may wish to explore this aspect, and whether there is any way of strengthening the Government's defence against potential criticism. Is it, for example, a reason for trying to keep the amount of the subsidy low?

11. On the amount of the subsidy, the Secretary of State for Employment suggests that he should choose a figure between £500 and £1,000 in the light of further information. Unless any of your colleagues shows a strong departmental interest you may feel that it is reasonable to let the Secretary of State have discretion, subject to clearance with the Chief Secretary, Treasury.

Implications for Public Expenditure

12. The Secretary of State for Employment claims that his proposal will produce a saving in public expenditure and manpower. We understand that the Treasury accept this analysis. However, the Chief Secretary is likely to insist that savings, which will accrue to the social security programme, should be identified and surrendered. The Secretary of State for Social Services will need to confirm that he is willing to do this.

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Community Implications

13. The proposed scheme may well be notifiable to the Commission. However, no great difficulties are expected; and it should be necessary to do no more than ask the Secretary of State for Employment to arrange for officials to consider the Community implications of the proposals and to ensure that any announcement reflects the outcome of that consideration.

Announcement

14. If the Committee approves the principle of the proposals, there seems to be no reason why the Secretary of State for Employment should not announce them before the Summer Recess. No doubt an early announcement will be helpful in allowing preparations and consultations to go ahead. However, since the scheme is fairly modest, you may well feel that a low-key announcement would be appropriate.

HANDLING

15. You will wish to ask the Secretary of State for Employment to introduce his memorandum. The Chief Secretary, Treasury will wish to comment from the standpoint of public expenditure, and perhaps the effects on the labour market. The Secretary of State for Social Services (or his representative) will need to deal with the implications for his expenditure programme.

CONCLUSIONS

16. You will wish the Committee to reach conclusions on the following:

- (i) Whether the proposed job-splitting scheme is acceptable.
- (ii) If it is, whether the details, particularly the size of the subsidy, can be left to be settled bilaterally between the Secretary of State for Employment and the Chief Secretary, Treasury.
- (iii) Any consequential effects for other public expenditure programmes.



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- (iv) Consideration of Community implications.
- (v) The timing and nature of any announcement.

PLG

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