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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

SPECIAL EMPLOYMENT MEASURES

Memorandum by the Secretary of State for Employment

We now have over 2 million people out of work. We cannot rule out that the number may approach 3 million (with rates of over 10%) at times during the next two years.

2 Two or three years of unemployment at these levels will have grave implications for the young, the disadvantaged, the long term unemployed and particular areas. Already in April 1980 youth unemployment stood at over 13% compared with 6.2% for all ages, and is much higher in particular places. By late next year we could have half a million people who have been out of work for over a year. Male unemployment could well exceed 20% in places like Liverpool and a number of places in the North, Wales and Scotland and reach 14% to 15% in the West Midlands. We have experienced nothing like this since the 1930s and the social problems are obvious.

3 We cannot turn back unemployment at these levels by special employment measures. Only successful economic policies can do that. But in this acutely difficult transitional period we risk the habits and attitudes of prolonged unemployment adversely affecting the young and unfitting many adults for future employment.

4 We can act to lessen the risk. Indeed, with the young we could use this transitional period as a major opportunity to prepare the workforce of the future for the jobs that will later be available.

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E(80)111 expresses my firm conviction that we need to move in this country towards a comprehensive system of vocational preparation for those many youngsters who take jobs which offer little or no training or further education at present. It will take us a good part of this decade to develop that system and we ought to give priority now to starting in that direction, particularly for the young unemployed. That is my first priority in the programme set out in this paper which takes account of the proposals made to me by the Manpower Services Commission (MSC).

The Young Unemployed

5 I therefore propose to expand the Youth Opportunities Programme (YOP) with an emphasis on good quality vocational preparation. Two thirds of YOP places will provide work experience on employers' premises. The CBI are ready to set up a unit under Lord Carr to assist with finding sponsors among private employers in order to develop the training element in YOP.

6 With rising unemployment we need to provide places for up to 400,000 youngsters next year merely to maintain the undertakings given this year. But as part of placing our distinctive mark on YOP I propose to improve the undertakings by guaranteeing that:

(a) all those who leave school at Easter and Summer and who have not had a job or a YOP place will be offered a place on the programme by Christmas (rather than Easter as at present);

(b) that a suitable opportunity on YOP will be offered within three months to all other 16 and 17 year olds who have been unemployed for more than three months (rather than 12 months as at present).

As a result I would propose to expand YOP to 430-440,000 opportunities in 1981-82. The undertakings would no longer apply to 18 year olds. But 18 year olds would be free to take any available places under YOP if they wished and for the first time should be given access to the programme for adult unemployed (see paragraph 10). YOP would now focus on unemployed 16 and 17 year olds, in accordance with the ultimate objective of vocational preparation for this age group. In view of this I propose the YOP allowance should be increased to £25 from £23.50. This is substantially less than the increase in supplementary benefit and the increase to £26 proposed by the Manpower Services Commission.

7 I also propose to say that our further aim would be to extend the undertakings to the point that every 16 and 17 year old outside education either had a job or was assured of vocational preparation through YOP lasting until the age of 18. We could not in practice achieve this aim before 1983-84 and, if unemployment was still as high, this might add about £70m to the cost of the scheme. I do not think it would be right at this stage to recommend additional expenditure of this order and I propose to express the aim as one to be achieved as resources permit.

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8 In accordance with the priority stated in paragraph 4 above, I propose to announce at the same time as the decision on YOP that we intend to keep going in 1981-82 the programme of Unified Vocational Preparation for employed young people in jobs without systematic training or further education and to pursue it to cover 11% of this target group by 1983-84. The necessary provision for 1981-82 is already in PES and some of the provision needed for 1982-83 and 1983-84 (detailed figures are in Annex 1). I propose that we present this as a first stage towards making vocational preparation available to the whole target group but, since this might cost £40m by 1990-91, this long-term objective would be presented as subject to resources being available.

The Adult Unemployed

9 As the numbers of the long term unemployed rise from the present 350,000 we shall have to give all possible effective help through the employment and training services to prevent the deterioration of working habits and of skills. But we must avoid being drawn into promises to cater for all or most of them through special programmes. There are severe practical limits to what can be done to help them through the provision of temporary jobs.

10 Nonetheless their plight is serious and we could do more for them with a bit of imagination. The Special Temporary Employment Programme (STEP) has not been a success and I am sure that we could increase the number of places from the present 10,000 to 25,000 if it were replaced with a new Community Enterprise Programme (CEP) which would be nationwide rather than regional. This would place more emphasis on projects of environmental improvement, encourage greater participation of the private sector by encompassing projects which have public and private advantage, and give greater scope for projects arranged by voluntary agencies. The new programme would also include an experiment in facilitating the creation of new enterprises in communities experiencing high unemployment. It would continue to concentrate in all its aspects on opportunities for the longer term unemployed. We would present this like YOP as a rolling programme that we intended to run for the next 2 to 3 years, an important point if sufficient sponsors are to be attracted.

11 I want particularly to encourage voluntary help. Under the amended YOP and the new CEP there will be many more opportunities for voluntary help. Under CEP it will be also possible for funds to be given to voluntary organisations to engage staff to help run information centres on opportunities for voluntary work. I should like to see it made easier for voluntary agencies to help the unemployed through their ordinary activities. The DHSS is therefore considering the possibility of a change in the benefit rules to make it easier for the unemployed to engage in useful voluntary work eg by allowing payment of benefit while engaged on a voluntary scheme.

12 My third major proposal is to continue the Job Release Scheme (JRS) and to extend its scope for 1981-82. In that year only, it

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would be available to men aged 62 and 63 (as well as 64) as at present) and remain open to women aged 59 and disabled men aged 60. This would reverse the change in the scheme that we made last year. But releasing real jobs for the unemployed by encouraging early retirement is a highly effective measure of help to the adult unemployed and the worsened situation demands that we take this step for next year. I propose that we make this change for one year only and suggest we look again at the age limit next year.

13 Finally, I propose to continue the Temporary Short Time Working Compensation Scheme (TSTWCS) which helps firms avoid redundancies by giving support for up to six months. I have been pressed to extend its scope, particularly by lengthening the period to one year. The Scheme is now in great demand and expansions would be very expensive. I recommend against them on that ground and because I believe that six months is quite long enough to show whether a job is still viable or not.

14 I have considered, as requested by Home Affairs Committee (H(80)17th Meeting Item 2) a proposal for using the unemployed to insulate the homes of the old. I sympathise with the wider aims of the proposal, but it would cost £31m for 2,500 jobs and is an unduly expensive way of providing additional jobs compared with my proposals. I do not therefore recommend it. It will, however, be possible for insulation schemes to be organised under CEP although that scheme will not meet the cost of the materials.

Costs and Staff

15 My proposals are described in more detail in the Annex and the costs are shown in Table 1. The gross cost of the improvements proposed is £92m in 1981-82, £150m in 1982-83 and £133m in 1983-84. In sum, I am proposing that PES provision for the special measures and UVP should be increased by £310 in 1981-82, £410 in 1982-83 and £377 in 1983-84. Most of this is needed to continue the TSTWCS and JRS on their present basis and to maintain the current undertakings under YOP.

16 My Department's best estimate* is that, in all, the expanded programmes would keep 280,000 off the unemployment register at March 1982, 90,000 more than would be the case if my proposals for improving the Schemes were not adopted and 80,000 more than at March 1981. The fact that fewer people would thus be drawing benefit, and that some of them would be paying taxation and National Insurance contributions, means that the net costs of the schemes are only about half the gross costs. There is also financial support from the European Social Fund (perhaps £20m towards the higher level of YOP operation).

* The estimates of employment effects and net costs are based on a number of uncertain assumptions. They do not include an allowance for the effects of cuts in other programmes or increases in borrowing or taxation to finance the measures.

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17 The DE Group would require 1,055 staff for the proposed improvements in the special measures on top of the 378 additional staff required simply to continue the current programmes; Inland Revenue would need up to an extra 160 for the JRS improvement. The local authority Careers Service would also need another 200 staff. Staff requirements for employment measures are wholly offset by consequential reductions in staff which would otherwise be needed to pay unemployment benefit.

18 For the proposed expansion in UVP, the 22 staff currently employed in MSC and the Education Departments will have to be increased by 11 in 1981-82, 21 in 1982-83 and 26 in 1983-84; the extra staff cannot be found within existing provision.

Conclusion

19 A strong case could be made, and will be publicly argued, for doing a great deal more than this. But I have sought to balance that against our public expenditure position. The above proposals are the minimum that we can present with any conviction and I seek the agreement of colleagues to them.

20 If the targets are to be met, particularly on YOP and CEP, it is important to start soon. Politically, it is vital to show that we have constructive programmes to help those particularly hit by high unemployment and I propose that these measures should be announced when Parliament reassembles.

Department of Employment
9 October 1980

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Annex

FURTHER DETAILS OF THE PROGRAMMES

1. Particulars of the costs of all schemes are to be found in Table 1.
2. Table 2 sets out estimates of the impact on unemployment and the cost per person off the register.

Youth Opportunities Programme

3. Because of the increase in unemployment expected in 1981-82 and in the size of the age group a Programme of the present size would not be large enough to meet the current undertakings for a further year. MSC estimate that, in order to meet the current undertakings in 1981-82 the Programme would have to be extended to at least 400,000 entrants, as against the proposal in this paper for 430-440,000 places. A programme of this size, in addition to enabling the undertakings set out in paras 6(a) and (b) of the main paper would enable us to work towards the aim of giving 12 months of work preparation under YOP to those otherwise unemployed, although this could not be fulfilled in 1980-81.

4. The emphasis in the expansion will be on providing a wider range of vocational preparation. Two thirds of the places will provide work experience on employers premises. Voluntary organisations will continue to be particularly involved in work experience through community service and selected projects.

5. Apart from the fact that the undertakings would not apply to 18 year olds (although the Programme would remain open to them) the rules of YOP would not be changed. The MSC has recommended that the present rule which generally restricts eligibility to young people unemployed for a minimum of six weeks should be relaxed for those young people who are particularly unlikely to find work without the help of YOP. I do not think it would be right to relax this rule which guarantees a period of time during which young people can look for work.

6. The MSC has recommended that the YOP allowance should be increased from £23.50 a week to £26 with travel costs over £5 instead of £4. I believe that in view of the greater proportion of 16 and 17 year olds who will enter the Programme the real value of the allowance should be reduced. I recommend an allowance of £25, (and travel costs over £5), which will cost £5.5m less than £26.

The Careers Service and YOP

7. The proposed expansion of YOP will have significant implications for the work-load and staffing requirements of the LEA Careers Service, which recruits 90% of YOP entrants. Since 1975 Central Government has operated a careers service strengthening scheme to help meet the demands caused by unemployment; the scheme is funded by specific grant and at present provides for 740 additional posts in Great Britain. The expansion of YOP points to a need for 200 further posts.

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Community Industry (CI)

8. CI is at present the subject of a review designed to define better its role and objectives, and its relationship with YOP. The scheme however represents a cost-effective provision for those particularly disadvantaged young people in need of the temporary employment it provides. I recommend that CI should be expanded by 1000 places to provide 7000.

Community Enterprise Programme
Community Initiative Scheme

9. ^{EP}CIS differs from STEP in the following respects:

- i) it will be nationwide;
- ii) it will place more emphasis on projects related to improvement of the environment. In order to facilitate the involvement of private industry environmental projects which might lead to some indirect advantage for a firm as well as benefit to the community would no longer be excluded;
- iii) it will aim at greater involvement of voluntary organisations who will be able to recruit full-time temporary employees under the Programme for two purposes. The temporary employees could themselves assist with projects or they could be used to inform unemployed people of opportunities for voluntary work on a part-time basis;
- iv) it will include an experiment in funding and encouraging community enterprises in areas of very high unemployment. Within the total Programme there would be an earmarked and separate fund for partnerships involving the private sector and community bodies. MSC would contribute to the wage costs and arrange training for workers involved. A condition of funding would be that workers should be recruited through the public employment services, who would be required to consider the suitability of the long-term unemployed to fill such vacancies, perhaps after training. The fund would have a ceiling of £2m in 1981-82 and £5m thereafter. MSC would keep in close touch at national and regional level with other Departments with an interest in this experiment;
- v) priority would continue to be given to the long-term unemployed - ie those out of work for 12 months, unless they were in the 18-24 age group when the criterion would be six months. 18 year olds would now be eligible.

Job Release Scheme.

10 When we reviewed the scheme in early 1980 we raised the age limit for men who are not disabled to 64. With higher unemployment I believe that we should now do more to reduce labour supply by releasing older people from the labour market and making jobs available for the unemployed. I therefore propose that we should lower the age limit

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for men to 62 for one year from April 1981. The additional cost of £42m in 1981-82 compares with £20m if the age limit was reduced to 63 and £83m if the age limit was reduced to 61. The age limits of 60 for disabled men and 59 for women would continue.

Temporary Short Time Working Compensation Scheme

11. The cost of this scheme has risen sharply in the last few months because of an upsurge in applications. I have considered two options for expanding the scheme, but I have rejected them because of the costs involved:

- i) There is pressure to extend the maximum period of payment from 6 months to 12 months. Many firms either have exhausted or will soon be exhausting their entitlement while the recession is still at its height. The cost is estimated at £100m in 1981-82.
- ii) There has also been some pressure to remove the lower limit of ten redundancies which was imposed in line with the statutory lower limit for the notification of redundancies. There are therefore no statistics of small redundancies but, if a relaxation of the rule brought 5,000 extra applications next year, this might prevent 25,000 redundancies at a cost of £30m. Since the administrative task of checking the applications would be no simpler than for larger applications 70 extra staff would be required.

12 I have considered the arguments for lowering the level of reimbursement from 75% of normal pay to a lower level such as 65%. I believe that it would have been possible to make this change if the scope of the scheme was being expanded in other ways. Since, however, no expansion is proposed I believe that a change of this kind would incur severe criticism on the grounds that the Government was reducing the amount of support available to firms facing short term difficulties. If the reduction was to 50% reimbursement (as has been suggested) this would be bound to have a marked effect on the acceptability of the scheme to the employers and workers involved. A reduction to 50% would save £25m in 1981-82; 65% would save £10m.

Vocational Preparation

13. The Government must take a decision soon on its attitude towards vocational preparation for young people who would otherwise enter jobs with little or no systematic training or further education. In view of the additional bids involved, it seems appropriate to consider UVP for 1982-83 and beyond when final decisions are being taken on industrial training policy, which cannot be done until after the MSC meeting at the very end of October. However, an early announcement on UVP in 1981-82 is urgently needed for operational reasons.

14. I and the Secretary of State for Education recommend that the Government should support the programme in 1981-82 to the extent of about £4m. Because the take-up rate might be expected to grow

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relatively slowly during the early years of any new programme, unlike the proposals for future years, this does not involve a new bid. Up to £3.5m can be found within agreed expenditure totals, with the major part provided by MSC and with contributions from DES and the Scottish and Welsh Offices. Expenditure would only reach £4m if it proved practicable to mount programmes to that extent and if the MSC or the Education Departments in the event could make the funds available.

15. I seek colleagues' approval to this proposal for 1981-82, so that an early announcement can be made.

16. In 1982-83 and 1983-84, £5.5m and £8m respectively is available within agreed expenditure totals. We think the programme should be expanded at a faster rate than this and that we should advance progressively towards making vocational preparation available by the end of the decade to all young people who might want it and whose employers would be prepared to release them for it. We propose expenditure of £7m in 1982-83 and £12m in 1983-84, ie additional bids of £1.5m and £4m respectively. If the Government decides in the mid 1980s to pursue this objective and cover 75% of the target group in 1990-91, it is estimated that public expenditure of £40m would be required in that year.

17. The MSC has proposed to me further expenditure of £1m to support the Schools Council in encouraging schools to step up their work preparation in the light of YOP experience. I do not recommend this expenditure. However, such work could usefully strengthen developments on work preparation in schools and I hope that DES will consider how this could be supported within existing resources.

Energy Efficient Homes for the Elderly and Disabled

18. When Ministers considered a study by officials (H(80)53) of a possible scheme for using young and long-term unemployed to improve the insulation and heating of the homes of the old and disabled, they saw merits in such a scheme, but since additional resources would be required, decided to re-consider the proposal in the context of other proposals to combat unemployment.

The arguments for and against the scheme are as follows:

- i) Employment. The proposed scheme could operate at various levels of employment, depending on the financial resources available. As recommended it would provide some 2,500 jobs, but to some extent these would be provided at the expense of existing and potential jobs in the regular contracting industry which has been hard hit by reductions in Government funds allocated to insulation work in 1980-81.
- ii) More efficient use of energy. At this level of employment, the proposed scheme is estimated to provide draught proofing in 490,000 houses per annum, and loft and tank insulation in 40% of that total. These measures would enable recipients to achieve a better level of comfort without additional expenditure, and in some cases, to reduce their energy consumption. However substantial energy savings can be achieved through loft insulation and

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tank and pipe lagging under the Department of Environment's Homes Insulation Scheme.

- iii) Further assistance to old and disabled. The proposed scheme would benefit householders, who are pensioners in receipt of either supplementary benefit or housing allowances and others in receipt of these benefits who get certain disablement and invalidity benefits. It would therefore help to ensure more cost-effective use of the £200m paid out by DHSS in heating allowances, and reduce pressure to increase social security payments by more than the present commitment to update in line with the fuel component of the RPI. However the Homes Insulation Scheme has recently been amended to assist the elderly on low incomes by increasing the rate of grant for this to 90% of the cost of loft insulation and tank and pipe lagging.

19. The main problems are:

- i) the estimated annual expenditure of £30m involved is more than can be justified on employment grounds alone. The labour costs are roughly comparable with STEP, but materials and administration amount to roughly twice the cost of labour. Therefore some two-thirds of the expenditure would have to be justified by reference to the second and third objectives in the preceding paragraph.
- ii) a further problem is that the given estimate of cost is very sensitive to the proportion of houses given loft insulation and that the assumption of 40% is not based on hard evidence. If the cost of materials turned out to be a serious under-estimate, this would also bring into question whether the Secretary of State for Employment, in exercising his powers under the Employment and Training Act 1973, could satisfy himself that the purpose of the arrangements was to provide temporary employment.
- iii) to run the new proposal alongside the existing Homes Insulation Scheme particularly the latter's new amended scheme for the elderly, could lead to confusion.

20. For all these reasons the scheme is not proposed for inclusion in the recommended package because the cost cannot be justified as NSC expenditure for employment creation. If the material costs were to be met from other Government Departments or by individual sponsors as in the past, home insulation work can be expected to feature in the new proposal.

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SPECIAL EMPLOYMENT MEASURES AND UVP

Table 1
1980 Survey Prices

	Cost of Existing Scheme		Cost of Expansion		Total cost of Expanded Scheme
	Existing PES Entry	Extra needed	To maintain current Undertakings	Improvement of scheme	
1981-82					
YOP	154	16	90	15	275
Careers Service	4		1		5
Community Industry	16	1		3	20
CEP	49			28	77
JBS	81	25		46	152
TSEWCS	15	85			100
UVP	4				4
TOTALS	323	127	91	92	633
1982-83					
YOP	151	19	109	15	294
Careers Service	4		1		5
Community Industry	16	1		3	20
CEP	49			57	106
JBS	31	50		73	154
TSEWCS		80			80
UVP	5			2	7
TOTALS	256	150	110	150	666
1983-84					
YOP	151	19	109	15	294
Careers Service	4		1		5
Community Industry	16	1		3	20
CEP	49			57	106
JBS	13	64		54	131
TSEWCS		50			50
UVP	8			4	12
TOTALS	241	134	110	133	618

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DE ESTIMATES¹ OF IMPACT ON UNEMPLOYMENT OF EXPANDED MEASURES WITH COST PER PERSON OFF THE REGISTER PER ANNUM
1980 Survey Prices

Number off register March 1981		Number off register March 1982	Gross cost per person off the register pa	Net cost ² per person off the register pa
		£	£	£
94,000	Youth Opportunities Programme	138,000	2,100	1,400
6,000	Community Industry	7,000	2,900	1,450
12,000	Community Enterprise Programme	25,000	4,000	1,600
57,000	Job Release Scheme	77,000	2,200	1,150
33,000	Temporary Short-Time Working Compensation Scheme	33,000	3,600	1,100
<hr/>		<hr/>	<hr/>	<hr/>
202,000		280,000		

1. These are DE's best estimates of the direct effects of the scheme on unemployment and the PSBR. They depend on a number of uncertain assumptions and the estimates of net costs are subject to wide margins of error.

2. These figures measure the effects of the scheme on the PSBR, taking account of the savings in unemployment benefit and increase in tax and National Insurance receipts, which result from their direct employment effects. No allowance is made for European Social Fund receipts.

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