

Manpower

Ref: A03213

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PRIME MINISTER

Special Employment Measures
(E(80) 110 and E(80) 116)

BACKGROUND

In E(80) 110 the Secretary of State for Employment proposes substantial additional public expenditure on employment measures. His aim is to enable sixteen and seventeen year olds and long-term adult unemployed to acquire and preserve skills during the recession which they can later use when employment picks up.

2. The greater part of the additional expenditure is necessary if existing measures are to be continued through to 1983-84 and if, with rising unemployment, they are to cater for more people than assumed hitherto. There are also a number of proposals for improvements. In summary the additional public expenditure proposed is:-

	£ million 1980 prices		
	1981-82	1982-83	1983-84
Continuing	218	260	244
Improving	92	150	133
Total additional	310	410	377

A considerable number of additional staff, mainly in the Department of Employment group, will be required to deal with these programmes (paragraphs 17 and 18).

3. The Secretary of State argues that the net PSBR costs might be half these gross amounts if allowance is made for the consequences of taking people off the unemployment register. Treasury Ministers are likely to point out however that this expenditure could well be at the expense of other job creating programmes; and that, in any event, the proposals must be considered on the basis of their gross costs as are all other public expenditure programmes.

4. You will wish to postpone a final decision on these proposals until they can be considered in the context of the Cabinet's discussion, beginning on 30th October, of the public expenditure programme as a whole. It is clear

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however that unless other programmes are to be cut back substantially there are formidable difficulties in accommodating additional bids of this order within the ceiling agreed by Cabinet in July. The Chief Secretary in his letter of 7th October has therefore asked the Secretary of State for Employment to look at the possibilities for reducing the costs of his proposals - mainly by foregoing improvements - and for finding offsetting savings from elsewhere within his programmes.

5. The CPRS in E(80) 116 take a similar line and suggest that proposals should be ranked according to priority with, in their view, measures to help the young unemployed at the top of the list.

6. The costs of the seven measures under discussion are listed in Table I annexed to E(80) 110. The details of some of the smaller items are described in the Annex to the paper. In summary the proposals are as follows:

The Young Unemployed

7. A good deal of the additional expenditure will be required to maintain existing undertakings under the Youth Opportunities Programme (YOP) and to provide for 400,000 places rather than the 250,000 previously assumed. The Secretary of State further proposes (his paragraph 6) that YOP should be improved by:-

- (i) Guaranteeing places to school leavers by Christmas, rather than Easter as now, following the academic year in which they leave, and to all other 16-17 year olds unemployed for more than three months, rather than 12 months as now.
- (ii) Increasing the weekly allowance from £23.50 to £25 in order to maintain a differential over supplementary benefit.

The Chief Secretary questions the need for both these improvements.

8. Grants to finance 200 further posts in the LEA Careers Service would be necessary to deal with the expanded YOP (paragraph 7 of the Annex).

9. It is proposed that 1,000 additional places should be made available under the Community Industry Scheme, which is similar in objectives to YOP though under a separate organisation (paragraph 8 of the Annex). The Chief Secretary questions the case for this at a time when the scheme is under review.

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10. The programme of Unified Vocational Preparation (UVP) for employed young people in jobs without systematic training or further education should be continued into the two years following 1981-82 and expanded (paragraph 8).

11. There would be a public undertaking - though no specific provision at this stage - to further improve the YOP (paragraph 7) and to extend the coverage of UVP (paragraph 8). The CPRS advise against giving such commitments until further work has been done on the strategy for financial support for 16-18 year olds. (An official group will be putting a report on this to H Committee in November.)

The Adult Unemployed

12. The Secretary of State proposes (paragraphs 10 and 11) to replace the regionally based Special Temporary Employment Programme by a new nationwide Community Enterprise Programme (CEP). The aim would be to increase the present 10,000 places to 25,000 and to provide work for the long-term unemployed on environmental projects. The Chief Secretary questions whether the scheme should not remain limited to development areas.

13. The Secretary of State proposes (paragraph 12) to continue the Job Release Scheme (JRS) through the PES period. In 1981-82 only it would be available to men aged 62 and 63 as well as 64. The Chief Secretary points out that, if it proved impossible to hold this reduction to one year only, there could be additional costs of £40 million in 1982-83 and £100 million in 1983-84.

14. Finally the Secretary of State proposes to continue the Temporary Short-time Working Compensation Scheme (TSTWCS) which helps firms avoid redundancies by giving support for up to six months. The Chief Secretary proposes savings on this scheme by reducing support from 75 per cent of normal pay to 50 per cent.

HANDLING

15. After the Secretary of State for Employment has introduced his paper, you might ask the Chancellor of the Exchequer to set the proposals in the context of the overall public expenditure position as he now sees it. You might yourself point out that the Committee faces a dilemma. The proposals are politically and socially attractive, and to a considerable extent the additional expenditure seems necessary to meet present commitments. It seems highly unlikely, however, that

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they can be accommodated in full unless other Ministers are prepared to see further cuts in their programmes - some of which might also have implications for employment. It will be for the Cabinet to take the final decisions on the proposals in the context of the public expenditure discussions. In the meantime, until the Chief Secretary is ready to come forward with his proposals, it is not clear how much can be accommodated. In looking at the proposals the Committee should therefore consider how they might be ranked in terms of priorities and what might be the scope for cutting down the costs of some of them.

16. The Secretaries of State for Industry, the Environment, Scotland and Wales all have a strong interest. The proposals do not apply to Northern Ireland but the Secretary of State for Northern Ireland will want to consider comparable measures (by convention he would expect provision of 2.75 per cent of anything extra agreed for Great Britain). The Lord President may wish to comment on the additional staff requirements and the implications of that for Civil Service manpower cuts which the Cabinet will discuss on 23rd October. The Secretary of State for Social Services has an interest in some of the details of the proposals.

17. In discussion you will wish to cover the main measures proposed, and summarised above, with a view to identifying priorities and options:-

The main questions are -

- (i) Given the cost of maintaining existing undertakings under the YOP, should these be improved and should the weekly allowance be increased?
- (ii) Should the places under the Community Industry Programme be increased by 1,000?
- (iii) Should the regional STEP be replaced by a new nationwide Community Enterprise Programme?
- (iv) Should the Job Release Scheme be continued and, if so, should the age limit be reduced in 1981-82, with the risk it could not be increased in later years?
- (v) Should the Temporary Short-time Working Compensation Scheme be continued and, if so, cannot some of the costs be saved by reducing payments?

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- (vi) If only some new improvements were possible how should they be ranked? - the CPRS propose YOP; CEP and JRS; and TSTWCS last.
- (vii) Should the longer-term commitments on YOP and UVP be deferred pending further work?

CONCLUSION

18. The Committee is not being invited to take final decisions on these proposals but, in the light of the discussion, you will wish to give the Secretary of State for Employment a broad provisional view on the acceptability of his proposals and to invite him to re-examine them in the light of the discussion so that he can advise the Chief Secretary on the possibilities and options for reductions and his ranking of the priorities.

19. You will wish to invite the Chief Secretary to take account of the Committee's discussion, and the Secretary of State's further consideration of the proposals, in putting forward his public expenditure proposals for discussion by Cabinet on 30th October.



(Robert Armstrong)

13th October 1980