

PART 2

Confidential Filing

Special Employment Measures.
Long term unemployed and the young.
Employment and Training Bill.
Youth Service Review.
Industrial Training.

MANPOWER

Part 1 : January 1980

Part 2 : October 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
17.12.80							
19.12.80							
5.1.81							
5.1.81							
15.1.81							
21.1.81							
22.1.81							
3.2.81							
19.2.81							
23.2.81							
30.1.81							
ENDS							

PREM 19/523

PART 2. ends:-

..... Employment to MAP of 30/1/81.

PART 3 begins:-

..... MAP to Priestley of 3/2/87.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

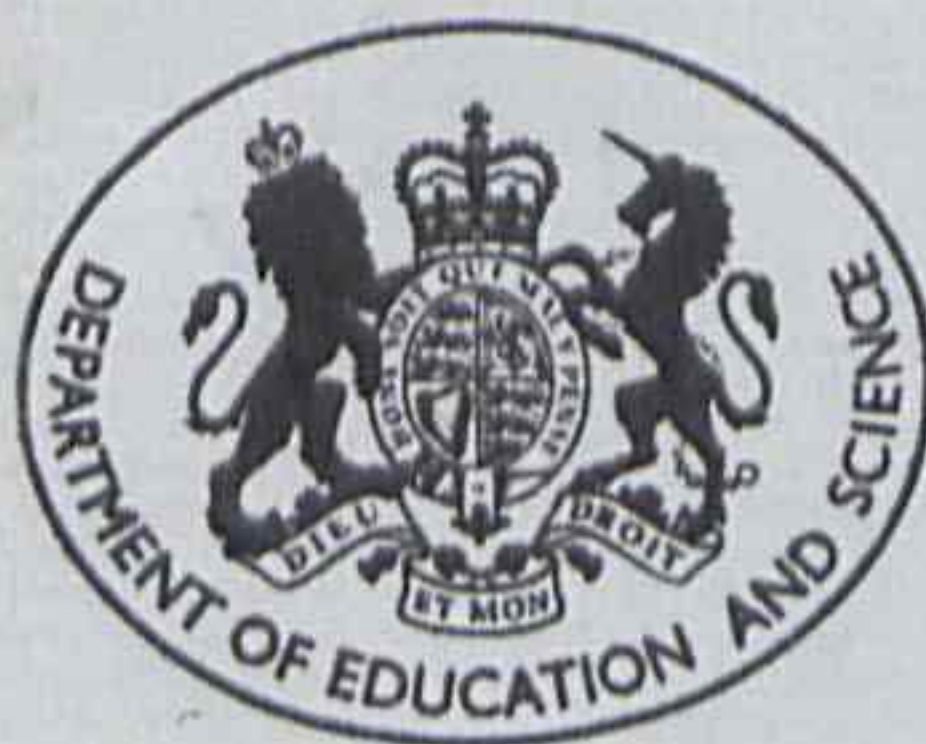
Reference	Date
E (80) 132	14.11.80
E (80) 133	17.11.80
E (80) 40 th Meeting, Minute 2	18.11.80
H (80) 81	4.12.80
H (80) 83	4.12.80
H (80) 82	5.12.80
H (80) 26 th Meeting, Minute 2	9.12.80
L (81) 9	15.1.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed *Wayland*

Date *5 July 2011*

PREM Records Team



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FROM THE SECRETARY OF STATE

Tim Lankester Esq
10 Downing Street
LONDON SW1A 2AZ

IL
4/✓
30 January 1981

Dear Tim

PROPOSED CONSULTATIVE DOCUMENT ON TRAINING

My Secretary of State has seen Richard Dykes' letter of 22 January and would endorse it. The proposals for a new training initiative involve many constituencies and the MSC is the most appropriate body to treat with important groups on both sides of industry. The issue of a Government consultative document without a recognition of the MSC contribution would invite friction and jeopardise the success of what would be delicate negotiations, not least on opening up apprenticeships and on industry bearing certain costs.

The education constituency is also important and my Secretary of State would look for an equivalent place for himself and his Scottish and Welsh colleagues in the issue of the document and the handling of the subsequent consultative process. He welcomes the extent to which the Employment Secretary has already drawn these colleagues into initial discussions about a strategy for vocational education and training, and hopes that further work will proceed on the joint basis adopted for the previous consultative document on "A Better Start in Working Life".

I am sending copies of this letter to the recipients of Richard Dykes's.

Yours sincerely
Pete Shaw

P A SHAW
Private Secretary



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Prime Minister

Sir Richard O'Brien's

response to Sir Derek

Rayner is defensive:

but MSC do seem to
have acted on some
of the duplication.

30 January 1981

MPD

2/2

Dear Mike

You wrote to Richard Dykes on 29 December enclosing correspondence from Sir Derek Rayner to Sir Richard O'Brien about MSC procedures surrounding the operation of the Youth Opportunities Programme.

Sir Richard O'Brien has now replied in detail on the various points you raised. I attach a copy of his letter. The Secretary of State believes that this is a very full response, that reflects the difficulties of keeping a balance between excessive bureaucracy and a proper management of public funds.

The Secretary of State has nothing to add to Sir Richard O'Brien's letter, but he does believe it is helpful to all concerned and not least to the programme that sponsors do let the MSC know of operational difficulties so that appropriate action can be taken.

Marie Fahey

MARIE FAHEY

Private Secretary

Your ref

Date 23 January 1981

Sir Derek Rayner
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

MSC

Manpower
Services Commission

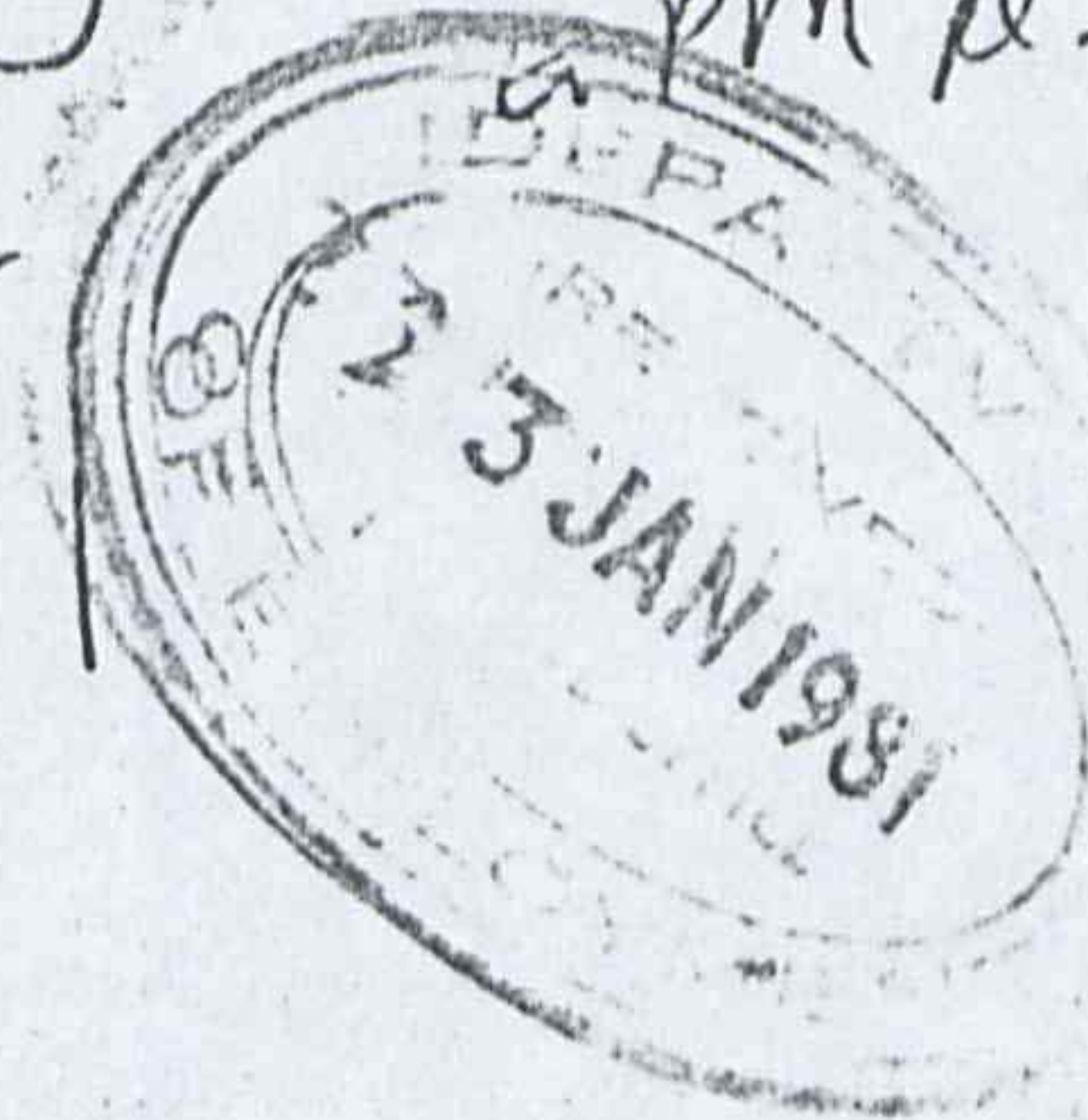
Selkirk House
166 High Holborn
London WC1V 6PF
Telephone 01-836 1213

Chairman: Sir Richard O'Brien

cc Mr Fraser
Mr White
Mr Haddock
Mr Bower
Mr Jolly

for advice
on next
pm pl.

nr
23/1



Dear Derek,

You wrote to me on 22 December about comments reported to you by the Personnel Group of Marks and Spencer about procedures surrounding the operation of the Youth Opportunities Programme.

Before I deal with each of the points you raise, I would like to make two general comments. The first is that since the Youth Opportunities Programme and the Special Temporary Employment Programme were launched on 1 April 1978, we have provided opportunities for training and work experience for over 650,000 unemployed young people and temporary work for over 50,000 adults who have been out of work for many months. We now have about 150,000 different projects and schemes which we are funding. In all this, the administrative overheads of our Special Programmes Division represent less than 3% of the budget. Moreover, this year the Division is handling some 46% more business than last year with only 6% more staff. I hope it is fair to say that that is a very creditable record and could not have been achieved if the operation were run in a mechanistic and needlessly bureaucratic way.

My second comment is that we keep our procedures and systems constantly under review. We are always striving to improve them. In December last, we cut out parts of our procedure for approving work experience projects. We did so because, in the light of experience, we thought them unnecessary and unduly costly. Our change has reduced time delays in approving projects in all areas. We are currently conducting a searching review of other aspects of our procedures to see if we can improve them too. This has to be done, as you know so well, with the requirements of public accountability in mind.

I turn now to the individual points you raise and deal with them in the order in which they appear in your letter.

On the question of offers of extra places, it is true that we like to have written confirmation of telephone requests. This is because there exists, between our area office and the sponsor, a legal agreement which is the basis on which we make payments to the sponsor and, incidentally, the basis of our public accountability for funds. We believe it to be good practice, wherever possible, to have changes in documents with a legal status recorded in writing, in particular when they affect financial transactions. But we do not wait for the written confirmation to arrive before acting on the offer of extra places - we set in motion the consequent action straight away. In future, we intend to conclude

/agreements

agreements with firms which right at the start specify the maximum number of WEEP trainees that they will take on. This should avoid the problem altogether.

Your second point relates to the policy of visiting prospective sponsors before agreeing to the allocation of places. One of our major concerns in running the Youth Opportunities Programme is that we should minimise substitution, i.e., the possibility that an employer might use public funds as a direct subsidy when he should have taken on a permanent employee, with the consequence that the young person is, literally, "cheap labour". Public money is not made available on that basis but to provide training and work experience for unemployed young people who would otherwise have nothing. When a new sponsor approaches us, we have to make sure that he understands this and that he is not taking the tax-payer for a ride. You might say that it is obvious that a large organisation like Marks and Spencer is not doing this. I would make two comments: first, there have been instances of household name companies (not, I hasten to add, Marks and Spencer) who have attempted to use YOP in this way; secondly, whilst people in the Personnel Group of Marks and Spencer at Head Office may well understand these things when they agree that the firm should provide places, it does not necessarily follow that individual Branch managers and their staff understand them too. Thus, we feel it right to continue to visit a new sponsor to make sure that he fully understands the scheme. However, in the light of experience, we decided last December that it was no longer necessary as normal practice to make visits to existing sponsors offering extra places, and that change has been introduced.

Your third point is about the decentralisation of YOP. YOP is, indeed, locally planned, managed and delivered. The numbers of unemployed young people vary considerably from place to place as do the kinds of opportunities which would best suit their needs. Some parts of the country have a lot of YOP opportunities already; others have fewer. Some parts of the country need additional places in retail distribution; others have enough of those already and are looking for more in manufacturing. This means that whilst we can agree centrally with anyone on the content of a particular scheme, local numbers of places have to be determined locally. This is crucial to the way the Programme is run.

I quite understand that a national organisation like Marks and Spencer might find it more convenient to have one agreement. However, other national organisations much prefer our mode of operation, particularly where they have devolved authority to local managers at local establishment level. We have introduced a procedure of agreeing model schemes between our Head Office and the Head Office of an organisation like Marks and Spencer. These provide a standard framework for individual schemes to be agreed locally in the light of local need.

/The



**Manpower
Services Commission**

Selkirk House
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Telephone 01-836 1213

int.
ref
Your ref

Date 23 January 1981

Sir Derek Rayner
Cabinet Office
70 Whitehall
LONDON SW1

Chairman: Sir Richard O'Brien

The question is whether to continue in this way, which has the advantage that any places agreed will be filled but involves local agreements, or to conclude a central agreement with no commitment for places provided in any particular locality to be filled, with attendant irritation on the part of local management in stores or other local establishments. It is a very real dilemma and we think that, on balance, our present approach produces better results for all concerned.

I am sorry if there remains any misunderstanding about our Agreements for individual stores. It was never our policy that there should be an individual agreement with each individual store manager in any of our areas. We have been striving for area agreements, as you say, and we are seeking to iron-out any remaining problems at local level just as soon as we can.

Finally, you refer to what you describe as "overlap" between different opportunities within YOP. As you know, the Programme aims to provide in any locality a range of different kinds and levels of opportunities to meet the differing needs of different unemployed young people. Work Experience on Employers' Premises is a relatively simple and straightforward scheme which aims to give unemployed young people a taste of work, not necessarily in the field of employment they may eventually chose. Short training courses, by contrast, are intended to help young people (often the better qualified) by providing training which is directly related to the skills and knowledge which will be looked for by employers in a particular sector of industry or commerce. They are relatively short, are off-the-job and call for the employer to provide a trainer, equipment and materials. We think it right to pay the employer a fee in recognition of this. I am told the individual case to which you refer arose in Bristol. Our people asked the local branch of Marks and Spencer if they could provide an off-the-job course for four unemployed young people in retailing for a fee of £13 per trainee per week. Our people explained the training requirement to your Bristol store and to your Head Office. We were then told that Marks and Spencer's staffing constraints were such that they were not in a position to run such a course for us.

Your Personnel Group have raised the same points with Geoffrey Holland, our Director of Special Programmes, in a separate letter. I am therefore asking him to copy to them this reply. Geoffrey and his people will be very ready to discuss these questions

/further

further with yours if there remain areas of difficulty which need to be explored.

I understand from the Secretary of State's office that the Prime Minister has been sent a copy of your letter so I am sending a copy of this reply to Mr Prior's office.

I hope you will let me know if you would like to carry any of this further personally or in writing.

Yours ever,

Richard

mc



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Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister *Hangover*
This is in response
to your view that
the consultation document
should be published
in the name of
Employment only. Mr
Prior will consider,
though there seems to
be quite a good
argument for bringing in

22 January 1981

MSC

Dear Tim,

ms

TL

PROPOSED CONSULTATIVE DOCUMENT ON INDUSTRIAL TRAINING

221,

You wrote to me on 15 January asking whether it would be possible - as the Prime Minister had indicated she would prefer - for the proposed consultative document on industrial training to be published in the name of this Department alone, rather than jointly with the MSC.

This is certainly an option, and there may in the event be no alternative. However, since implementation of the Government's proposals will require wholehearted co-operation by employers and acceptance by unions, my Secretary of State sees considerable advantage in securing endorsement of them by the CBI and the TUC, as well as local authority and educational representatives, in a joint Government/MSc document if that can be achieved.

The extent to which this may be possible will become clearer following the MSC's February meeting, and Mr Prior would like to review the position with his colleagues then.

I am copying this letter to the recipients of yours.

You are
Richard Dykes

Department of Employment

Manpower
PRESS NOTICE

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✓
MS

NOT FOR USE BEFORE 1930 HOURS ON WEDNESDAY, JANUARY 21, 1981

January 21, 1981

INDUSTRY IS EXPERT ON TRAINING, SAYS EMPLOYMENT MINISTER

"People working in industry are the experts on training and the Government needs their advice on how it should be developed," said Mr Peter Morrison, an Employment Minister, addressing the Plymouth and District Group Training Association in Plymouth on Wednesday, January 21, 1981.

"My job," he said, "is to ensure that the training arrangements we have are the right ones to enable all concerned to play their part in developing the right quality and quantity of training.

"We need to do this for the sake of the economy and of the young people who will be setting sail on their careers in the years ahead.

"We need to ensure that the right kind of training necessary for industry's changing demands for manpower is provided and that it will equip workers with the skills needed to keep pace with these changes.

"The Manpower Services Commission has been asked to conduct an urgent sector by sector review of industrial training needs as part of the Government's review of the Employment and Training Act," he said.

"The views of those directly concerned in industry will be an important factor to be considered when the Government takes decisions about individual industrial training boards in the Summer.

"We believe - as I am sure you do - that the primary responsibility for planning and providing training of the right quality and quantity rests with industry itself.

"This is the thinking behind our view that, as far as possible, in the future voluntary training bodies will be established.

"Where industry can meet these needs - then industry should be allowed to get on with it.

"But, where it seems likely that voluntary arrangements will not meet these needs, we will give consideration to retaining or creating a statutory training board," he said.

"We now have the opportunity of getting a system of training which is right for us. And we must do so for the sake of the economy and because it will play an important part in improving our international competitiveness."

E Ctte:- HO MAFF
FCO Trade
HMT Energy
Ind Chief Sec
L.Pres

R H

Mayover

15 January, 1981

SF 23.1.81

Possible White Paper on Industrial
Training

The Prime Minister has read your Secretary of State's minute of 6 January. Her only comment is that she would prefer the proposed consultative document to be published in the name of your department alone rather than jointly with the MSC. I would be grateful if you could let me know if this would be possible.

I am sending copies of this letter to the Private Secretaries to members of E Committee, the Secretaries of State for Scotland, Wales, Northern Ireland and Education and Science, Robin Ibbes (CPRS) and David Wright (Cabinet Office).

J. P. LANKESTER

R Dykes, Esq
Department of Employment

JFH



Manpower
file Kb

10 DOWNING STREET

From the Private Secretary

15 January 1981

The Prime Minister has seen your Secretary of State's further minute of 14 January, on the proposed Youth Service Review.

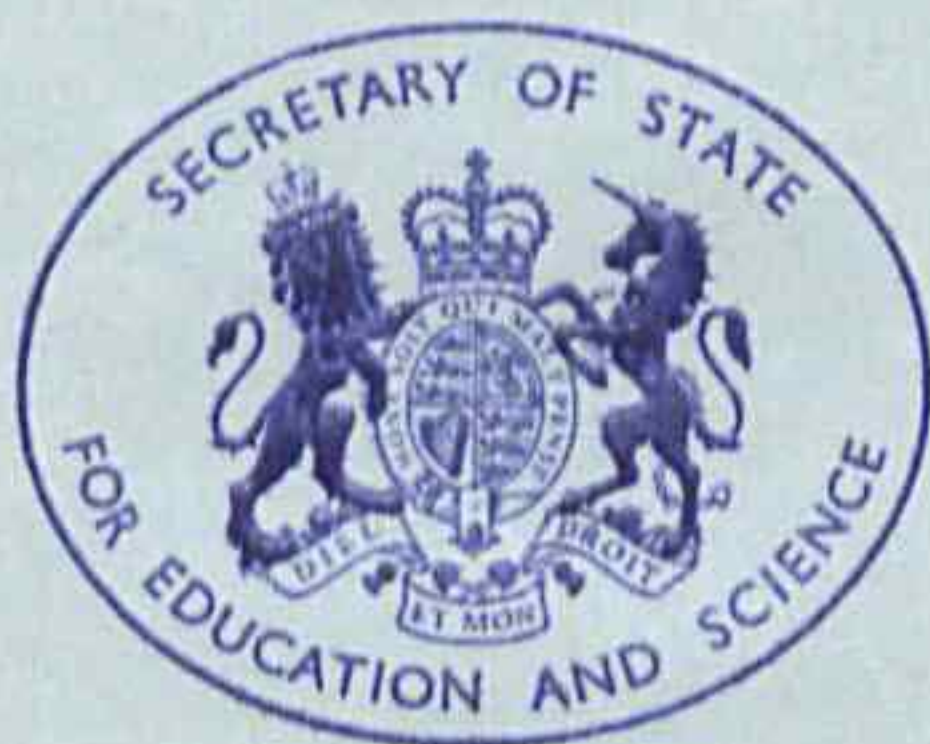
She is content that he should announce the revised terms of reference and composition of the Group next week.

I am sending copies of this minute to Michael Collon (Lord Chancellor's Office), Murdo Maclean (Chief Whip's Office), John Wiggins (H.M. Treasury), Jim Buckley (Lord President's Office), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), John Halliday (Home Office), Godfrey Robson (Scottish Office), John Craig (Welsh Office) and David Wright (Cabinet Office).

M. A. PATTISON

Peter Shaw, Esq.,
Department of Education and Science.

KRB



PRIME MINISTER

YOUTH SERVICE REVIEW

I minuted you on this subject on 11 December and there followed an exchange of letters between our Private Secretaries.

As I have indicated, I am changing the terms of reference to meet your suggestion, and to meet the wishes of Nicholas Edwards they will be confined to England.

I have now considered how to complete the membership of the review body, and have concluded that in place of Mr Dennis Stevenson we should appoint two people. One should represent the voluntary youth service; I agree with you that this is important to the balance of the group. The other should be an industrialist, outside the youth service scene but preferably an employer of young people with a special interest in their welfare.

The two names I have in mind are:

1. Mr Francis Cattermole, Director of the National Council for Voluntary Youth Services
2. Mr Tony Hampton, Chairman of Record Ridgeway.

Mr Cattermole is the obvious person to represent the voluntary youth service; no other choice would be as generally acceptable to the field. Mr Hampton is mainly Sheffield-based. His firm (Record Ridgeway) is a small tool company with a reputation as a good employer of young people. He is Chairman of the MSC Special Programmes Area Board, member of the Engineering Industry Training Board, and in his second year as President of the Engineering Employers' Federation.

I think we must stick to the original concept of a small group with a clear focus and this means that the review would not embrace the social services or Home Office field. I am confident that there are members in my group who can give the necessary opinions from "over the fence" such as Patrick Jenkin indicated in his letter.

Prime Minister

Mr Carlisle has now revised the membership of his proposed Youth Service Review.

Content that he should now announce, as revised?

Yes
ms

MPD 14/1

I would like to announce the terms of reference and composition of the group (as attached) next week. May I proceed?

I am copying this to all who received my minute of 11 December.

M.C.

MARK CARLISLE
14 January 1981

REVIEW OF YOUTH SERVICE PROVISION

Terms of Reference

To conduct a review of the Youth Service in England, in both statutory and voluntary sectors, in order to:

- i. report on present provision;
- ii. consider whether available resources could be deployed more effectively, and
- iii. assess the need for legislation, in the light of i. and ii.

Composition

Chairman: Mr Alan Thompson, former Deputy Secretary,
Department of Education and Science

Members: Mr John Collins, Chairman, British Youth Council
Mr A B Hampton, Chairman, Record Ridgeway Limited
Mr Eric Hopwood, Senior Education Officer, Community
Education and Careers Service, Essex LEA
Mr W R Knight, Chief Administrative Officer,
Directorate of Educational Services, Bradford
Mr Francis Cattermole, Director of the National
Council for Voluntary Youth Services
Mrs Judith Walpole, Chairman, County Education
Committee, Norfolk

Mr Duguid



Manpower

Agree speech but done

Prime Minister

PRIME MINISTER

need a 100% document. will be published. MSC. would prefer only E.

Content for Mr Pridi to speak on Industrial Training in second reading of the bill, in preference to publishing a White Paper?

POSSIBLE WHITE PAPER ON INDUSTRIAL TRAINING

When the Ministerial Committee on Economic Strategy on 18 November approved my proposals for legislation on industrial training boards I was invited to give further consideration to the question I had raised of publishing alongside the Bill a short White Paper setting out our approach to wider issues of industrial training policy.

MD 2/1

On reflection, and in the light of a draft prepared by the official Manpower Group, I do not propose to pursue the idea of a White Paper at the present time. I think it is better to concentrate our efforts on the preparation of a more detailed consultative document which I would hope we could issue jointly with the MSC in about two months' time, while the Bill is in Committee. Meantime it is possible to make only very general statements about our approach to, for example, improved vocational preparation for school leavers, reform of apprenticeship and better opportunities for the training and re-training of adults. I think these general points can best be made in my speech on Second Reading.

I am copying this letter to other members of E Committee, the Secretaries of State for Scotland, Wales, Northern Ireland and Education and Science, Mr J R Ibbs and Sir Robert Armstrong.

JP
6 January 1981



JFH
Manpower

10 DOWNING STREET

From the Private Secretary

5 January 1981

Dear Sir

The Prime Minister has read the Secretary of State for Social Service's minute of 30 December on 'Long Term Unemployment and the Young'.

She believes that he has raised some important points in his paper, which she will wish to see taken into account in the work in hand with the CPRS and the Manpower Group.

I am sending a copy of this letter to John Halliday (Home Office), John Wiggins (HM Treasury), Brian Norbury (Ministry of Defence), Peter Shaw (Department of Education and Science), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Richard Dykes (Department of Employment), David Wright (Cabinet Office) and Gerry Spence (Central Policy Review Staff).

Yours ever

Mike Paterson

Don Brereton, Esq.,
Department of Health and Social Security.

JS



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Mike Pattison Esq
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2 January 1981

See Mike *MA*

YOUTH OPPORTUNITIES PROGRAMME

You mentioned to me this morning that the Prime Minister might refer in her radio interview on Sunday to delays in offers of YOP sponsorship caused by the MSC's administrative procedures. In particular, that the Prime Minister might instance the problems experienced by Marks and Spencer Ltd, as detailed in Sir Derek Rayner's letter to Sir Richard O'Brien of 22 December.

Our advice would be for the Prime Minister not to refer to this aspect of YOP in her radio interview. Certainly, there have been a number of complaints from sponsors, starting in the summer when a log-jam of sponsorship applications built up. This was partly because of the success of MSC appeals for help with YOP, and partly because of staff annual leave absences. Since then, the log-jam has largely been dealt with and the average period of delay in processing applications has been considerably shortened.

I agree that this does not answer Sir Derek Rayner's particular points, but adverse publicity about YOP at this stage could only harm the programme at a time when it is rapidly being built up to cope with the expected increase in the number of young unemployed. The MSC is very concerned to attract sufficient sponsorship offers for the enlarged 1981/82 programme and for this reason is well aware of the need to process applications promptly and keep bureaucracy to the necessary minimum. In this connection, I gather existing procedures are now being reviewed.

We are of course looking in greater detail at the comments in Sir Derek Rayner's letter and will be drawing the matter to the Secretary of State's attention.

Yours faithfully
John Anderson.

J ANDERSON
Private Secretary

Jim Prior

Prime Minister

MF

You have already
commissioned a study
by CPRS on all this.
Mr Jenkins has some
important points, but they
can be taken into account
by CPRS in conducting their

LONG-TERM UNEMPLOYMENT AND THE YOUNG

I have read Geoffrey Howe's minute of 5 December and the paper study by Treasury Officials, and Jim Prior's minute of 12 December. The paper usefully brings together most of the range of initiatives being undertaken or considered, though I may say I share Jim Prior's surprise at the form the Treasury response has taken. DHSS has a number of strong interests in this area, and we shall be glad to co-operate fully in the follow-up work of the CPRS and the Manpower Group. *2/1*

I have a number of fairly major reservations about the main thrust of the Paper.

- a. Should our concern be quite so heavily concentrated on the Under-20s?

Jim Prior questions the balance of effort between the age groups in his comments on the proposed CPRS study. The Paper makes the point that, on the whole, the periods of unemployment for the under 20s tend to be shorter than the periods of unemployment for unemployed people as a whole. In particular, it is clear that there are many more long-term unemployed among over 20s, than among under 20s: 95 per cent of those unemployed over a year are aged 20 or over. I cannot help feeling that the immediate social problems of families with young children, where the breadwinner is out of work for prolonged periods, must be a very great deal more serious than among the under 20s, who for the most part do not have these responsibilities. The feeling seems to be borne out by, for example, our cohort study of people becoming unemployed in the Autumn of 1978, and by other research. 80 per cent of unemployed young people live in a household where there is an adult in full-time work, while this is true of only 20 per

cent of unemployed married men with children. Young people seem less liable to run up debts, and in general to show less concern about being unemployed than do married men with children.

In terms of prevention of human hardship and degradation, in terms of the well being of families with children (there are half a million children with fathers out of work), in terms of the demoralisation of the long-term unemployed, it is at least worthy of consideration whether we ought not now to be devoting more care and attention to families where the breadwinner is out of work for prolonged periods. There are hints in an as yet unpublished in-depth study by Dr L Fagin that there could be long run effects on the children - both directly from loss of income and standing in the community, and from the strains or even breakdown in the family itself. It may well be that many of the remedies for which we should look would be different for this group, from those canvassed in the Treasury Paper. All I am asking is whether we are right to concentrate so exclusively on the under 20s. This is something CPRS might give special consideration to - given the work already in hand on YOP, etc. It is worth bearing in mind that the unemployed family man is much more 'expensive' in terms of benefit costs and lost revenue - a point which I enlarge on later.

b. A Cause of Unemployment Among Under 20s - Pay Levels?

I have for some time now been increasingly of the opinion that the growth of youth unemployment owes itself in substantial measure to the quite unrealistic pay expectations which this generation now has for this age group. The Paper (paragraph 17(b)) makes the point that earnings of young people as a percentage of adult earnings have risen in the post-war period, and the details are given in Table 1. (That table indicates that the problem is with boys rather than girls, but does not in itself show whether it lies with the under 18s or the 18-21s.) Research suggests, it

says, that there may have been a fairly strong adverse effect on the demand for young people's labour. Is this not a case of young people with little or no experience, and perhaps limited skills, simply pricing themselves out of their jobs by the unrealistic expectations they have been encouraged to hold? To what extent are trade union attitudes contributing to this? Is this not likely to be a more serious factor than the benefit-wage ratio, referred to in paragraph 17(c)? I was one of those that supported the main thrust of the parallel paper, which we have had from officials, about the proposed new "youth benefit", and I would not object to recasting benefits for young people out of work, along the lines recommended in that paper. But while this might help the benefit/wage ratio and encourage more vocational training, it is by no means clear that it would do much about work incentives (at £15.25 a week the present benefit level for someone under 18 living at home is well below any likely wage level), or would help more young people to find work, if the wage expectation continues to be unrealistically high.

c. Volunteering/National Service

This is the part of the Paper, which causes me most concern. I would feel bound to resist most strongly any suggestion of "compelling" young people to volunteer - for several reasons. First, if we want to encourage genuine volunteering among the young, the last way to do this is to force them to "volunteer". It is quite easy to give virtue a bad name. Second, this is the surest way to arouse the most hostile (and understandable) trade union and management suspicion - particularly in hospitals and other social service environments, where there is at present a widespread readiness to welcome genuine volunteers, provided these are suitable and suitably motivated and are not seen just as cheap sources of labour, displacing paid staff. Third, I am sure we must tread exceedingly warily when discussing anything as sensitive as "National Service" because of the connotation it

holds in many people's minds. The reaction to Jim Prior's reported comments earlier in the year demonstrates the political sensitivity. I agree entirely with what Jim says in his minute; and it would avoid misunderstanding if compulsion were kept out of the CPRS terms of reference.

At the same time, I believe there is a great deal more scope for providing useful voluntary work for those currently without paid employment. On benefit rules and volunteering, we are sharpening up our hitherto modest proposals and hope to be able to make progress with them soon. As the Treasury Paper says, the main impact will be presentational, though I would hope that they would go a little beyond that. We aim to remove any unnecessary obstacles posed by the "availability for work" rule; and to clear up any misunderstandings about the issue of expenses, which has in the past caused problems vis-a-vis the payment of benefit. We need to discuss how young people out of work can be put in touch with volunteer bureaux - for instance by having suitable notice boards, or other sources of information, at job centres. There are issues here which could, when the essential groundwork has been done, be looked at by the Ministerial inter-departmental group Chaired by Tim Raison, on which both Lynda Chalker and George Young sit. I have been disappointed by the slow progress of this group, some Members of which, no doubt for good reasons, see greater difficulties in fostering more volunteering.

Ideally, one would like to see the possibility of many more unemployed people (including young unemployed people) being given the chance, with the necessary supervision, of engaging in voluntary, social or environmental work. This, if well done, could do much more than simply keep them off the streets. I hope that the part of Jim Prior's recent youth, etc, unemployment package embodied in the Community Enterprise Programme, will be followed up vigorously. I still believe that helping with the insulation

of the homes of elderly and disabled people would be among the many worthwhile projects that should be explored - I do not believe that the problems of materials, costs, supervision, and type of work are insuperable.

d. The Costs of Unemployment

I have recently been trying to get accurate figures for the additional costs to public funds when a family man becomes unemployed. I am bound to say, I have been somewhat startled by the figures my officials have produced in conjunction with the Treasury. I attach, as an Annex, a calculation of costs for two typical cases; and you will see that the cost, taking account of the loss of tax and national insurance revenues, the repayment of income tax, the value of unemployment benefits, and the administrative costs of paying these benefits, amounts to roughly £50 per week for a single young person under 18, and no less than £150 per week (£7,800 a year) for a married man with two children. Hypothetical examples may, of course, exaggerate the overall Exchequer costs of a rise in unemployment (though not the relative costs for different groups). I understand that, taking account of the actual characteristics of unemployed people, the Treasury have estimated that the first-year costs of an increase of 100,000 in registered unemployment is £326 million, or £3,260 per person. However, this is clearly an underestimate, as it excludes some of the elements in the calculations set out in the Annex - for example, indirect tax revenue foregone, staff costs of administering benefits, and housing and other means-tested benefits for which people who are unemployed would be eligible.

The figure of £7,800 is a good deal higher than the figure given, for instance by Lord Cockfield, in a written Reply in the Lords on 12 November, where he put the cost for an employed man with wife and two children as amounting to £6,000, over a year. Altogether, it seems to me that the Exchequer costs of unemployment



may be very much higher than any figure on which we have hitherto been basing our calculations (even if one ignores health and social service costs of long-term unemployment). If this conclusion is anything like correct it suggests that carefully designed job creation activities should add very little to the PSBR, particularly if directed at unemployed family men. If account is taken of the value of the output or services produced and of the social and morale consequences, it is difficult to believe that the benefits of a sensible job creation programme would not outweigh these limited financial costs.

I have one or two other points on the Treasury Paper. First, I think, we should tread cautiously on the notion of abolishing contribution liability for, and in respect of, young people. This would be tantamount to a direct subsidy for employment, and could only have the effect, other things being equal, of displacing people for whom National Insurance Contributions have been paid. I am sure that this is a suggestion which would arouse great trade union hostility, and I remain to be convinced of its merits. It seems to me that it is much better to deal with the question of the costs of employing young people by encouraging realistic pay levels, where there should be a greater differential between young and unskilled or inexperienced people, and those who have spent several years in a job.

Second, the Paper makes some play with the greater geographical mobility of the young. Do not let us overlook the counterpart of that. I am not sure that it is right to send teenagers away from their families, with no qualifications, to try to establish themselves in an unfamiliar area without parental support, or without a guaranteed roof over their heads. This sort of mobility is already giving rise to serious problems in London where they are bad for boys and worse for girls. The Treasury Paper does not seem to take account of this at all.



I hope these thoughts will be considered helpful in our further consideration of the ideas canvassed in the Treasury Paper. Copies go to those who received Geoffrey Howe's minute.

P.J.

30 December 1980.



ANNEX 1 - THE COST OF UNEMPLOYMENT

	<u>£ pw</u>	
		Married Man with 2 Children at School - weeks 2 - 26
		Single Person, Under 18, Living at Home
		<hr style="width: 100%;"/>
Foregone income tax	29.62	7.07
Tax rebate (maximum)	12.38	7.93
NI contributions		
Employer	19.18	6.85
Employee	9.45	3.38
Indirect tax	8.00	4.00
Benefits		
Unemployment benefit	35.90	-
Earnings related supplement	16.50	-
Supplementary benefit	-	15.25
Housing Rebates:		
Rent	7.53	-
Rates	2.83	-
Free school meals	4.50	-
Civil Service	4.00	4.00
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
TOTAL	149.89	48.00
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

NOTES

1. Earnings

(i) The single person is assumed to have average earnings for the age group (in line with results from the Cohort Study of the Unemployed): estimated to be £50 pw;

(ii) The married man is assumed to have earnings just above the average for all adult men (based on results from the Cohort Study of the Unemployed): estimated to be £140 pw.



2. NI Contributions

Assumed contracted-in.

3. Indirect Taxes

Based on data from the 1978 FES published in Economic Trends, January 1980 ("The Effects of Taxes and Benefits on Household Income, 1978"). Changes since 1978 and other factors result in no overall change in indirect taxes as a proportion of disposable income according to the reply given to Lord Kilmarnock on 12th November 1980. Hence the 1978 figures have been used unadjusted to estimate how much indirect tax would have been paid while in work and how much when unemployed, assuming consumption patterns adjust immediately to the lower level of income. The estimate is particularly suspect for the single person, because the FES data referred to householders.

4. Benefits

November 1980 rates. For the married man, based on the DHSS Tax/Benefit model assuming he has been unemployed for between 2 and 26 weeks.

Manpower
Youth Services



✓ MJD

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Secretary of State for Social Services

2 pp 5 m

The Rt Hon Mark Carlisle
Secretary of State for Education & Science
Elizabeth House
York Road
London SE1

30 December 1950

Dear Mark,

Thank you for sending me a copy of your minute of 11 December to the Prime Minister about a review of the youth service. I understand that you will not now make an announcement until the New Year. This gives me a chance to raise a point which there was hardly time to do before.

I agree that the review should have restricted terms of reference but I wonder whether you would consider having a rather broader membership? It seems to me that the review would benefit from having a member who is deliberately chosen to look at the youth service from over the fence, as it were, and to offer a different perspective. Somebody from the social services field would be highly suitable for the purpose since many of the activities available under the label of Intermediate Treatment are much the same as those provided by the youth service and cater for much the same young people.

The sort of names I have in mind are Herbert Laming, Director of Social Services for Hertfordshire, and Jerry Norman, the Director of Project House 870 in Birmingham a voluntary project concerned with young people in trouble. Mr Norman is highly respected in the Intermediate Treatment field and also knows the youth service and education fields well. If you were ready to accept the idea in principle but wanted other suggestions, I could quickly provide them.

I am sending a copy of this letter to the Prime Minister and those who received copies of your minute.

Your ever
Patric

ENC

PERSONAL



cc Mr P. Nestor.

10 DOWNING STREET

From the Private Secretary

29 December 1980

9.1.81

The Prime Minister understands that Marks and Spencer have been somewhat disappointed in their experience of attempting to provide opportunities under the Youth Opportunities Programme.

22-12-80

Sir Derek Rayner has already written to Sir Richard O'Brien about this. The Prime Minister has seen a copy of his letter - copy attached. She has asked for your Secretary of State's comments.

This correspondence has come to the Prime Minister's attention on a private basis, and I shall be grateful if you could let us have a response without circulating it too widely.

M. A. PATTISON

Richard Dykes Esq
Department of Employment

sp

cc Mr Wolfson

Blind copy - Mr Latham



Prime Minister

CABINET OFFICE

Details of the

70 Whitehall, London SW1A 2AS Telephone 01- 233 8550

Marks Spencer/MSD case. I will let

Please show to Jim Pison and

22 December 1980

you know

Sir Richard O'Brien
Manpower Services Commission

for his comments
re.

next week whether
Derek Rayner
would be embarrassed
by public quoting
of this.

[Handwritten signature]

Our Personnel Group at Marks and Spencer provided me with some notes recently on the MSD procedures surrounding the operation of the Youth Opportunities Programme. They told me as follows -

MP 23/11

"Offers of Extra Places: should be made in writing - many MSD offices will not accept an offer over the telephone.

Agreement of Places: The MSD have a policy of visiting all prospective sponsors before agreeing to the allocation of places. Although all our stores offer the same training and conditions, each new store is visited and a report written before places are agreed. This results in a tremendous backlog of work and the MSD are still considering a few of the places which we offered in August. Some MSD officers even visit if the new offer is just an expansion of an existing scheme.

Decentralisation of the Scheme: Although we realise the reason for this (to invite a local involvement), we would prefer one central Agreement. Many MSD offices are reluctant to operate Area Agreements covering several stores and both the catering and retailing programmes. We constantly remind some offices that we do not wish to have individual store Agreements (this would result in 202 x 2 Agreements). Although an Area Agreement system is supposed to be possible, many stores are also allocated individual scheme numbers.

Different Opportunities within YOP: Stores are often approached to help in other ways eg short training courses. One recent example highlighted the fact that many schemes overlap:- We were asked to offer a 13 week training course in retailing and we were offered £70 per week for 8/12 places. On investigation we found the course very similar to our existing WEEP scheme. We chose to increase the number of WEEP trainees - at no charge."

This strikes me as rather laborious and duplicative. May I have your comments at leisure? If we could arrive at something less burdensome, I think it would help everyone concerned.

[Handwritten signature]
DEREK RAYNER



DEPARTMENT OF EDUCATION AND SCIENCE
 ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
 TELEPHONE 01-928 9222
 FROM THE SECRETARY OF STATE

Prime Minister ²
 Mr Carlisle decided to
 defer his announcement,
 to find a replacement
 for Mr Stevenson.

Mike Pattison Esq
 10 Downing Street
 LONDON SW1

M.P. 19/12/80
 Margaret
 19 December 1980

Dear Mike

MS

YOUTH SERVICE REVIEW

Thank you for your letter of 17 December. In the event my Secretary of State decided not to make an announcement before Christmas as the chairman of the review group felt strongly that the group would be out of balance if no substitute for Mr Stevenson was appointed. In these circumstances Mr Carlisle preferred to delay the announcement until a suitable alternative member had been decided upon. Mr Carlisle is entirely content with the Prime Minister's suggested change in the terms of reference of the review which will be confined to England.

Copies of this letter go to the private secretaries to the Secretaries of State for Employment, Social Services, Home Affairs, Scotland, Wales and Sir Robert Armstrong.

Yours sincerely

Peter Shaw

P A SHAW
 Private Secretary

FILE

JD



10 DOWNING STREET

BC LCO SO
LPO HO
D/M WO
DHS CO

From the Private Secretary

17 December 1980

Dear Peter

The Prime Minister has seen your Secretary of State's submission of 11 December about a Review of the Youth Service. She has also seen the Secretary of State for Wales's minute of 15 December.

Subject to any comments which the Chancellor of the Exchequer may make, she is content that there should be such a Review confined to England. As we have previously discussed, she would wish the first of the terms of reference to be amended to read "report on present provision".

As I told you on the telephone, the Prime Minister is unhappy about the balance of the Review group. She feels that the Voluntary Youth Service should be represented, and she has commented in particular that Mr. Dennis Stevenson seems to be appearing on a very wide range of Government sponsored bodies at present.

I understand that your Secretary of State would like to announce the Review this week. If so, I think it would be necessary to limit the announcement to the terms of reference and the Chairmanship, leaving the members of the Group to be added later when your Secretary of State has had a chance to submit an amended list to the Prime Minister.

*Yours ever
Mike Pattison*

PS. Your Secretary of State spoke to the Prime Minister about the Review this afternoon. He suggested to the Prime Minister that he should tomorrow announce the Review, with the Review Group composed of one less than originally proposed. He would exclude Mr. Stevenson. The Prime Minister accepted this.

Peter Shaw, Esq.,
Department of Education and Science.

CONFIDENTIAL

✓ M.D.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

YOUTH SERVICE REVIEW

I have seen a copy of Mark Carlisle's minute to you of 11 December, proposing to announce a review of the youth service.

I recognise that this comes from a Parliamentary commitment, and would not want to object to the announcement or the terms of reference of the group. As I understand it, the youth service is organised by local authorities, under the Education Act, and this should not cut across the broader study of youth unemployment which you have agreed that the CPRS should undertake.

I hope we can also take it that the "available resources" in the terms of reference are understood to mean resources which local authorities are prepared to devote within present plans, so that the result will not be pressure on the local authorities to exceed the public expenditure provision in this area.

I am sending copies of this to the Secretaries of State for Employment, Social Services, Home Affairs, Education and Science, Scotland, Wales and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G.H.'.

(G.H.)

17 December 1980

CONFIDENTIAL



10 DOWNING STREET

PRIME MINISTER

Mr. Edwards (Flag A) wants to exclude Wales from Mark Carlisle's Youth Service Review.

Mr. Carlisle will accept your amendment of i. of the Terms of Reference to "report on present provision", although he hankers after "report on the extent of present provision" - he thinks that the words "assess" and "quality" are the dangerous ones.

I understand that the Chancellor does not object to the principle of the Review, subject to an understanding of resource limitations.

Agree that the Review should go ahead, covering England only and with i. of the TOR amended?

Yes.

Content with the composition of the team suggested by Mr. Carlisle?

J.P.H.

PP MAP

16 December 1980

I don't think there are enough independent people on the team. Further Dennis P.T.O.

Stevenson comes up on
all these things - he is on
NEB. etc.

There is no one
from the voluntary youth
service. The suggested

hit - is a professional

parachute

not

A. D. G. 1981

CONFIDENTIAL



Prime Minister

2

PRIME MINISTER

Agreed
me

Mr Price is less than happy about the Treasury study, and complains - reasonably enough I suppose in view of the original remit - that he was not consulted. However, he is content for the CARS to undertake a study. I don't think a reply is needed.

LONG TERM UNEMPLOYMENT AND THE YOUNG

I have seen a copy of the Chancellor's minute of 5 December on this subject and of your private secretary's letter of 8 December.

I must say I am very surprised that the Treasury should have produced their note without any consultation with those responsible for these matters. The remit to the Chancellor, conveyed in your private secretary's letter of 5 November, was to undertake an imaginative examination of the possibilities in consultation with myself and Patrick Jenkin. There has been no such consultation.

D.
14/12

Nor does the result carry us any further forward. More co-ordination, better publicity and an assessment of compulsory national service - when we have always ruled out compulsion, and rightly so in my view - are not going to help the unemployed, let alone meet the original remit.

So far as the young unemployed are concerned, I have of course recently announced the main thrust of our policies for 1981-82 and put the expansion of YOP in the context of our longer term aims to develop preparation for and training in work of all young people. We shall need to keep a careful eye on the side effects of the large expansion of YOP, but I do not at all share the apprehensions set out in the Treasury note about its diminishing returns. Indeed, with increased emphasis on the training content and the development of individuals through progressive courses, it constitutes the best investment in the young unemployed for the future development of the labour market that has yet been identified.

Furthermore, I think we have better co-ordination than the report allows. The list of existing schemes and proposals in paragraphs 28-29 of the Treasury paper clearly shows the responsibility for most of them rests with me and the MSC and with Patrick Jenkin on benefit questions. The inter-relationships are well recognised. We have already remitted

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to the inter-departmental Manpower Group (the body normally charged with work on special employment measures) the handling of the new initiative on industrial training and the bringing together of current work on improving links between training and education, with a request that they also take account of proposals for financial support for 16-18 year olds. In that context we shall be considering soon a draft White Paper intended to set the industrial training legislation in the context of all our relevant efforts, particularly for the young.

I do nonetheless welcome the idea of study by the CPRS, provided they are given a remit enabling them to do a useful job. I do not think that they should spend much (if any) time on ideas of compulsory national service. Nor do I think we should exaggerate the scope for further study of incentives for young people to work (bearing in mind that supplementary benefit for 16 and 17 year olds is only half the average level of wages in the lowest decile of earnings in the age group). I agree that they should concentrate on the young, but I should like them to feel free also to float any new ideas for lessening the problem of long term adult unemployment, about which the Treasury note has nothing to say, and to do so in relation to the scale and nature of the problems that we shall evidently face over the next 18 months or more. They should take account of and not duplicate what is already being done and developed and be invited to come up with any new ideas at all that they think would help, even though they may have a net cost. On that basis I would strongly support their undertaking a study as quickly as can be managed.

I am sending copies of this minute to the Home Secretary, the Chancellor, the Secretary of State for Defence, and the Secretaries of State for Health and Social Security, Education and Science, and for Scotland and Wales; and to Sir Robert Armstrong and Robin Ibbs.

A handwritten signature in blue ink, appearing to be "JP".

JP
December 1980

Yark Gup! Manpower
with 72



Prime Minister

YOUTH SERVICE REVIEW

I have seen Mark Carlisle's minute of 11 December proposing a small Review Group to conduct a review of the Youth Service in England and Wales. Responsibility for the youth service in Wales falls to me and my wish is that a review of the kind which Mark proposes ought not to extend to Wales.

With only eight local education authorities the need for a separate review of extent and quality of provision is not justified. HM Inspectors are presently engaged in an assessment of the extent of present provision in both the statutory and voluntary sectors and will be considering in the light of this information what further surveys they may need to carry out to assess its quality. I think that that will be a better starting point for me in considering the need for any further and separate review than the work which a Review Body of the kind which Mark proposes could carry out.

If you agree, therefore, the terms of the Annex to Mark's letter should be amended to exclude references to Wales.

/ I am sending copies to Mark Carlisle and the other recipients of his minute.

R.

RNE

15 December 1980

From: THE PRIVATE SECRETARY

NBPM

MAD



CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

12 December 1980

Dear Tim,

LONG-TERM UNEMPLOYMENT AND THE YOUNG

The Home Secretary was interested to see the Chancellor of the Exchequer's minute of 5th December on long-term unemployment and the young and your letter of 8th December reporting the Prime Minister's views.

The Home Secretary expects that the Prime Minister will by now have seen the minutes of the H Committee discussion of financial support for 16-18 year olds on 9th December (H(80) 26th Meeting, Minute 2). Some members of the Committee were attracted to the idea of a graduated young persons' benefit payable both to the unemployed and to those in education. Others saw considerable political difficulties in it. It was therefore too early for the Committee to decide whether, and if so how, any wider consultation should be undertaken so the question of the timing of such consultation raised by your letter did not arise. The next step will be for the Official Group on Financial Support for 16-18 year olds to prepare a detailed analysis of the balance of advantage of the introduction of a young persons' benefit. H Committee will then consider the matter again on the basis of their report, by which time the outcome of other relevant work may be known.

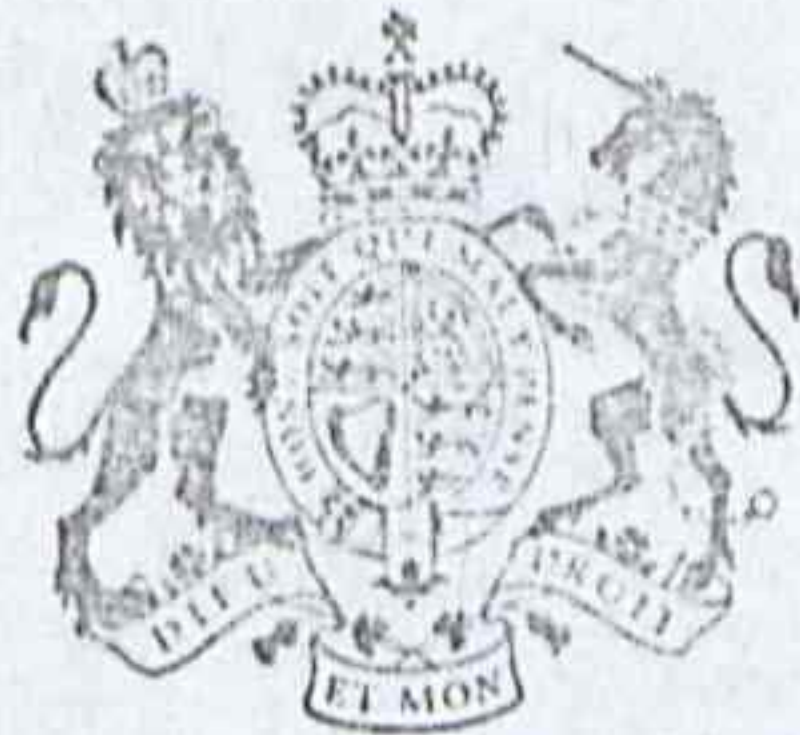
I am sending copies of this letter to John Wiggins (Treasury), Brian Norbury (Ministry of Defence), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education and Science), Godfrey Robson (Scottish Office), John Craig (Welsh Office), David Wright (Cabinet Office) and Robin Ibbs.

Yours,
S. W. Boys Smith

S. W. BOYS SMITH

T. P. Lankester, Esq.

CONFIDENTIAL



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Manpower

M. Patten
to me

12/12

Rt Hon Sir Geoffrey Howe QC MP
The Chancellor of the Exchequer
Treasury
Parliament Street
London
SW10 3HE

12 December 1980

Geo Geoffrey *will request
inspired*

You wrote to me on 20 November about higher education and about follow-through from the MISC 14 meeting in July.

On the matter of "steering" the higher education system, of course I accept that some general guidance from the centre is appropriate. I share your view that the economy stands to benefit from a good supply of graduates and others at the scientific and technological end of the spectrum, to provide the professionals and technicians which industry needs and will increasingly need as the economy revives. It is part of my policy to operate on the demand side of the equation by improving awareness of the career benefits to be expected from courses with a vocational content, and my endeavours to raise the quality of school education could bear fruit in an improved pattern of higher education as well as in other ways. I have also, for example, as you know, issued a consultative paper aimed at helping the development of post-experience vocational education, and we are continuing the system of industrial scholarships which offers encouragement to good candidates to study engineering. But I must make the point that the swingeing cuts now planned in educational expenditure can only hinder our endeavours. Inevitably there will be more schools poorly staffed to teach science and mathematics; inevitably universities and polytechnics will be unable to adapt so as to offer the strength in engineering education, computer studies and so forth which one would like to see.

On the other hand, if by "steering" one means an approach to detailed determination of what the Higher Education system provides, I see every reason for caution. The question "what graduates ought we to have?" is not one which I feel competent to answer. Is industry, or are employers generally, prepared to do that? The work by the Unit

of Manpower Studies, and its recent report to which you refer, is surely relevant to this. Perhaps Keith Joseph or Jim Prior would care also to comment.

Before leaving Higher Education, I should like to pick up briefly one other point which you make. I should be glad to see industry doing far more than it has done to convey its needs to those responsible for designing and developing higher education courses. Universities and polytechnics already do much to respond to the demands of industry and can show a good track record of reacting positively to clear messages.

So far as MISC 14's invitation to me to consult with Keith Joseph and Jim Prior on a number of other important education matters is concerned, agenda proposed was very wide-ranging; and, as the checklist attached to MISC 14(80)13 indicated, action had already been taken, or was in hand, in all the areas identified. Often this action involves concerted working between the Education Departments, DE, DOI and other parts of Whitehall: examples include unified vocational preparation, the educational implications of Finniston, and financial support for the 16-19 age group. In other cases policies need to be developed first in other ways before they can be usefully carried forward like this. I have in mind the 16-19 Group under Neil Macfarlane's chairmanship, due to report shortly, and the consultative document on continuing education, on which we have invited comments by the end of the year.

There are admittedly the specific remits from MISC 14 on careers education and guidance, and on the scope for incentives to increase the supply of teachers of shortage subjects. My officials are pursuing them, and I hope we shall be able to discharge them early in the New Year.

I accept of course the case for reviewing the education and training systems from time to time in relation to the needs of the economy. Here I see the central issue for collective consideration as being the overall pattern of education and training of the 16-19 age group. I wrote to Jim Prior about this in June. As you know, Ministers meeting in E Committee have now asked the Manpower Group to bring together work on links between education and training, and consider the possible content of a White Paper to be published at the same time as the Training Bill. Within this new context my Department will of course be glad to expose all aspects of our thinking about the development of 16-19 provision in relation to the needs of employment and the economy.

Copies of this letter go to the other recipients of yours.

Yours ever
Mark

MARK CARLISLE

✓ cc. Home Affairs: T. Skeet's Youth Community Bill: Oct 79

PRIME MINISTER

Mark Carlisle proposes to set up a small review group to look at youth service provision. The proposed composition and terms of reference are set out in the annex to his minute below. The proposal for a review comes out of the debate on Trevor Skeet's Motion in July.

Always is.

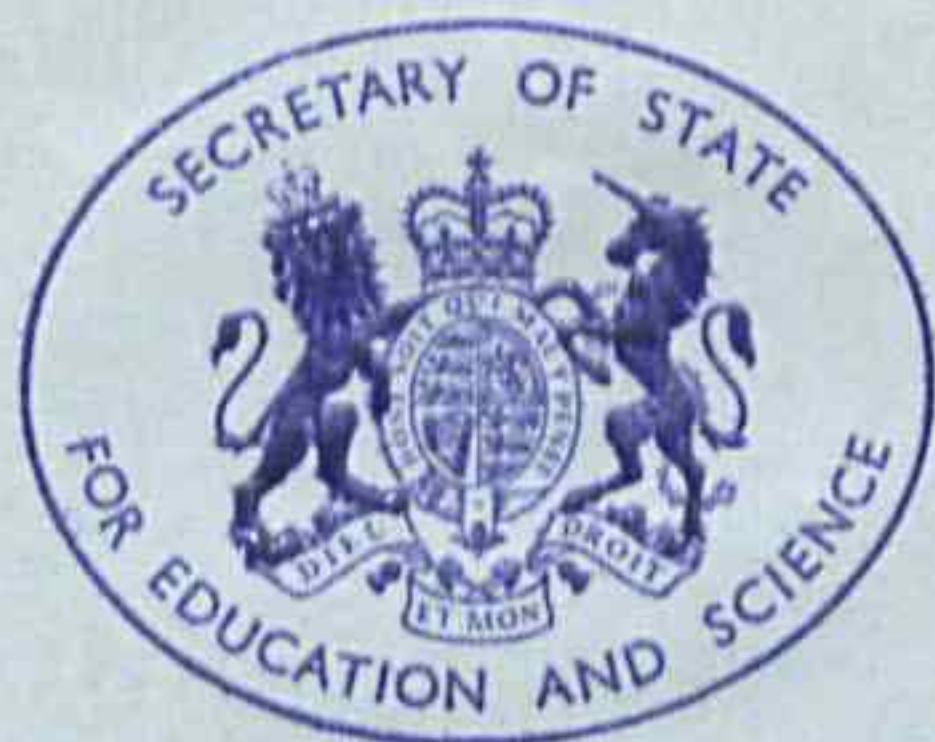
The youth lobby is very unhappy with the Government at the moment, and I think the Government is committed to some kind of review. But you may think that point (iii) of the terms of reference is too much of a hostage to fortune - any review group given that kind of invitation seems bound to propose legislation and to ask for more money. The words used are taken from Neil Macfarlane's speech in the debate, so it will not be easy to draw back.

You may also dislike at least one of the nominees for membership.

Do you want to await colleagues' comments before responding to Mr. Carlisle?

12 December 1980

No (i) is much too wide
It is an open invitation
to demand more.
Can we substitute "youth-ment
or some more limited
words than "youth-ment"
which is more limited
We are always having reviews
on youth services.
M.



✓ Home Affairs: T. Skeets

Youth + Community Bill : Oct 79

PRIME MINISTER

YOUTH SERVICE REVIEW

You will recall Trevor Skeet tabling his Private Members motion in July which was unhelpful to the Government and one which the Chief Whip and I felt would produce a very difficult vote. Our only solution therefore was to ensure no vote and persuade Skeet to change the wording. This we did, but the price was the commitment which Neil Macfarlane gave on my behalf during the debate: that the Government would "pursue a review of provision for youth which would include an assessment of the need for legislation during the lifetime of this Parliament".

We have now considered the pattern this review should take, acknowledging public expenditure constraints and the need to avoid arousing unrealistic expectations. It is clear to me that it must be focussed on the Youth Service. A review of all aspects of society's concern with young people would take us well into the realm of unreality, as well as being extremely difficult to mount. I am also clear that it should not be an exercise on the scale of the Albemarle Committee's Report in 1958, or the Youth Service Development Council's Report in 1969.

I am therefore proposing to set up a very small review group, with a membership (including the chairman) of half a dozen.

I attach a note of the terms of reference I am proposing, and the names I have in mind. All have been sounded and will be willing to serve if formally asked. I see this as a low-key exercise by a workmanlike body able to produce in a reasonable period (which I expect to be between a year and eighteen months) a sensible report taking full account of the constraints. Alan Thompson, who has only just retired, can be relied on to steer the group sympathetically, but in the correct way. You will note that our nominees embrace the appropriate background in regional and local government terms, as well as business.

We are under much pressure within and outside the House to announce the form that the review will take. I am sure we must do so before the Christmas recess, and I would like to do so by the middle of next week. May I have your agreement to proceed in this way?

I am copying this to the Lord Chancellor, in view of my previous correspondence with him about the promise of a review - and to Michael Jopling in case he wishes to comment on the proposed membership of the review group. Copies also go to Geoffrey Howe, Christopher Soames, Jim Prior, Patrick Jenkin, Willie Whitelaw, George Younger, Nicholas Edwards and Sir Robert Armstrong.

P. A. Show

for

MARK CARLISLE

11 December 1980

(Dictated by the Secretary of State and signed in his absence)

REVIEW OF YOUTH SERVICE PROVISION

Terms of Reference

To conduct a review of the Youth Service in England and Wales, in both statutory and voluntary sectors, in order to:

- X i. assess the ~~extent and quality of~~ present provision;
- ii. consider whether available resources could be deployed more effectively, and
- iii. assess the need for legislation in the light of i and ii.

Proposed composition

Chairman: Mr Alan Thompson, former Deputy Secretary,
Department of Education and Science

Members: Mr John Collins, Chairman, British Youth Council
and is from Swansea

Mr Eric Hopwood, Senior Education Officer, Community
Education and Careers Service, Essex LEA

Mr W R Knight, Chief Administrative Officer,
Directorate of Educational Services, Bradford

Mr Dennis Stevenson, Businessman, and Chairman of the
National Association of Youth Clubs, former Chairman
Peterlee New Town Development Corporation

Mrs Judith Walpole, Chairman, County Education
Committee, Norfolk.

Education

PRIME MINISTER

Here are the minutes of the H Committee discussion on financial support for 16 - 18 year olds.

In the light of your comments about the work in hand in the Manpower Group, the Home Secretary guided the Committee through a Second Reading Debate, and then referred the proposals back to officials, to prepare an analysis of the balance of advantage of introducing a graduated young persons' benefit in the light of the points made in discussion. The timing of any decisions will now be brought into line with the complementary work in hand elsewhere.

You will see that the discussion did deal with the poverty trap effect, among other issues. Whilst the Committee seems to have felt that the young persons' benefit proposal would provide a more coherent system of financial support for this age group, there are real doubts about what would be achieved in terms of education and training. At minimum, these discussions will allow the Government to show that it has reviewed financial provision for those over 16.

MAD

ms

11 December 1980



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Manpower

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

12
10/12
10 December 1980

Dear Chancellor,

EMPLOYMENT AND TRAINING BILL: STATUTORY SCOTTISH AND WELSH COMMITTEES FOR THE MSC

Jim Prior has sent me a copy of his letter of 10 October about his proposal that the forthcoming Employment and Training Bill should not now include a provision to place the Scottish and Welsh Committees of the Manpower Services Commission on a statutory basis, and I have seen a copy of Nicholas Edwards' response of 3 November.

In my letter of 7 August to Jim Prior I welcomed the proposed inclusion of this provision, which I considered non-controversial, because I am concerned that the arrangements by which I have responsibility for the activities of the Manpower Services Commission in Scotland should be as effective as possible. My reasons were both practical and presentational - since the provision would have given me a formal role in making appointments to the Scottish Committee and it would have consolidated the standing and effectiveness of the Scottish and Welsh Committees.

Like Nicholas Edwards, however, I recognise that there are arguments against such a provision and I am conscious of Willie Whitelaw's request that the Bill should be kept as short as possible. I am, therefore, reluctantly prepared to agree that we should not in the present Bill seek to put the Scottish and Welsh Committees of the Manpower Services Commission on a statutory basis though I still consider this to be a desirable objective and I may wish to return to it if, on some future occasion, the circumstances seem more appropriate.

I am copying this letter to the Prime Minister, the Members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Wales and Education and Science, Sir Robert Armstrong and Mr J R Ibbs.

Yours sincerely,

Caroline Spence

Approved by the Secretary of State
to be signed in his name

Manpower

2

PRIME MINISTER

Long-Term Unemployment and the Young

I have passed your comments on the Treasury paper back to the Treasury, and in particular I have asked them to consider carefully the point which you made - that it would be better not to put out a consultation paper on young persons' benefit until the CPRS have reported on the general question of youth unemployment.

You asked whether the findings of the Treasury Working Group would be fed to the Department of Employment. Employment have received a copy of their report; but the report does not make recommendations for immediate decisions. These will follow the completion of the CPRS study.

ms.

R.

8 December 1980

Spread
Employment
Measures

NB

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FILE



cc: HO
MOD
OTemp
DHSS
DES

10 DOWNING STREET

From the Private Secretary

b.c: Mr. Hoskyns

8 December 1980

SO
WO
CO
CPRS

Long-Term Unemployment and the Young

The Prime Minister has read the Chancellor's minute of 5 December on the above subject and also the internal Treasury report which he enclosed with it. She has asked me to say that she found the latter report excellent and revealing, and she agrees - subject to any comments from Ministerial colleagues - with the Chancellor's proposal that the CPRS should now be asked to undertake a more detailed review with a view to making recommendations on the future course of policy.

The Prime Minister has noted that the proposal for a new young persons' benefit, which is described in H(80)81 and which is to be considered in H Committee tomorrow, would have implications for other decisions that might be taken to help alleviate unemployment amongst the young. She is concerned that the Government should not take piecemeal decisions in this area, and she wonders therefore whether it would not be better for the CPRS to complete their study before putting out a consultation paper on young persons' benefit (which is discussed as a possibility in the paper for H Committee).

I am sending copies of this letter to John Halliday (Home Office), Brian Norbury (Ministry of Defence), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education and Science), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Sir Robert Armstrong and Robin Ibbs.

T. P. LANKESTER

John Wiggins, Esq.,
HM Treasury.

WJG

PRIME MINISTER

You asked about your recollection of the

TL to see + PA MS

YOUTH UNEMPLOYMENT

Very inadequate information research on pay for the young (red flag). This Study by Richard Layard for Centre for Labour Economics in the LSE - not published - 1979 (should not be quoted) suggested that a decrease in the differential between wages of young and of adults would have an effect on the employment of young. advice is not v. promising MJ

MSC forecasts do give some weight to this idea though a study by DE last year found no significant relation between the two. (HMT think DE study is doubtful).

Prime Minister can say that:

Earnings of young people have risen markedly over the past twenty years or so relative to adult earnings and as a result it has become uneconomic to employ young people in jobs traditionally reserved for them (employers preferring older, more stable employees).

Young people increasingly compete with adults for jobs. The decrease in the differential between the wages of young and adults is certainly one explanation of why youth unemployment is so high relative to adult unemployment.

ms.

John Gere 233 5492

A. D. Agnew

not to the Hon. Secy



Amendment

You have already agreed, privately, with the Chancellor that the CPAS should undertake a review of this subject. If

Treasury Chambers, Parliament Street, SW1P 3AG

01233 3000

You agree, I will now give it your formal blessing - subject

any comments from colleagues.

(The internal Treasury study attached is excellent - you might glance at the conclusions - para 64 onwards)

Tim - ① I agree with your report in excellent

② In the same line as regards which is included in the Treasury on a new subject - I think that the Treasury is responsible for the work.

PRIME MINISTER

LONG TERM UNEMPLOYMENT AND THE YOUNG

You will recall that we had a discussion a few weeks ago about the problems in this general area and you asked me (as recorded in Mr Lankester's letter of 5 November) to arrange for an examination of the possibilities with a view to preparing a report for your consideration in due course.

*R
5/12*

③ I agree the report to CPAS. What can be done reviewed decision no 3 and I wonder if before a go over consultation on the other page - or should we do it with CPAS so the Treasury have to be carefully checked.

2. As a first step I asked my officials to carry out a quick internal examination of existing policies on youth unemployment and of possible new avenues of approach, and I now enclose a copy of the paper they have produced for me.

3. I must stress that the paper was produced entirely within the Treasury and under pressure at a particularly busy time. It does not pretend to provide a comprehensive review of all the issues, and it does of course address them from a specifically Treasury standpoint. Nevertheless I think it is helpful in providing a quick survey of the various measures that are currently being implemented or considered and in relating them to our overall monetary and fiscal strategy.

④ How is Treasury conducting its work? Is it within the remit?

4. The conclusions



4. The conclusions and recommendations of the paper are set out in paragraphs 64-68. They rightly, in my view, stress the need for greater co-ordination of existing policies and work and for a more robust presentation. On the substance of the issues the paper identifies areas where further work is necessary. Of those they mention I would attach particular importance to the possibility of increasing incentives to work among young people (by further consideration of the structure of Social Security benefits and the relationship of juvenile to adult wage levels) and to the removal of restrictive and outdated practices. I would also have liked the paper to give more emphasis to the need to encourage geographical mobility and this is clearly something that must be looked into further.

5. Nearly all these issues cross departmental boundaries and, for this reason, I strongly support the recommendation (at paragraph 68(ii)) that the CPRS should be invited to review the present range of activities and proposals and make recommendations on the future course of policy. I would hope that they could not only provide a fairly wide ranging and objective assessment themselves but also, with the help of other Departments as necessary, follow up in greater detail some of the points (for example the costing of national service type options) which my officials could not examine in depth in the time available. The CPRS would certainly be able to count on help from the Treasury in dealing with this and other points and we would wish to be kept in close touch with the work as it progressed (as, I am sure, would other Departments).

/6. Of course,

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6. Of course, some of the topics will fall to be discussed by officials in the Manpower Group under the Department of Employment (as recently agreed at E Committee) but I still see advantage in inviting the CPRS, if they can take the task on, to survey the whole field. As to timing, although I would not expect the work to lead to proposals with any substantial net fiscal impact, it would be most helpful to have a report by mid-February at the latest so that it could be taken into account in formulating my Budget. At the least, for example, there might be important presentational points that could gain from being made in the Budget context. So this is the timescale I think we ought to aim at, and indeed it may even prove necessary to try to accelerate it a little in order to be sure that the work could be useful in other current contexts such as the review of training policy. In the meantime I would not, of course, want to delay other work such as that being undertaken in MISC 45 on possible new forms of public financial support for the young. It will still be important, however, to relate them to the wider context.

7. I am sending copies of this minute to the Home Secretary, the Secretaries of State for Defence, Employment, Social Services, Education and Science, Scotland and Wales, Sir Robert Armstrong and Mr. Ibbs.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

(G.H.)

5 December 1980

REPORT OF WORKING GROUP ON YOUTH UNEMPLOYMENT

LONG TERM UNEMPLOYMENT AND THE YOUNG

Background

This internal Treasury Working Group on Youth Unemployment was set up in response to the Chancellor's concern about the high level of unemployment among young people. The Chancellor asked that the possibility of a major Government initiative in this area be explored; and the Central Unit were asked to prepare a paper which could serve as a basis for discussion with the Secretary of State for Employment and other Ministers.

2. This report is the outcome of that request. It has been compiled by a Group entirely within the Treasury under the Chairmanship of the Head of the Central Unit and comprising representatives from the IP, MP, SS, FP, HE and DEU Groups.

3. In considering how unemployment among young people might be alleviated the Group attached particular importance to the need to ensure that any measures contemplated were compatible with the central thrust of the Government's economic policy, particularly the need to contain public expenditure and the PSBR and not to impede the process of economic adjustment and reduction in inflation that are at the heart of the Government's strategy.

4. Starting from this premise we reviewed quickly the extent and causes of youth unemployment; the effectiveness of existing schemes and their potential for extension; the feasibility of initiating further schemes (including national service); the MSC's proposals for a consultative document on a new strategy for training; and the work that is in progress on adjustments to the supplementary benefit system. Inevitably, in the short time available, we have not been able exhaustively to explore all the possibilities.

ECONOMIC BACKGROUND

5. This introductory section has two purposes. First, it attempts to answer some basic questions such as;- Is the problem of youth unemployment likely to worsen, or get better, over the forecast period; how high is youth unemployment in relation to adult unemployment; are young people unemployed for longer or shorter periods than adults on average; what are the main determinants of the relatively high youth unemployment rates? Secondly, we set out an economic framework within which we think policy measures must be assessed.

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Current position

6. There are 1.8m 16 and 17 year olds. On average during 1979 55% of the group were in employment, 35% in full time education, 6% unemployed and 4% on the Youth Opportunities Programme (through which over 20% of the age group will pass at some time.) The earnings of those in work averaged £48 a week (boys) and £45 a week (girls) in April 1980. The number of 18 and 19 year olds is about 1.7m. In 1979 about 75% of the age group were in work, 17% in full time education and 7½% unemployed. Average earnings in April 1980 were £76 a week (boys) and £60 a week (girls).

Forecasts of Unemployment

7. Unemployment has risen sharply this year and in October seasonally adjusted UK unemployment excluding school leavers stood at 1.8 million. Both Treasury and outside forecasters see a further rise over the next year or two, although there are some differences of opinion about the likely path of unemployment thereafter. Most forecasters are predicting a rise in unemployment to around 2½ to 2½ million (ie 9-10%) in the fourth quarter of 1981.

The Relationship between Youth Unemployment and Total Unemployment

8. Chart 1 shows movements in male youth unemployment and total male unemployment rates over the last twenty years (a similar pattern emerges if we look at rates for females). Up to about 1970 youth rates were no higher, indeed somewhat lower, than adult rates. (Relatively low rates of youth unemployment were also a feature of the 1920s and 1930s, so that there is nothing immutable about today's high rates). Youth rates rose very rapidly in 1971 and 1972, fell in 1973, rose rapidly in 1975 and 1976 (to over 10%) before flattening out, though there is evidence of a recent further increase.

9. The following table shows the unemployment position in October 1980.

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Unemployment in Great Britain in October 1980

	Under 18	18-19	Under 20	All Ages
<u>Unemployed ('000s)</u>				
Males	119	115	234	1,353
Females	106	92	198	620
Total	225	207	432	1,973
<u>Unemployment (% total unemployment)</u>				
Males	8.8	8.5	17.3	100.0
Females	17.1	14.8	31.9	100.0
Total	11.4	10.5	21.8	100.0

10. Thus in October 1980 there were about 430,000 unemployed teenagers, equivalent to 22% of the total unemployed labour force. But of these some 140,000 are school leavers who do not affect the 'underlying' position. The underlying rate of unemployment for this age group is about 14% compared with about 7½% for the rest of the labour force. The table shows more young men than young women as unemployed. In relation to total numbers unemployed in all age groups, however, young women's unemployment appears to be twice as high as young men's. This is because many older women are not in the labour force and many others are not entitled to benefit and hence do not register as unemployed.

11. The rise in youth unemployment in recent years has been mitigated by the effects of schemes such as the Youth Opportunities Programme (YOP). This scheme is estimated to be taking some 100,000 people off the register at the moment. Over half the people supported by YOP are school leavers. Thus, very roughly, YOP and other schemes reduce the underlying youth unemployment rate by about 2% - this compares with a figure of around 1% for 1976-77 (when special measures were first introduced) and about 1½% for 1977-78 to 1979-80. A major expansion of YOP has been agreed and by 1982 it will be taking an average of some 120,000 young people off the register.

12. Recent experience suggests that youth rates of unemployment are likely to continue to rise relative to adult rates over the next year. Projections suggest that, allowing for the expansion of YOP, the under 20s rate (excluding school leavers) may rise towards 20% (about 400,000) if national unemployment approaches 2½ million.

Duration of Unemployment

13. The number of unemployed recorded at any point of time reflects both the number of people coming on to the unemployment register and the length of time they stay on it. The length of unemployment is one indicator of the severity with which unemployment affects particular groups.

14. Chart 2 shows that young people are concentrated in the low duration of male unemployment categories. The median duration of male unemployment for the under 18 age group (some four weeks) is half that of the 18-19 age group, a quarter of the 25-29 group, and a tenth of the 60-64 group (these figures relate to uncompleted periods of unemployment). The probability of long-term unemployment also increases with age. Thus of those people on the register at January 1980, some 20% of males aged under 20 had been unemployed for more than 26 consecutive weeks compared with an average of over 45% for other groups. Much of this short duration unemployment amongst young people seems to be of the job search variety and reflects the ordinary functioning of the labour market. The number of long-term unemployed, however, seems likely to rise as the recession deepens.

15. The question also arises as to whether young people tend to be particularly 'scarred' by their experiences of unemployment, relatively short though these may be, and thus more likely in later life to join the ranks of the long-term unemployed. There is no firm evidence on this, and it may well be that a propensity to chronic unemployment is attributable to lack of skills or social advantages rather than to unemployment in early life.

16. However, the rate of unemployment is higher than average among the under 20s and there are many advocates of the social desirability of helping them (because, for instance, of the apparent connection between unemployment and juvenile crime). Moreover, we recognise that there are important political considerations. Not only is this a matter on which there is a good deal of specific public comment and criticism but to the extent that the problem can be alleviated political pressure on the Government to alter its overall macro-economic strategy may be diminished.

Causes of Rising Relative Youth Unemployment

17. A number of factors contribute to the current high relative rates of youth unemployment. We were unable to reach specific conclusions ourselves but reviewed briefly the explanations that are most commonly advanced. These include a general lack of demand for labour as well as factors influencing the specific demand for young people (relative wage costs, productivity or the supply of labour by competing groups -eg married women). Supply side explanations tend to concentrate on demographic changes and factors influencing

activity rates of young people. The most frequently advanced hypotheses include the following:-

- a. Aggregate demand for labour. Recent studies of the post-war period by D/Employment and OECD argue that youth unemployment rises or falls by more than total unemployment when the level of total unemployment changes (evidence from the pre-war period is, however, less clear-cut). The explanation may be in part that during a recession employers cut back on recruitment and fire people on a last in, first out, basis. In addition, as unemployment rises, young people face increasing competition from older workers such as married women who may have more experience of work and be more reliable as employees.
- b. Relative wage movements. Earnings of young people as a percentage of adult earnings have risen in the post-war period (see Table 1 attached). Some research suggests that there may have been a fairly strong adverse effect on the demand for young people's labour. There may also have been an effect on supply as high wages encourage young people to enter the labour market earlier.
- c. Benefit/Wage ratios. Unemployment may depend also on the relative attractiveness of being unemployed or taking low paid employment. This depends inter alia on the benefit/wage ratio and this is commonly cited as an important contributory cause of present problems. It is, however, difficult to establish firm conclusions. On the one hand national insurance and supplementary benefit, as a ratio of net earnings of young people, have not changed significantly over the last 20 years. On the other hand, the real value of benefits has risen strongly which may have introduced a stronger disincentive to work in the case of young people than in the case of older workers. There is some evidence for the inter-war period that youth unemployment was lower than adult unemployment because of the relatively low benefits available for the young.
- d. Demographic factors. There has been a 'bulge' in the number of young people coming on to the labour market (this bulge started about 1970 and will carry on until about 1983). Changes in school leaving arrangements may have long run effects on registered youth unemployment - for example, the raising of the school leaving age in 1972 and changes in entitlement to Supplementary Benefit may have increased the number of school leavers who register.
- e. Other factors. Various other explanations of higher youth unemployment are sometimes put forward. One is that the employment prospects of younger workers have deteriorated as a result of legislation (eg the Employment Protection Act and Redundancy Payments Act) which has increased job security and reduced turnover in the labour market.

A Policy Framework

18. It is most important to assess measures to alleviate youth unemployment in relation to overall economic policy. The main aim of the Government's macro-economic policy is to bring down the rate of inflation and create conditions favourable to growth in output and employment. To achieve this, the Medium Term Financial Strategy set out a commitment to a reduction in the growth of the money supply over a period of years.

19. The main means by which slower monetary growth will reduce inflation are a lower pressure of demand, an exchange rate higher than it would otherwise have been, and a lowering of inflationary expectations following a firm commitment to money supply targets. This last would represent the least painful way of bringing down inflation by making a much lower level of wage settlements acceptable.

20. The weaker the influence of monetary targets on price expectations, the longer will be the transitional period of high unemployment and a high exchange rate. It is therefore particularly important, given the Government's overriding commitment to reducing the rate of inflation that measures directed at reducing youth unemployment should not frustrate the mechanisms through which slack demand in the labour market brings down the level of wages settlements and the rate of inflation.

21. The Government's commitment to the strategy summarised above, and the reduced public sector borrowing needed to achieve it, means that it is neither possible nor right to tackle youth unemployment by the traditional short run expedient of a reflationary fiscal policy. On the other hand there might be further scope for reallocating public expenditure or switching taxes in ways which would reduce youth unemployment.

Finance

22. The success of the Government's economic strategy depends on restraining both public expenditure and the PSBR and it is against these requirements that new initiatives relating to unemployment among young people need in the first instance to be judged.

23. To the extent that schemes are centred on existing institutions or firms are willing to co-operate, the costs to the Government may be reduced. This is the approach of the current MSC programmes which rely on firms, local authorities and voluntary bodies to

ponsor projects and provide most of the raw materials and infrastructure.

24. To the extent that schemes reduce unemployment there would be offsets in reduced claims on the Social Security Budget and there may also be increased revenue from tax and National Insurance (though it is difficult to quantify these savings). The number of people directly removed from the register is itself uncertain, since all schemes to a greater or less extent both cover some people who would have found employment in any case and lead to production which competes with and displaces activity elsewhere in the economy. In addition the measures have to be financed. If this is done by extra borrowing interest rates will rise, raising public sector debt interest and reducing activity in the economy; if the measures are financed by cuts in other programmes, the net employment effect is substantially reduced (ie reductions in youth unemployment are at the expense of increases in unemployment elsewhere). In addition, the directly perceived increase in employment might have occurred in any case (eg subsidies to employers may finance employment that was already being planned).

Policy approaches

25. It is against this economic analysis and financing constraint that alternative policies need to be evaluated. The broad options seem to us to be:-

Generating additional jobs for young people

a. through the market -

in the short term:

- (i) by lowering their cost to employers - wage subsidies, remission of NI contributions or reducing wages for young people;
- (ii) by encouraging young people to seek lower paid work by reducing, or altering the conditions of entitlement to, social security benefits;

in the longer term:

- (iii) by removing restrictive practices etc. which hinder the employment of young people, eg minimum wage rules.

b. through public provision -

- (i) to provide temporary work of social value and reduce registered unemployment;
- (ii) to provide work with a valuable training or educational content.

Taking young people off the labour market

- (i) by encouraging participation in further education (eg through providing training courses or through the new examination at age 17 now proposed by DES);

- (ii) by some form of national service.

Clearly some of these options could be combined with others; and the measures to take young people off the labour market could be introduced with various degrees of compulsion or incentive.

26. To some extent the choice between options will depend on whether the Government's objectives are essentially short-term, whether of a largely cosmetic nature (reducing the register), or more fundamental (attempting to target measures at particularly disadvantaged and deprived groups - the handicapped, the unskilled and ethnic minorities), or longer term (raising the productivity or flexibility of the labour force). Another consideration is whether the objective of the policy is to reduce unemployment or increase employment; some measures may be better in the former respect, others in the latter. A further question is whether the measures genuinely create additional employment (and output?) or essentially change the composition of employment or unemployment between younger and older people. It is also important to ensure that the policy is reversible; for example, measures which permanently reduce the supply of labour simultaneously reduce the productive potential of the economy and hence the long-run growth of output.

27. Both from the point of view of reducing inflation and of establishing conditions favourable to growth in the future, measures which improve the workings of the market mechanism, and hence the matching of the supply of and demand for different skills and categories of labour, are to be preferred. Such measures, however, may have little effect on the immediate problems of high youth unemployment. But the danger with some short run remedies (wage subsidies, for example) is that any immediate benefit to the register will be lost over a period of years, and that there may be adverse longer term effects on the efficiency of markets.

EXISTING SCHEMES AND PROPOSALS

28. We have examined existing schemes and proposals to see how they relate to the above criteria and policy framework. Currently a number of programmes are in operation:-

Community Enterprise Programme

(CEP):

Provides temporary work on sponsored bodies mainly for 19-24 year olds who have been unemployed for 6 months and for other long term unemployed adults. This is run by MSC.

Youth Opportunities

Programme (YOP):

This programme is run by the MSC and provides a variety of training courses and work experience for 16-18 year olds.

29. In addition, discussions are in train on new avenues of activity:-

New Training Initiative:

Preparation of a joint MSC/Government document on long term training policy.

MISC 14:

Considering restrictive practices as part of its wider remit on supply side problems.

MISC 45:

Official Committee set up under Cabinet Office chairmanship to review forms of public financial support for the young. MISC 45 is soon to report to H Committee.

Ministerial Group on
Voluntary Work:

An ad hoc Committee of Junior Ministers chaired by the Home Office is considering changes in the social security benefit system so as to encourage the take up of voluntary work.

30. These schemes and proposals cover a whole gamut of possibilities, from training and work experience through voluntary work to changes in the supplementary benefit system. The following paragraphs review what potential they (or extensions of them) have for alleviating unemployment amongst the young and how they fit into the economic and financial framework set out above.

Youth Opportunities Programme

31. The MSC's special programmes, YOP and CEP, are designed to provide useful work and training at as little cost as possible to public funds for people who would otherwise be unemployed. As a result of the recent Cabinet decisions YOP will provide fairly comprehensively for unemployed 16 and 17 year olds. In 1981/82 the YOP budget will increase from the 1980/81 figure of £170m (at 1980 survey prices) to £270m. Some 440,000 young people will go through the scheme though, because the average stay is less than 6 months, the average number on the programme at any one time will be about 160,000. Next year MSC will undertake to provide places by Christmas for all Easter and Summer

school leavers who remain unemployed and for all 16 and 17 year olds unemployed for more than 3 months. The provision for 18 year olds is much less comprehensive although they are eligible for YOP. Since it will provide only 25,000 temporary jobs on sponsored projects for 18-25 year olds who have been unemployed for 6 months and adults who have been unemployed for a year, CEP cannot have a large impact on the problem.

32. Both programmes rely on sponsors to set up and run projects rather than on direct MSC provision. This greatly reduces the cost to MSC and, also, extends the range of work/training that the programme can offer. Even so the MSC have found it difficult to find enough projects for adults and the quality of projects in YOP and CEP varies (and may well fall as they expand rapidly over the next year). This difficulty is relevant to the possibility of non-military national service discussed in paras 58-60 below.

33. One of the main problems with these programmes is the risk of substitution. The scope for this is most obvious in that part of YOP ($\frac{1}{3}$ of the total) which places young people with employers for an introduction to varying jobs and some basic training. MSC estimate that in 30% of cases the employers are using YOP in place of normal recruitment of young people. This proportion is likely to grow as YOP becomes better established and covers a greater proportion of the age group; the cost of reducing unemployment by YOP will, therefore, increase and the programme will have to be justified more and more because of its training content. Without this, YOP would tend to become a straight labour subsidy on the employment of young people, which would have deleterious consequences for other age groups.

34. The problem of substitution arises also in the special environmental and community service projects run under YOP and CEP. Not surprisingly, sponsors try to use the programmes to finance their pet schemes and it is always difficult to judge whether they might have found alternative backing for them. Over time, local authorities and voluntary bodies may come to rely on the MSC to finance particular sorts of work.

35. We consider that these schemes play a useful role in reducing unemployment especially among 16 and 17 year olds in the short term. However, their impact on unemployment will fall and their net PSBR cost rise as firms and other sponsors adapt their recruitment patterns to take advantage of the schemes, thus increasing substitution. In the longer term too the distortions they introduce in the labour market are likely to become more serious. These difficulties would be exacerbated by any further increase in the size of the programmes whether by an increase in numbers or a lengthening of the period of the schemes. Serious thought needs to be given to dealing with these problems if the programmes continue as currently planned.

New Training initiatives

36. The MSC have suggested that they should publish jointly with Government a document on long term training policy linking reform of apprenticeship, greater opportunities for adult training and the improvement of vocational preparation for young people. It has been suggested that the Government might aim over a ten year period to establish one year traineeships (combining work experience, work related training and vocational education) for all 16 and 17 year olds outside full time education. These would be provided mainly by firms, but the YOP might provide traineeships for the unemployed.

37. We strongly welcome the reform of apprenticeship and the removal of restrictions in adult training as moves towards making the labour market more flexible. The development of traineeships within industry will take time and is unlikely to affect youth unemployment in the next few years. A major danger to guard against is that the Government might find itself paying an increasing proportion of the costs of employing and training young people both through the YOP and through incentives to industry.

MISC 45 work

38. MISC 45 is examining the suggestion that the present structure of financial support for 16-18 year olds provides some "disincentive" to stay on in education. Those who leave school and fail to find employment are entitled to register as unemployed and draw Supplementary Benefit, which is substantially higher than Child Benefit payable to the parents of those who stay on. MISC 45 is likely to show that it would be possible to replace Child Benefit and Supplementary Benefit with a single 'Youth Benefit' payable at a uniform rate, probably with a means-tested supplement, to all young people not in employment or receiving YOP allowance or student awards. Youth Benefit would be financed by a redistribution of existing SB and CHB and thus incur no additional cost. A relatively low Youth Benefit might also help to reduce the level of YOP allowances, at present related to SB, if these could be firmly anchored in future to YB. This proposition would no doubt be contested by the unions (and others) on "cheap labour" grounds, and would therefore meet with political opposition.

39. We consider it unlikely that the creation of a single youth benefit on the lines being discussed in MISC 45 will significantly increase the numbers staying on at school and therefore reduce the register. However, YB need not add to public expenditure (depending on the level at which the benefit is set) though there might well be longer term pressures to increase what will seem (compared with supplementary benefit rates) to be a rather low figure. The proposal might, more positively, have useful incentive effects and, before any decisions are taken, these should be looked at in the context of the further consideration of benefit levels and incentives that we recommend (para 68).

Voluntary Work

40. The scope for radical action here is likely to be limited. The ideas so far put forward by DHSS are little more than presentational (eg allowing auxiliary coastguards to be entitled to claim benefit, as lifeboatmen are now, and increasing the amount of earnings disregarded when qualifying for unemployment benefit from 75p to £2 a day). Moreover, while giving some form of occupation they would not apply solely to the young, nor could they be confined to voluntary work. Indeed, they may tend to freeze numbers on the register and would do nothing to meet the objective of reducing unemployment numbers. However, in the light of the limited scope for action elsewhere the provision of "occupation" for the registered unemployed would have presentational advantages and might help preserve morale and employability.

41. We would recommend that voluntary work should be encouraged wherever possible though in practice it is unlikely to offer much concrete help to unemployed young people. Its advantages are likely to be mainly presentational. It would, however, be worth examining the potential for tying in voluntary work to a greater extent with other schemes. We note, in fact, that the Secretary of State for Employment and the MSC intend to increase the participation of voluntary bodies in the expanded YOP and CEP.

National Insurance Contributions

42. The possibility has been raised of remitting NI contributions for 16-18 year olds in order to reduce their cost to employers and to symbolize their special status as 'trainees'. This would reduce NI contributions by some £300m a year which would have to be made up either by raising adult contributions or by increasing the Exchequer contributions to the Fund. The savings that could be provided by removing NI benefits from the age group would not match the loss of contributions.

43. In our view this would amount to offering a general wage subsidy for 16-18 year olds. As such it should have a significant redistributive effect (especially if the loss of young people's contributions was made up by an increase in adult contributions); this might be of the order of 50,000-75,000 extra young people in employment and a similar reduction in adult employment. It seems doubtful whether this would be worthwhile on its own even if the administrative difficulties could be overcome. If however it was accompanied by reform of benefits for this age group, it could help to change the status of young people in the labour market and encourage their recruitment as trainees at relatively low wages. This possibility seems worth further study.

Restrictive practices

44. CPRS produced last February a report on restrictive practices containing an analysis of restrictive labour practices and their effect on productivity, and indicated some possible

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remedies. A number of policy options were considered by Ministers and this will be pursued further by MISC 14.

45. We believe that the elimination of restrictive practices could make a major contribution to the problem of youth unemployment by reducing hindrances to the effective operation of the labour market, though the benefits would not come through for several years. It is therefore no solution to the short-term problems faced by the Government.

NATIONAL SERVICE

46. An idea which Ministers have mentioned for dealing not only with youth unemployment, but with the ills of delinquency and vandalism, is the return of some form of National Service. This term covers a range of possibilities, the main link being some element of compulsion. In this section we briefly consider possible schemes involving the use of compulsion. Clearly all such schemes would require legislation which would no doubt be controversial.

47. Like other schemes to alleviate youth unemployment National Service would have to be considered in terms of its contribution toward the Government's overall economic policy. In view of the constraints on public expenditure it is essential that any scheme for National Service which entailed a greater volume of expenditure on defence should be offset by a reduction in its relative price (mainly by reduced wage costs). It should be noted that the reduction in the labour supply available to the rest of the economy will tend to reduce the pressures to bring down the rate of wage settlements.

48. The theoretical advantage of compulsion is that it enables a scheme to be implemented at a lower cost than would otherwise be necessary to induce people to participate. The disadvantage, leaving aside any political considerations, is that compulsion may involve economic and social costs not only to the individual but to society at large. In the case of unemployed young people the opportunity cost will not be large, but if a scheme for compulsory National Service embraced all young people between certain ages, with only limited exemptions, it could be more considerable.

49. We consider the following four options, which cover the range which Ministers have suggested:

- (a) traditional military National Service;
- (b) part-time National Service under the aegis of the Territorial Army;
- (c) a civilian auxiliary to support the Armed Forces;
- (d) a purely civilian service: "National Community Service".

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Military service

50. National military service is the practice in most other European countries. The terms of service (especially remuneration) and the basis of selection vary considerably, but the typical duration is around 15 months. The age of service is generally over 18, which is of course relevant to the remuneration required.

51. National Service was introduced in the UK in 1939 and discontinued in 1962, the last call-up being in 1960. The annual intake was between 160,000 and 200,000, implying that there were up to 400,000 National Servicemen at any one time. If the same proportion of young men were recruited today the number would be rather more than 400,000; it would be proportionately reduced if the term of service were less than two years.

52. On average National Servicemen appear to have received about two-thirds of the pay of regulars, which would mean in today's terms about £3,000 a year. But no less important than this direct cost (on which there could be some flexibility) would be the costs to the Armed Forces of training, equipping and accommodating them. In 1957 it was estimated that 100,000 regulars were thus employed. The total current cost of two year National Service, including the extra regulars which would be needed, might be as much as £2 billion a year. We estimate very roughly that perhaps 50,000 additional troops could be accommodated on existing camps, but above that number it would be necessary to build new accommodation which, at the most meagre level, would cost £7,000 a head. The initial capital cost, therefore, for two year National Service would be £2½ billion. The balance of secondary costs and benefits to the PSBR is problematical, but it is clear that the offsets would be small in relation to the total addition to public expenditure.

53. Today's Armed Forces are much smaller and more highly trained than those of the 1950s. Initial training for an infantryman costs £5,000 before he is ready to be assigned to a unit. Large numbers of untrained personnel would be even less use to the Forces now than before 1960, and the effort involved in fitting them for duty would be much greater. The shorter the period of service the less cost-effective that effort would be.

54. We conclude firmly that reintroduction of National Service on the same scale as in the 1950s must be ruled out on grounds of cost. It would, moreover, contribute little or nothing to national security, and would, we imagine, be unwelcome to the Chiefs of Staff who would regard it as an ineffective use of defence resources.

Territorial Army

55. The Reserves and auxiliary forces number some 76,000. Young people could be required to attend courses run under the aegis of the TA, involving physical and other forms

of training. The costs would be relatively modest: the whole TA costs around £200 million a year. But this would not provide young people with full-time or even substantial part-time employment, and so would not tackle the essential problem.

Civilian auxiliaries

56. An alternative to National Service which might be less expensive would be to draft young people to perform civilian duties in support of the military. The military would have to take on some part of the responsibility of managing the auxiliaries (though they would not need to be under military discipline), but this burden could be balanced by some soldiers presently employed on non-military duties being released for front line service. There could perhaps be some reductions in defence civilian manpower in addition to those already planned, which might offset the additional cost to the Defence Budget.

57. However, the scope for using untrained civilians seems limited. Of the 200,000 civilians employed by the MOD only about 10% are engaged in tasks of the sort for which these auxiliaries could substitute. On the positive side, there would be no trouble in accommodating these numbers, and perhaps a few thousand could serve abroad and displace locally employed personnel in Germany, for example. But on its own the scope for using auxiliaries in this field would not seem sufficient to make a major contribution to the problem of youth unemployment.

National Community Service

58. Alternatively a wider scheme of non-military compulsory service could in principle be created by taking in fields such as the social service and environmental improvement, where there are needs which Departments and local authorities seem unable to meet within current financial constraints. These purposes are, however, already broadly served by the YOP. An element of compulsion, which would not need to be so severe in this case as in the case of military service, could allow the schemes to be operated at a lower cost. If the YOP were seen to be reaching a point at which it was to a significant extent substituting for "real" employment a scheme of National Community Service might therefore be considered further as a possible alternative.

59. As we noted at the start of this section, all schemes for compulsory National Service, by taking people out of the labour market, will tend to conflict with the Government's objective of reducing the rate of wage inflation. Large scale National Service, as it operated in the 1940s and 1950s, must in any case be ruled out on the grounds of cost. On the other hand, if it were thought imperative, primarily as a palliative measure, to take an additional 100,000 young people off the register a scheme of compulsory National Service for a limited period which allowed for both military and civilian options could be envisaged.

at a relatively modest extra cost.

60. The net addition to public expenditure would depend on the extent to which the Ministry of Defence could absorb the additional expenditure within the limits prescribed for the Defence Budget. It might be possible, for example, to accept a small number (say up to 50,000) of conscripts, for whom extensive new accommodation would not be required and on the understanding that they would be given only minimal training (not up to the standard for regulars) and used for relatively menial jobs in support units. The cost of civilian auxiliaries might perhaps likewise be accommodated within the Defence Budget, and help to reduce the relative price of defence as they substituted for more expensive personnel. These possibilities would, of course, need to be considered by the Ministry of Defence whom, in this preliminary study, we have not consulted. Outside the defence field, provided places could be found, some form of National Community Service might, because of the element of compulsion, perhaps offer job creation at a lower unit cost than the YOP.

61. There is a trade off between levels of compulsion and other inducements to engage in an employment scheme. If National Service were well remunerated relatively little compulsion would be necessary, but the cost to the Government would be high. Conversely, stronger compulsion (which could be associated with changes in social security benefit levels or rules for entitlement) could enable a scheme to be implemented at a lower cost to the Exchequer. The total level of 'carrot or stick' required would vary with the intrinsic attractiveness of the employment on offer.

62. One drawback to compulsion in comparison with the use of market mechanisms is the difficulty of setting the rules in such a way as to produce the right number of recruits to the programme. The total number of young people in each year between 16 and 20 is 900,000. The number engaged at any one time could be reduced by:

- (i) limiting the duration of engagement;
- (ii) limiting the field to males, eg for military service;
- (iii) limiting it to young people not in full-time education;
- (iv) limiting it to young people registering as unemployed, or young people who had been unemployed for some defined period;
- (v) granting specific exemptions.

These choices would clearly raise issues for Ministers on which we have not sought to comment.

63. The broad conclusion of this section is that a scheme of compulsory National Service on a limited scale could be devised, although the details would clearly need very much greater and more detailed consideration. But our own conclusion is that it would only be a palliative; it would be contrary to the main thrust of economic policy; and we do not believe that a scheme of any scale could be introduced without some net addition to public expenditure. We do not, therefore, feel able to recommend any scheme of this kind on any significant scale.

Conclusions

64. In the time available the Group was not able to examine thoroughly the whole field of policy towards unemployed young people. However, we would argue that measures to alleviate youth unemployment must be considered firmly in the context of the Government's overall economic policy. That has implications for both the scale and type of measures that should be preferred. Measures should neither increase public expenditure nor the PSBR and they should work with, rather than against, the grain of the Government's strategy. On these grounds we would argue for priority being given to measures that would enable the market to produce more jobs for young people. This means getting to grips with restrictive ^①practices, and, by such means as vocational education ^② and a suitable alignment of benefits, encouraging a positive attitude to employment by young people. However, these policies can only be expected to yield benefits in the longer term. Meanwhile, there are political pressures and social arguments which point to doing something here and now. It is imperative to ensure that such short term measures do not impede the adjustment process which is at the centre of the Government's strategy. This leads us to conclude that the scope for further expansion of YOP (by far the largest element in the Government's response up to now) is limited. With the latest decisions it will provide good coverage for the 16-17 year olds, giving them valuable work experience and training which should better equip them for the labour market. However, even on this scale it will produce diminishing returns and any expansion of the programme would exacerbate this problem. We think, therefore, that it is important to consider the future of YOP alongside the longer term developments of training policies and other initiatives discussed in this report.

65. Of the other measures that are currently being considered we are rather sceptical of any large practical effects flowing from encouragement of voluntary work, though we see presentational advantages in it. Neither would we expect a notable increase in those staying on at school if a single Youth Benefit were introduced, though this should be considered more fully in the context of overall policy on benefits and incentives for young people (as should the possibility of remitting NI contributions on 16-17 year olds). This leaves some form of National Service. We conclude that a limited scheme could be devised. However, it would certainly raise public expenditure and be contrary to the main thrust of Government policy.

66. Despite the limited scope for taking further measures for the immediate alleviation of youth unemployment (a limitation which does not apply to longer run measures to improve market mechanism) this report shows that a good deal is already being done (mainly on YOP), and considered, by the Government to alleviate the problems of youth unemployment - indeed, much more than is publicly recognised. But the Government's approach is piecemeal, with a number of projects and exercises being conducted by different Departments. This carries the risk of proposals both being at variance with the Government's overall economic objectives (for example, to the extent that they frustrate the processes of adjustment in the labour market necessary to bring inflation down) and of being at variance with each other (for example, cuts necessary to finance particular programmes may result in additional unemployment elsewhere).

67. It is clear to us, therefore, that a more co-ordinated approach is required in order to minimise the possibility of conflict between the Government's short and longer-term economic objectives. Further, we believe that the changes being considered should be presented as a coherent whole (along with the existing YOP programmes), so enabling the Government to maximise their contribution towards making the unavoidable interim costs of the Government's strategy more acceptable.

68. Our comments on the particular schemes already in train or under consideration are set out in the report above. In general, we are sceptical of the cost effectiveness of any further significant extensions. We think that progress is more likely to be made through better co-ordination and presentation and we therefore advance for consideration the following recommendations:-

- (i) There should be a more co-ordinated approach to the problem of youth unemployment, and this should be more closely related to the Government's overall economic objectives;
- (ii) in order to help achieve the above, the CPRS should now be invited to survey the present range of activities and proposals and make recommendations on how future work should best be taken forward;
- (iii) as part of the further study we recommend that particular consideration should be given to the following proposals:-
 - (a) publication, with maximum attendant publicity, of a White Paper or other document presenting the whole range of the Government's activities and proposals in this field, relating them to the Government's overall objectives. This would make maximum use of the recently agreed expansion of the YOP and other programmes and be designed to demonstrate that the Government are indeed putting substantial resources into alleviating these problems as part of a coherent strategy;

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- (b) consideration of institutional changes in the organisation of education and training service as have been suggested by many outside commentators. A more limited possibility would be to establish a separately identifiable Youth Service Commission within MSC. This would be a change of presentation rather than substance, but could help in projecting the government's policies;
 - (c) further consideration of the structure and levels of social security benefits and contributions as they bear on incentives to young people seeking employment.
- (iv) Every effort needs to be made to reduce the hindrances to employment posed by restrictive practices. The Department of Employment might be asked for an assessment of the nature, extent and importance of restrictive labour practices and for proposals for reform.
- (v) We also recommend that the possibilities of the take-up of voluntary work by the unemployed while receiving benefit (currently under study by the Ministerial Group on voluntary work) should be carried forward as vigorously as possible. Although the impact is likely to be marginal, we think there are considerable presentational advantages to be exploited.
- (vi) We do not ourselves favour a national service scheme on any significant scale, whether military or civilian, or a combination of both, but if this idea is thought worth considering further, the Ministry of Defence should be invited to produce an assessment of costs and practicalities forthwith. Changes in social security benefit structure and levels may also be relevant here.

CHART II

Unemployment Rates of Males Under 20 (Excluding school leavers)
Unemployment Rates all Males (Excluding school leavers)

Percentage
Unemployment
Rate
(90)

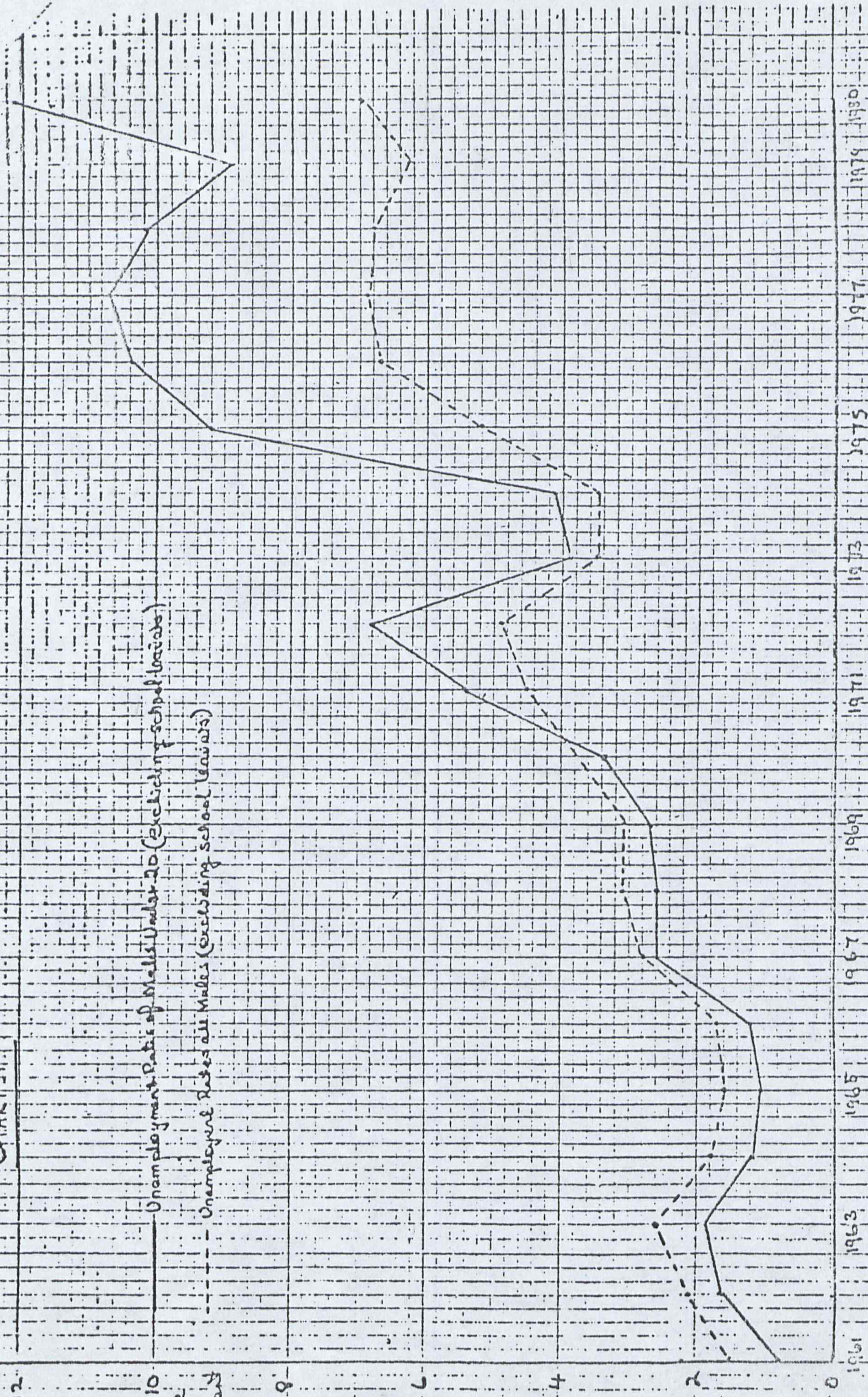


Figure 1-1 Median duration of male unemployment: July 1961-77

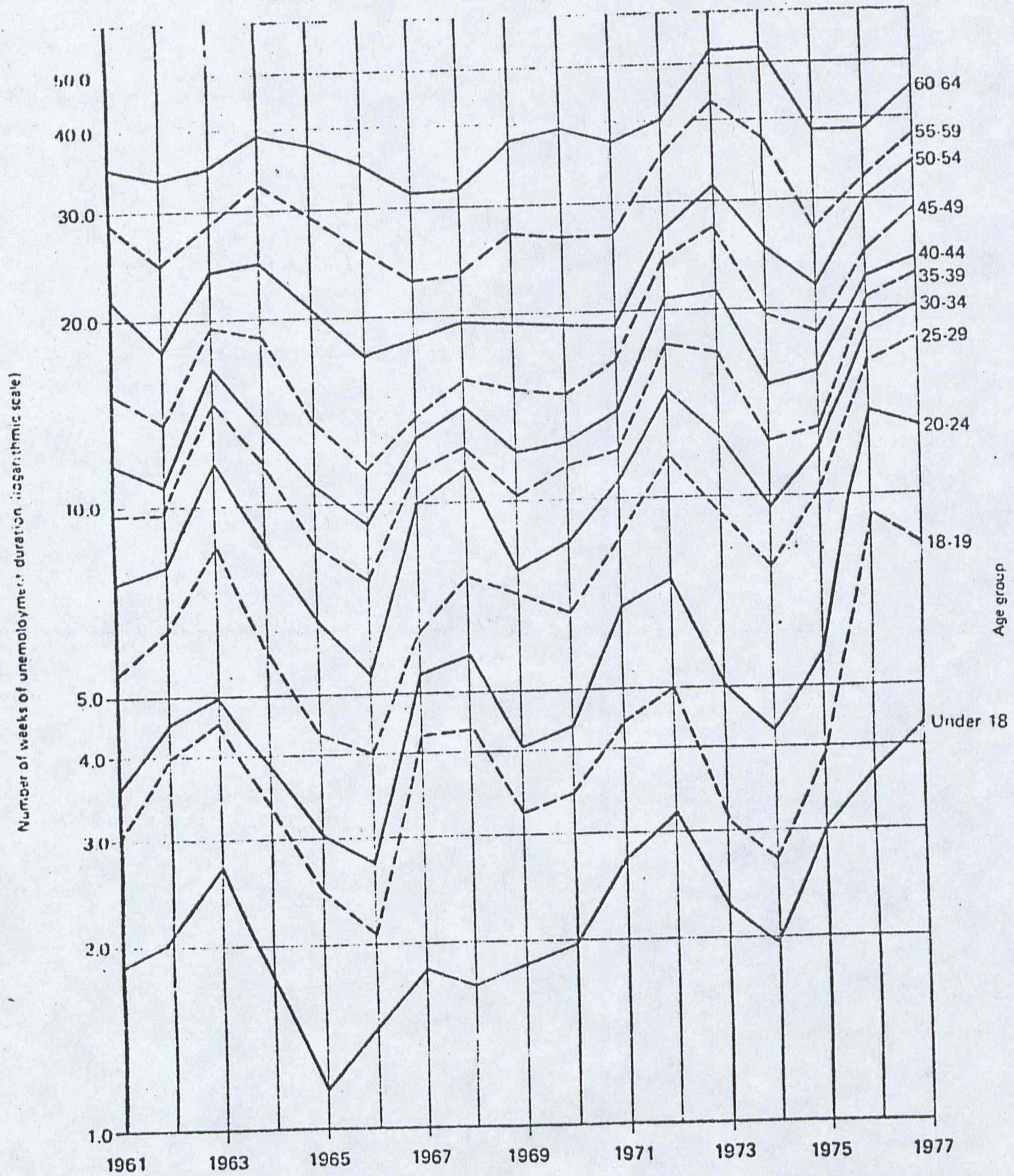


Table 7 Relative pay of young people: average hourly earnings as a percentage of adults' earnings, 1948-78

Year	Hourly earnings of boys aged under 21 as a % of earnings of males aged 21 and over	Hourly earnings of girls aged under 18 as a % of earnings of males aged 21 and over	Hourly earnings of girls aged under 18 as a % of earnings of females aged 18 and over
1948	45.2	39.5	65.1
1949	44.8	39.9	64.3
1950	45.4	39.6	63.6
1951	44.6	39.6	63.5
1952	45.0	38.1	61.8
1953	44.7	38.4	62.1
1954	45.3	38.6	62.9
1955	45.9	39.0	64.4
1956	46.4	39.0	64.6
1957	46.7	38.9	64.5
1958	46.6	38.2	63.3
1959	46.9	38.2	63.2
1960	48.4	38.7	63.9
1961	48.8	38.7	64.4
1962	48.4	38.3	63.3
1963	48.5	38.3	63.5
1964	49.3	39.0	65.1
1965	50.4	39.7	66.7
1966	51.5	39.8	66.4
1967	51.9	39.0	65.3
1968	51.6	39.4	66.1
1969	52.2	39.1	65.7
1970	52.5	40.4	67.1
1971	52.6	38.9	64.2
1972	53.3	38.5	63.4
1973	56.2	44.3	70.7
1974	58.5	47.2	70.4
1975	59.9	44.9	66.5
1976	61.6	46.8	65.6
1977	61.9	48.0	66.8
1978	61.2	46.7	65.9
1979	60.7	47.5	67.2

Source: October Earnings Surveys, *DE Gazette*; all data for full-time workers.

PRIME MINISTER

In May H Committee commissioned work on financial support for 16-18 year olds - despite the Chief Secretary's objections with which you sympathised.

Here is the report, with a useful summary paper.

The key proposal is for a new young persons benefit (YB). It would replace both child benefit and supplementary benefit for those aged 16 and 17 who remained in full-time education or are out of work, and for those aged 18 in full-time education. This would normally be payable to parents except in the case of those who had already held a job. It would do much to eliminate the problem that the present system offers more financial incentive to be unemployed than to remain at school.

If YB was introduced, the relationship to Youth Opportunities Programme Allowance would have to be considered. The suggestion is that there should be a flat rate differential of £8, regardless of the level at which YB was payable in any particular case.

These proposals would need legislation, and this could not be earlier than next session. It would also take time after legislation to implement them. One possibility is to start with a consultation paper.

Do you want us to pass on any thoughts to the Home Secretary before the report is discussed in his committee next week?

Comments by
Home Sec - flag A
CPRS - flag B
now attached.

MAP

Please consider the paper for the
Parents' Inv. report - i.e. the
- Rep. Howell's effect. I find it
difficult to judge for a while look at
the report - para 28 which refers to
it in very complex. But
have sent Sub. with S.B
concerning my own committee
with some who
P.F.O

5 December, 1980.

Spoke Cabinet Office ✓
BF with H minutes
for XII when received
MAP & XII

are just down that level - I have the
very sharp impression that to be on S.B.
open the door to every possible benefi-
+ distribution my help which to be
monthly but needs independent is to
be work off, and full
of resentment
not.

~~Manufacture
Special
Message~~



De JFH

bc J. Wignh (co)
R. Ibbot (CPRS)
John Verker

10 DOWNING STREET

From the Private Secretary

3 December 1980

Long Term Unemployment and the Young

The Prime Minister had a word with the Chancellor this evening about the draft minute which you sent over under cover of Brian Unwin's minute of 3 December. The Chancellor explained that the Treasury had completed their preliminary examination of this issue, and that he would now like the CPRS to undertake a detailed study of the possible options for helping unemployed young people. The CPRS were well suited to undertake such a study because there were a number of interlocking departmental considerations that had to be looked at, and he understood that they had the resources to do it.

The Prime Minister said that she agreed in principle that the CPRS should undertake this study; the Chancellor should now write to her formally so as to give Mr. Prior and other Ministers an opportunity to comment.

I. P. LANKESTER

John Wiggins, Esq.,
HM Treasury.

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NPAM

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TP handbook : No 10

It might be helpful to you to see this now : the Chancellor has not yet approved it.

CHANCELLOR

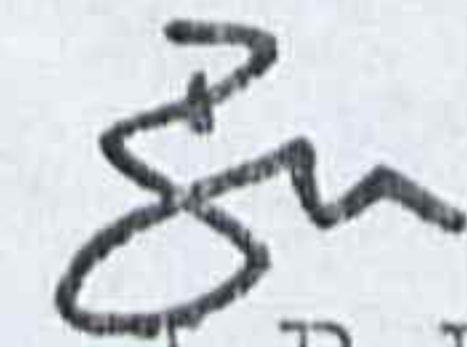
cc: Chief Secretary ^{RT 3/12.}
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir Douglas Wass
Mr Burns
Sir Kenneth Couzens
Sir Anthony Rawlinson
Mr Ryrie
Mr Bailey
Mr Middleton

Mr Bridgeman	Mr Judd	Mr Byatt
Mr Cassell	Mr Corlett	
Mr Christie	Mr Sedgwick	
Mr Dixon	Mr Chivers	
Mr Evans	Mr Gieve	
Mr Hansford	Mr Bush	
Mr Kemp	Mr Ridley	
Mr Kitcatt	Mr Cropper	
Mrs Heaton	Mr Cardona	

LONG TERM UNEMPLOYMENT AND THE YOUNG

I attach, in the light of our discussion with you yesterday, a draft minute for you to send to the Prime Minister. I have prepared this in consultation with Mr Dixon. If the Prime Minister's agreement to the CPRS proposal is secured, we can then arrange formal circulation of the report to Mr Prior and others.

2. We are making the small changes to the text of the report discussed yesterday, and Mr Bush will provide a "clean" copy separately later.


J B UNWIN

3 December 1980

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DRAFT MINUTE FOR THE CHANCELLOR TO SEND TO THE PRIME MINISTER

LONG TERM UNEMPLOYMENT AND THE YOUNG

You will recall that we had a discussion a few weeks ago about the problems in this general area and you asked me (as recorded in Mr Lankester's minute of 5 November) to arrange for an examination of the possibilities with a view to preparing a report for your consideration in due course.

2. I asked my officials to carry out a quick internal examination of existing policies on youth unemployment and of possible new avenues of approach and I now enclose a copy of the report they have produced for me.

3. I must stress that the report was produced entirely within the Treasury and under pressure at a particularly busy time. Inevitably it does not cover in depth all the topics that impinge on this important area of policy but I think it is helpful in providing a quick survey of the various measures that are currently being implemented or considered and in relating them to our overall monetary and fiscal strategy.

4. The conclusions and recommendations of the report are set out in paragraphs 64-68. They rightly, in my view, stress the need for greater coordination of existing policies and work and for a more robust presentation. On the substance of the issues the report identifies areas where further work is necessary. Of those they mention I would attach particular importance to the possibility of increasing incentives to work among young people (by further consideration of the structure of Social Security benefits and the relationship of juvenile to adult wage levels) and to the removal of restrictive and outdated practices. I would also have liked the report to give more emphasis to the need to encourage geographical mobility and this is clearly something that must be looked into further.

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5. Nearly all these issues cross departmental boundaries and, for this reason, I strongly support the recommendation (at paragraph 68 (ii)) that the CPRS should be invited to review the present range of activities and proposals and make recommendations on the future course of policy. I would hope that they could not only provide a fairly wide ranging and objective assessment themselves but also, with the help of other Departments as necessary, follow up in greater detail some of the points (for example the costing of national service type options) which my officials could not examine in depth in the time available. The CPRS would certainly be able to account on help from the Treasury in dealing with this and other points and we would wish to be kept in close touch with the work as it progressed (as, I am sure, would other Departments).

6. Of course, some of the topics will fall to be discussed by officials in the Manpower Group under the Department of Employment (as recently agreed at E Committee) but I still see advantage in inviting the CPRS, if they can take the task on, to survey the whole field. As to timing, although I would not expect the work to lead to proposals with any substantial net fiscal impact, it would be most helpful to have a report by mid-February at the latest so that it could be taken into account in formulating my Budget. At the least, for example, there might be important presentational points that could gain from being made in the Budget context. So this is the timescale I think we ought to aim at, and indeed it may even prove necessary to try to accelerate it a little in order to be sure that the work could be useful in other current contexts such as the review of training policy. In the meantime I would not, of course, want to delay other work such as that being undertaken in MISC 45 on possible new forms of public financial support for the young. It will still be important, however, to relate them to the wider context.

7. I am sending this report to you alone in the first instance since I should like to have your own views on the recommendation for a study by the CPRS. If you are content that the CPRS should be asked to take this on I would then propose to send the report to ^{you formally, copying to} Mr Ibbs and to the Secretary of State for Employment and the other colleagues who should be involved.

PRIME MINISTER

Meeting with the Chancellor
1730 hours on Wednesday 3 December

This is your weekly meeting with the Chancellor/^{which}- at least for a trial period - we have now arranged for Wednesday evenings rather than first thing on Thursday mornings.

The Chancellor will want to raise the following:

i) Employers' national insurance contributions. You told the Chancellor last week that, if amendments were put down to the Social Security Bill, seeking a reduction in employer contributions, you would like the matter considered in E Committee. In view of what happened last week, such amendments may very well appear. The Chancellor wants to take your mind on how he should respond. I am sure he will want to persuade you that, both in revenue terms and from the point of view of his own personal position, it would be highly undesirable to consider seriously the possibility of accepting an amendment to the Bill.

ii) Unemployment and the young. Following the meeting you had with the Chancellor on the unemployment forecasts three weeks ago we commissioned some work on how unemployed young people might be given something useful to do. The Treasury have now done a preliminary report (it will be sent over later tonight or tomorrow morning), and the Chancellor is proposing that the CPRS should now be asked to work out ~~the~~ detailed proposals. He is very keen to keep this away from the inter-departmental Manpower Group, which is heavily committed to the Manpower Commission.

I believe Clive mentioned to you the Treasury's first indication of the November banking figures. This is that money supply may have increased by 1½% - mainly due to the high level of public sector borrowing and a positive external account. Lending to the private sector apparently shows some falling off.

/ Even though

Even though private sector lending is coming down, these figures - when they come out next week - are going to make the MLR reduction harder to defend. As it was, Terry Burns was questioned closely on the MLR cut by the Select Committee yesterday, and he was forced to say that it was unlikely that even the upper level of this year's target would be met by the end of 1980/81: he defended the cut by saying that it was consistent with the broad thrust of the monetary strategy and implied that the Chancellor would have to do a great deal more in the Budget to redress the fiscal balance.

12
..

2 December 1980



DEPARTMENT OF HEALTH & SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Manpower

Tim Lankester Esq
 Private Secretary
 10 Downing Street
 LONDON SW1

*R
 27/11*

27 November 1980

Dear Mr. Lankester

INITIATIVES IN THE INTERESTS OF (YOUNGER) PEOPLE WHO ARE UNEMPLOYED

Your letter conveniently brings together some of the wide range of initiatives in this area, many of which are of considerable interest to DHSS. My Secretary of State is naturally ready to take part in discussions at the appropriate time, and in the meantime is happy that his officials should do the necessary preparatory work in conjunction with colleagues in other Departments. The Manpower Group certainly seems the best place to get this under way at official level. It may be that the Ministerial group chaired by Mr Raison should have a look at the official's work at a later stage.

As I think you know, there is some nervousness in DHSS on the issue of compulsion. In the health and personal social services area, an element of compulsion in voluntary service might be very damaging to the existing voluntary movement, which has many strengths and virtues, and to the attitude toward volunteers on the part of the trades unions concerned.

Copies of this go to those who received your original letter.

Yours

M. Tully

M TULLY
 Private Secretary



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

25 November 1980

Mr. R. H.

Mr. R. H.

Thank you for sending me a copy of your letter of 17 November to the Prime Minister about the future of the Agricultural Training Board.

I have written separately to Jim Prior asking him to consider ways in which the length of his Employment and Training Act (Amendment) Bill might be shortened so as to reduce to a minimum the amount of Parliamentary time needed for its consideration. We shall be hard put to it to find time for all the provisions envisaged in our current legislative programme, and I am afraid that Ministers in charge of Bills are bound to find themselves facing determined opposition from the business managers to any suggested additions. In these circumstances, I hope very much that Peter Walker will not need to press for proposals on the ATB to be included in Jim Prior's Bill.

I am copying this letter to the recipients of yours.

John R. H.

The Earl Ferrers
Minister of State
Ministry of Agriculture, Fisheries and Food
Whitehall Place
London, SW1

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard,

21 November 1980, columns 204-225

"Employment measures"

Signed Wayland Date 5 July 2011

PREM Records Team

Caxton House Tothill Street London SW1H 9NA
Telephone : Direct Line 01-213 7439 (24 hour answering service)
Exchange 01-213 3000 Telex 915564 DEPEMP

November 21, 1980.

SPECIAL EMPLOYMENT MEASURES IN 1981/82

NEW DEAL FOR YOUNG UNEMPLOYED

Mr James Prior, Secretary of State for Employment, today announced the programme of special measures to help the unemployed in 1981-82. The programme will cost nearly an extra £250million over and above the £323million originally provided for next year.

Priority is being given to young people fresh from school. Mr Prior said today "We have a special duty to ensure that in these difficult times their prospects are not permanently damaged All in all this is an extremely ambitious programme. It is nothing less than a new deal for the young unemployed."

Consequently Mr Prior has asked the MSC to provide:-

- An offer to next year's unemployed school leavers by the following Christmas (instead of the following Easter as at present).
- An offer within three months to any 16 or 17 year old who has been unemployed for 3 months (instead of 12 months as at present).
- More chances for a youngster who has completed a scheme and who still has no job to go to, to progress to another course or scheme.
- An emphasis on good quality training for work; two thirds of the places will provide work experience on employers' premises.

In total, the MSC has been asked to provide 440,000 opportunities on YOP next year - an increase of 180,000 over the current year. In addition there will be 7,000 places in Community Industry, an increase of 1,000.

The Government are trying, as resources permit, to work towards the point where every

16 and 17 year old not in education or a job will be assured of vocational preparation lasting as necessary up to his or her 18th birthday.

Mr Prior also announced that, following the review of the Unified Vocational Preparation pilot programme, UVP will be continued and expanded.

HELP FOR ADULT UNEMPLOYMENT

From today the Temporary Short-Time Working Compensation Scheme (TSTWCS) is extended from six months to nine months and new applicants will receive 50 per cent of normal earnings instead of 75 per cent as at present. Reimbursement of holiday pay credits will end. Those currently under the scheme will continue to receive support for six months at the 75 per cent rate and then three months at 50 per cent. All existing applicants will be contacted by the Department of Employment to make their position clear.

The Job Release Scheme (JRS) will continue for men aged 64 and women aged 59 and for disabled men aged 60 or over.

A new Community Enterprise Programme will be introduced to replace the existing Special Temporary Employment Programme. Priority will be given to the long term unemployed and, for the first time, 18 year olds will be admitted to the programme if they have been unemployed for more than six months.

It will improve on 'STEP' in the following respects:-

- 25,000 places will be provided - more than twice the number at present (11,000).
- It is nationwide and so will be available in areas of high unemployment at present not covered by STEP.
- Private sector projects involving community benefit will be encouraged.
- Funds will be available for partnerships in the creation of new enterprises between the private sector and public and community bodies.
- There will be many more opportunities for voluntary organisations to sponsor projects. And they will be able to recruit full-time temporary employees to assist unemployed people who are seeking part time voluntary work in the local community.

In introducing the programme today Mr Prior concluded: "I have been greatly heartened in the course of this review by the widespread desire expressed by so many in the community to have the opportunity to help. I trust that these new programmes of YOP and CEP will receive the full co-operation of employers, unions, local authorities and voluntary bodies, on whom their implementation so largely depends."

NOTES TO EDITORS:

1. Youth Opportunities Programme (YOP)

YOP provides a range of opportunities for unemployed young people in training courses and work experience schemes. It includes:

- (a) courses to prepare young people for work, through employment induction courses, short industrial courses, and remedial and preparatory courses; and
- (b) work experience schemes of various kinds - on employers' premises, training workshops, community service and other special projects.

For 1981-82 YOP will focus on the unemployed 16 and 17 year olds to move to the Government's ultimate objective of providing training and work experience for all this age group. However, the programme will continue to accept 18 year olds on a non-priority basis.

The weekly tax-free allowance will be £23.50, and £19.50 for 15 year olds who are eligible to participate in YOP.

2. Community Enterprise Programme (CEP)

CEP will replace the Special Temporary Employment Programme (STEP) on April 1, 1981. Existing STEP sponsors will be able to transfer to the new scheme. Full details will be released by the Manpower Services Commission in due course.

3. Special Temporary Employment Programme

STEP has provided long term unemployed people with temporary employment on projects which benefit the community. New schemes can be approved only in Special Development Areas, Developed Areas and designated inner urban areas, although existing schemes in other areas may continue until completion. Recruitment is restricted to the long-term unemployed - those people aged 19 to 24 unemployed for at least six months, and to people aged 25 and over unemployed for at least 12 months.

4. Community Industry

Community Industry is a permanent scheme run by the National Association of Youth Clubs to provide temporary employment in a supervised environment for disadvantaged young people. Under the new special measures programme additional funds will be made available to provide extra places.

5. Job Release Scheme (JRS)

JRS enables employees approaching statutory pensionable age to make way for unemployed people in return for a weekly allowance. The replacement must be recruited from the unemployed register. A disabled person released must be replaced by another unemployed disabled person, if possible. Two new schemes, one for men of 64 and women of 59 and the other for disabled men of 60 to 63, will run from April 6, 1981 until April 5, 1982.

The current weekly tax-free allowances are £45.50 for a married person with a dependent spouse and of £36 a week for a single person or married person whose spouse has an income of more than £10 per week net. From April 6, 1980 the allowance became taxable for disabled men joining the scheme after that date, but the allowances are correspondingly larger at £53 and £43.

6. Temporary Short-Time Working Compensation Scheme (TSTWCS)

The scheme encourages employers to adopt short-time working instead of redundancies. Employers currently on the scheme receive 75 per cent of normal wages paid to staff working short-time in order to avoid redundancy plus the total of National Insurance contributions for the workless days plus certain holiday pay credits. From November 20, 1980 firms already on the scheme will be able to apply for a further three months at a rate of 50 per cent of normal wages. All new applications will be eligible for support for nine months at a rate of 50 per cent of normal earnings.

PRIME MINISTER

PA
(CF file)
MS

Mr. Prior's Statement on Special Employment Measures

Mr. Prior's statement passed off peacefully today. I attach a copy of the statement itself, which was amended overnight to tone down the reference at the end of paragraph 5 to the new scheme, and the Press Notice which the Department of Employment have issued. You may find the Press Notice helpful background for next Tuesday's Questions, given that you will be under pressure about the unemployment figures that morning.

Most of the Supplementaries to Mr. Prior today were about the details of his announcement. He came under pressure from both sides of the House about the scale of the new programme and, in particular, about the Job Release Scheme, the fact that the weekly allowance for the Youth Opportunities Programme is not to be increased and about the need for more effective training for unemployed teenagers.

Mr. Prior had no difficulty in dealing with all of this, and I will put into your Questions folder on Monday night a copy of the whole of the exchanges so that you can pick up some points for Questions on Tuesday. He said essentially that his colleagues had agreed to increase the funding for the programme as a whole at a time when public expenditure generally was having to be restrained, and that in these circumstances he had had to reach his own judgement about priorities within the programme. He said that the Job Release Scheme was costly and that it would be very expensive to reduce the qualifying age. In any case, he was not convinced that extending the Job Release Scheme would lead to more jobs for young people. He said that the temporary Short-time Working Compensation Scheme was valuable, and that he had extended the timescale for it; but it was also expensive and was already costing more than we had expected.

He emphasised positive aspects of the package such as the possibility which has now been opened up of a second bite in the

/Youth

Youth Opportunities Programme for those who cannot get employment after the end of their first YOP spell; the role of voluntary organisations in the new Community Enterprise Programme and the possibility of bringing private capital into it; and the bringing forward of the YOP guarantee for next year from Easter to Christmas.

The only moment of real friction arose when Mr. Prior said that the Government wanted more and more people aged 16-17 to leave school able to read and write. He was challenged by Christopher Price, among others, who said that he had cast a slur on Britain's teachers. He added that if the new measures turned out to be financed by reducing the education budget then that would be self-defeating. Mr. Prior responded that it was a fact that far too many 16 year olds were leaving school with standards that were far too low. He said that his visit to the Parliamentary and Scientific Committee this week had brought home to him the "abysmal levels of mathematics teaching" and that we were spending vast sums of money on education. It was the Government's duty to ensure that we got good value for all that money.

I have asked the Department of Employment to start putting together some notes for Questions next Tuesday. We will ensure that the special measures are adequately covered in these notes.

MS

21 November 1980

STATEMENT BY THE RT HON JAMES PRIOR MP, SECRETARY OF STATE FOR
EMPLOYMENT ON SPECIAL EMPLOYMENT MEASURES - FRIDAY 21 NOVEMBER 1980

With permission Mr Speaker I wish to make a statement on the programme of special employment measures to operate in 1981-82.

2. The present high level of unemployment affects young people fresh from school more than most. We have a special duty to ensure that in these difficult times their prospects are not permanently damaged. The Prime Minister made clear yesterday the Government's deep concern on this score.

3. Accordingly, she announced that it is our intention to expand the Youth Opportunities Programme to provide 440,000 opportunities in 1981-82. This is 180,000 more than planned for the current year and more than double the number of opportunities that were available last year. There will also be 1,000 more places in the separate Community Industry Scheme.

4. The YOP has been very successful hitherto in meeting the undertakings to school-leavers and the longer-term unemployed. The overwhelming majority of young people involved have been offered places. Nevertheless they may have to wait as long as a year from the date they leave school before they get any chance to work - and this is a long period for young and active people. And sometimes the opportunity, when it comes, does too little to prepare them for proper work. I have therefore asked the MSC to make some important changes in the YOP scheme, designed to improve substantially the position of those in the vital two years between leaving school and their eighteenth birthday.

5. I am requesting the MSC to undertake next year to offer a suitable opportunity to all unemployed school-leavers by Christmas rather than the following Easter. I am also requesting the MSC to try next year to offer a suitable opportunity within three months to any 16 or 17 year old who has been registered as unemployed for

three months. Moreover I intend there to be more emphasis on giving the young person who has completed a course or scheme within the programme and who still has no job a chance to progress to another course or scheme. Since the programme is now focussed on 16 and 17 year olds, the allowance for next year will remain at £23.50 per week.

6. The emphasis in the programme will increasingly be placed on good quality training for work and two-thirds of the places will provide work experience on employers' premises. We are trying, as resources permit, to work towards the point where every 16 and 17 year old not in education or a job will be assured of vocational preparation lasting as necessary up to his or her 18th birthday.

7. This is an extremely ambitious programme. It is nothing less than a new deal for the young unemployed and its success depends on full cooperation from all those concerned, and particularly from employers whose assistance in sponsoring projects is vital. To help the Careers Service make its essential contribution to the expanded Programme, the Government will fund another 200 posts for this work.

8. We see this development of YOP in the wider context of improving preparation for and training in work of all young people, and not just the unemployed. The MSC and Education Departments will accordingly also accelerate the extension of vocational preparation schemes over the next 3 years for those who have jobs but who are given little or no systematic training or further education. What we are trying to build up in these ways is a system whereby 16 and 17 year olds will be better equipped for working life and this is being further considered within our review of industrial training.

9. I turn now to measures for the adult unemployed. It is unrealistic to suppose that special measures can do as much for them as for the young. For most of the unemployed the only solution is the creation of lasting and viable jobs, which will appear only as we establish a sound economy.

10. Nevertheless, insofar as it is possible to ease the transition by special measures, we have a duty to do so and the Government are convinced that more opportunities for useful activity could be provided if greater emphasis was placed on work of environmental improvement and if much greater encouragement were given for projects arranged by voluntary agencies. Although many worthwhile projects were conducted under the Special Temporary Employment Programme, we feel that a new impetus is now needed. I am therefore asking MSC to replace STEP with a new programme entitled Community Enterprise Programme, which will be subject to annual review, like YOP, but which it is our firm intention to continue for at least three years.

11. The CEP will aim to provide 25,000 filled places by March 1982, more than double the number under STEP at present. Priority will continue to be given to the long-term unemployed and for the first time 18 year olds will be admitted to the programme if they have been unemployed for more than six months. CEP will be nationwide but with priority given to projects in areas of high unemployment. It will therefore be available in areas of high unemployment not covered at present by STEP. Under the new programme, we shall encourage private sector sponsorship of projects involving community benefit and provide funds for partnerships involving the private sector, public and community bodies in the creation of new enterprises.

12. As I made clear some months ago, we also want to see more opportunities for voluntary activity for those who find themselves out of work and yet who wish to have a chance of some such activity. Under the Community Enterprise Programme, therefore, there will be many more opportunities for voluntary organisations to sponsor projects, and they will be able to recruit full time temporary employees to assist the unemployed in finding part time voluntary work in the local community. We are anxious that there should be no unnecessary obstacles in the way of the unemployed taking up voluntary work useful to them and the community. My rt hon Friend

the Secretary of State for Social Services will accordingly be putting proposals to the Social Security Advisory Committee for modifying the regulations to provide rather more scope for such work to be undertaken without loss of benefit.

13. We intend to continue the Job Release Scheme for another year on the present basis. We also propose to continue the Temporary Short Time Working Compensation Scheme for another year. There has been a considerable increase in assistance under this scheme so far this year, and many demands that the period of support should be lengthened. Accordingly, we intend that all applications received after today should be eligible to receive the support for a period of 9 rather than the existing 6 months and the level of assistance given will be 50 per cent of normal earnings rather than 75 per cent. All those currently using the scheme will continue to receive the 75 per cent rate until their six months end, when they will have the opportunity to apply for a 3 month extension at the 50% rate.

14. The total cost of all these measures in 1981-82 will be some £570m, an increase over existing provision of nearly £250m. This is a massive practical demonstration of our concern for the unemployed.

15. I have received a great deal of help from the Manpower Services Commission in framing these measures. I have also been greatly heartened in the course of this review by the widespread desire expressed by so many in the community to have the opportunity to help. I trust that these new programmes of YOP and CEP will receive the full cooperation of employers, unions, local authorities and voluntary bodies, on whom their implementation so largely depends; and that this House will also give its full support to all the measures I have announced today.

Manpower
✓
MS

SPECIAL EMPLOYMENT MEASURES

[Descriptions of programmes are included in the annex to this note]

The Prime Minister announced on Thursday the Government's intention to increase planned expenditure on special measures next year from just over £320million to over £570million.

In introducing the detailed measures on Friday, Mr Prior emphasised that priority would be given to young people fresh from school.

"We have a special duty to ensure that in these difficult times their prospects are not permanently damaged."

Increased provision will enable the Youth Opportunities Programme to be expanded to 440,000 opportunities in 1981-82 - more than double the number available last year. There will also be 1,000 more places in the Community Industry Scheme for specially disadvantaged young people.

The main changes that the Manpower Services Commission have been asked to make in the scheme are:-

- * All unemployed school-leavers next year should be offered a suitable opportunity by Christmas (rather than the following Easter).
- * Any 16 or 17 year old who has been registered as unemployed for 3 months should be offered a suitable opportunity within 3 months.
- * A young person who has completed a course or scheme within the programme and who still has no job should have a chance to progress to another course or scheme.
- * The emphasis will be placed on good quality training for work; and two thirds of the places will provide work experience on employers' premises.

This is a big stride towards developing a system of work experience or training whereby 16 and 17 year olds will be better equipped for their working lives.

ADULT UNEMPLOYMENT

Mr Prior said:-

"It is unrealistic to suppose that special measures can do as much for (the adult unemployed) as for the young. For most of the unemployed, the only solution is the creation of lasting and viable jobs which will appear only as we establish a sound economy. Nevertheless, insofar as it is possible to ease the transition by special measures, we have a duty to do so and the Government are convinced that more opportunities for useful activity could be provided if greater emphasis was placed on work of environmental improvement and if much greater encouragement were given for projects organised by voluntary agencies."

The new Community Enterprise Programme will improve on 'STEP' in the following respects:-

- * 25,000 places will be provided - more than twice the number at present (11,000).
- * It is nationwide and so will be available in areas of high unemployment at present not covered by STEP.
- * Private sector projects involving community benefit will be encouraged.
- * Funds will be available for partnerships in the creation of new enterprises between the private sector and public and community bodies.
- * There will be many more opportunities for voluntary organisations to sponsor projects. And they will be able to recruit full-time temporary employees to assist unemployed people who are seeking part time voluntary work in the local community.

The Job Release Scheme will continue on the same basis as at present.

The Temporary Short Time Working Compensation Scheme has been adapted in response to demands for longer periods of support. From now on, applicants will be eligible to receive support for nine months instead of six and on the basis of 50 per cent rather than 75 per cent of normal earnings. Those currently under the scheme will continue to receive support for six months at the 75 per cent rate and then three months at 50 per cent. All existing applicants will be contacted by the Department of Employment to make their position clear.

In concluding his statement, Mr Prior drew attention to the need for co-operation throughout society in pursuing this ambitious programme.

"I have also been greatly heartened in the course of this review by the widespread desire expressed by so many in the community to have the opportunity to help. I trust that these new programmes of YOP and CEP will receive the full co-operation of employers, unions, local authorities and voluntary bodies, on whom their implementation so largely depends."

Paymaster General's Office
Privy Council Office
68 Whitehall
LONDON SW1

21 November 1980

Youth Opportunities Programme (YOP)

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- (a) courses to prepare young people for work, through employment induction courses, short industrial courses, and remedial and preparatory courses; and
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PRIME MINISTER

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Contact with
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MS

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ms *ms*

Tim Lankester Esq
Private Secretary
10 Downing Street
London SW1

20 November 1980

Dear Tim.

I enclose a copy of the statement which my Secretary of State will be making in the House tomorrow morning on special employment measures.

I am sending copies of this letter and enclosures to the Private Secretaries to members of the Cabinet and to Murdo Maclean (Chief Whips' Office) and David Wright (Cabinet Office).

Yo
Richard Dykes

R T B DYKES
Principal Private Secretary

STATEMENT BY THE RT HON JAMES PRIOR MP, SECRETARY OF STATE FOR
EMPLOYMENT ON SPECIAL EMPLOYMENT MEASURES - FRIDAY 21 NOVEMBER 1980

With permission Mr Speaker I wish to make a statement on the programme of special employment measures to operate in 1981 - 82.

2. The present high level of unemployment affects young people fresh from school more than most. We have a special duty to ensure that in these difficult times their prospects are not permanently damaged. The Prime Minister made clear yesterday the Government's deep concern on this score.

3. Accordingly, she announced that it is our intention to expand the Youth Opportunities Programme to provide 440,000 opportunities in 1981-82. This is 180,000 more than planned for the current year and more than double the number of opportunities that were available last year. There will also be 1,000 more places in the separate Community Industry Scheme.

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5. I am requesting the MSC to undertake next year to offer a suitable opportunity to all unemployed school-leavers by Christmas rather than the following Easter. I am also requesting the MSC to try next year to offer a suitable opportunity within three months to any 16 or 17 year old who has been registered as unemployed for

three months. Moreover I intend there to be more emphasis on giving the young person who has completed a course or scheme within the programme and who still has no job a chance to progress to another course or scheme. Since the programme is now focussed on 16 and 17 year olds, the allowance for next year will remain at £23.50 per week.

6. The emphasis in the programme will increasingly be placed on good quality training for work and two-thirds of the places will provide work experience on employers' premises. We are trying, as resources permit, to work towards the point where every 16 and 17 year old not in education or a job will be assured of vocational preparation lasting as necessary up to his or her 18th birthday.

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8. We see this development of YOP in the wider context of improving preparation for and training in work of all young people, and not just the unemployed. The MSC and Education Departments will accordingly also accelerate the extension of vocational preparation schemes over the next 3 years for those who have jobs but who are given little or no systematic training or further education. What we are trying to build up in these ways is a system whereby 16 and 17 year olds will be better equipped for working life and this is being further considered within our review of industrial training.

9. I turn now to measures for the adult unemployed. It is unrealistic to suppose that special measures can do as much for them as for the young. For most of the unemployed the only solution is the creation of lasting and viable jobs, which will appear only as we establish a sound economy.

10. Nevertheless, insofar as it is possible to ease the transition by special measures, we have a duty to do so and the Government are convinced that more opportunities for useful activity could be provided if greater emphasis was placed on work of environmental improvement and if much greater encouragement were given for projects arranged by voluntary agencies. Although many worthwhile projects were conducted under the Special Temporary Employment Programme, we feel that a new impetus is now needed. I am therefore asking MSC to replace STEP with a new programme entitled Community Enterprise Programme, which will be subject to annual review, like YOP, but which it is our firm intention to continue for at least three years.

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12. As I made clear some months ago, we also want to see more opportunities for voluntary activity for those who find themselves out of work and yet who wish to have a chance of some such activity. Under the Community Enterprise Programme, therefore, there will be many more opportunities for voluntary organisations to sponsor projects, and they will be able to recruit full time temporary employees to assist the unemployed in finding part time voluntary work in the local community. We are anxious that there should be no unnecessary obstacles in the way of the unemployed taking up voluntary work useful to them and the community. My rt hon Friend

the Secretary of State for Social Services will accordingly be putting proposals to the Social Security Advisory Committee for modifying the regulations to provide rather more scope for such work to be undertaken without loss of benefit.

13. We intend to continue the Job Release Scheme for another year on the present basis. We also propose to continue the Temporary Short Time Working Compensation Scheme for another year. There has been a considerable increase in assistance under this scheme so far this year, and many demands that the period of support should be lengthened. Accordingly, we intend that all applications received after today should be eligible to receive the support for a period of 9 rather than the existing 6 months and the level of assistance given will be 50 per cent of normal earnings rather than 75 per cent. All those currently using the scheme will continue to receive the 75 per cent rate until their six months end, when they will have the opportunity to apply for a 3 month extension at the 50% rate.

14. The total cost of all these measures in 1981-82 will be some £570m, an increase over existing provision of nearly £250m. This is a massive practical demonstration of our concern for the unemployed.

15. I have received a great deal of help from the Manpower Services Commission in framing these measures. I have also been greatly heartened in the course of this review by the widespread desire expressed by so many in the community to have the opportunity to help. I trust that these new programmes of YOP and CEP will receive the full cooperation of employers, unions, local authorities and voluntary bodies, on whom their implementation so largely depends; and that this House will also give its full support to all the measures I have announced today.



Manpower

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6400

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Switchboard 01-213 3000

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W*

A J Wiggins Esq
HM Treasury
Whitehall
LONDON SW1

18 November 1980

Dear John,

My Secretary of State was interested to see Tim Lankester's letter of 5 November following the discussion between the Prime Minister and the Chancellor about the longer run question of unemployment and job creation with particular reference to young people.

He agrees that when the package of special employment measures for 1981-2 has been announced it would be useful to discuss further ideas.

He suggests that it might be useful for official discussion of the kind of topics mentioned in your letter to be held in the forum of the Manpower Group, an interdepartmental committee, on which all the relevant departments including the Treasury and CPRS are represented, and which would ensure that this work were pushed forward in close conjunction with related work in the manpower field.

I am sending copies of this letter to Tim Lankester (PM's Office) John Halliday (Home Office), Don Brereton (DHSS), Peter Shaw (DES) and David Wright (Cabinet Office).

Yours ever

Richard Dykes

R DYKES
Principle Private Secretary

Manpower

Anti-Agriculture



PRIME MINISTER

ms

To note.

12 18/11

EMPLOYMENT AND TRAINING BILL - POSSIBLE NEED FOR PROVISIONS RELATING TO THE AGRICULTURAL TRAINING BOARD

Robin Ferrers wrote to you yesterday saying that it might be desirable to include some provisions relating to the Agricultural Training Board in the Bill which I expect to introduce in the coming Session.

As you may know it is intended to try to keep this Bill short, but the Agricultural Training Board is currently dealt with under the Industrial Training Act 1964, and I have no objection in principle to inclusion in the Bill of provisions relating to ATB, subject, of course, to agreement on the policy.

I intend that the Bill should be published before Christmas, or at the latest when the House resumes after the Christmas recess, and so it is desirable that the Agricultural Ministers make up their minds quickly about what they want, and get collective approval for it.

I am copying this minute to the recipients of his letter.

JP

18 J P November 1980

Manpower

Ref: A03580

PRIME MINISTER

INDUSTRIAL TRAINING

E(80)132 and 133

BACKGROUND

The Committee endorsed the broad approach to industrial training, and the future of the Industrial Training Boards (ITBs), at their meeting on 15 October (E(80)36th Meeting, Item 2). The Secretary of State for Employment now makes more detailed proposals in E(80)132 in the light of his further consultations with the Manpower Services Commission (MSC) and with the other Ministers directly concerned. The CPRS comment on some of the main issues in their memorandum E(80)133.

2. The issues are urgent in that the Secretary of State for Employment wants to make a statement on training in the Debate on the Address, probably on Wednesday 26 November, and to secure policy approval for a Bill which he has to introduce either just before or after Christmas. Given the very limited time available for discussion tomorrow it may be necessary to confine discussion to the minimum necessary to enable a statement to be made next week. This points to seeking agreement to the conclusion in paragraph 18(a), (b), and (f). It may however also be possible for the Committee to agree to the remaining conclusions in paragraph 18(c) (d) and (e) - perhaps on a 'no dissenting voice' basis.

HANDLING

3. You might begin by referring to the timing problem, and then invite the Secretary of State for Employment to introduce his paper. Thereafter the swiftest procedure would be to work seriatim through the 6 points set out in the Secretary of State for Employment's concluding paragraph 18:-

- (a) It seems sensible that the selection of the ITBs to be retained should be based on a sector by sector review by the MSC. The main



problem here is the CBI's objection to taking on the operating costs (see also, paragraph 2 of the CPRS's note E(80)133). But if this is not done substantial public expenditure savings will be lost. In addition the Chancellor of the Exchequer may well want to make the point that if the transfer were to be phased the MSC will have to find offsetting savings from elsewhere in its training provision. Moreover there may well be scope for reducing the operating costs of individual boards so that they are much less than those at present being borne by Government: and this is something which can be discussed with the CBI.

(b) The proposals for legislation are summarised in paragraph 9 of the paper and will probably be acceptable. The Bill has been substantially drafted but, if it is to be introduced in time, firm policy decisions must now be taken.

(c) It seems right to encourage the MSC to prepare a document on wider training issues. There seems no need at this stage to take a decision on whether it should be published jointly with the Government or how it should fit in with other longer term work. This can be decided when more is known of the MSC's ideas.

(d) Ministers may want to decide now whether a White Paper should be published with the Bill, rather than leave it to the Secretary of State for Employment to give further thought. The CPRS's ideas on the topics to be covered are in their paragraphs 4 and 5. If there is to be a White Paper the Secretary of State for Employment would expect his officials to take the lead in its preparation consulting other Departments as necessary. This could be done through the Department of Employment's inter-departmental Manpower Group. If on the other hand any other Minister were to argue that it should be coordinated by a central department, you might consider inviting the CPRS to take on the task.



(e) There is a similar question over who should take charge of the work to bring together the current exercises of the links between training and education. I understand that the Department of Education and Science would be willing to let Employment take the lead through the Manpower Group. Again if any Minister were to suggest otherwise an alternative would be the CPRS.

(f) The Secretary of State for Employment will clearly have to say something on his training plans in the Debate on the Address. The substance will turn on how much the Committee is able to agree either tomorrow or, if time runs out at a renewed discussion next Tuesday.

CONCLUSIONS

4. In the light of the discussion you will wish to record conclusions on the 6 points listed in paragraph 18, with priority given to 18(a), (b) and (f).

5. If time runs out the papers could be put on the Agenda for the Committee's next meeting on Tuesday 25 November. In any event the Committee will need to discuss training further in the New Year in the light of the further work proposed by the Secretary of State.

ROBERT ARMSTRONG

17 November 1980

CONFIDENTIAL



*From the
Minister of State*

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

The Rt Hon Mrs Margaret Thatcher MP
10 Downing Street
LONDON SW1

17 November 1980

Dear Prime Minister,

INDUSTRIAL TRAINING

As you know Peter Walker is in Brussels for the meeting of Fisheries Ministers and is unable to attend the meeting of E Committee tomorrow when Jim Prior's memorandum on Industrial Training is to be considered.

I have no doubt that Peter Walker will want to consult the other Agriculture Ministers about the future of the Agricultural Training Board in the light of the decisions which have been, and are, taken in the ITB sector. Earlier this year they appointed a new young Chairman, Christopher Vavasour, they cut the size of the Board from 26 to 8 members and are looking to this new Board to consider the future training needs of agriculture. The Ministry's staff inspectors are also engaged at present in a major inspection of the Board following the recent linkage of the Board's staff to civil service rates of pay. The factors which lead to agriculture being treated differently from other industries in the Employment and Training Act 1973 still apply, notably the problem of levy funding in an industry where the employment of many regular workers is the exception rather than the rule.

In the circumstances, I think that Agriculture Ministers would want to reserve their position on the possibility of any future significant change relating to the ATB. In the meantime, I am sure that Peter Walker would wish me to put down a marker in case it should seem desirable to include some provision relating to the ATB in the Bill which Jim Prior proposes to introduce in the coming session.

I am copying this letter to other members of E Committee, to the Secretaries of State for Education, Social Services, Scotland and Wales, to Robin Ibbs and to Sir Robert Armstrong.

*Yours,
Robin*

FERRERS

CONFIDENTIAL



M. Gwynne

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

14 November 1980

The Rt. Hon. James Prior, MP.,
Secretary of State for Employment

Dear Secretary of State

A. H. Dennis

D. 14/11

INDUSTRIAL TRAINING

You circulated in draft your paper on industrial training which is to be discussed at E on Tuesday and invited comments on your proposals.

I am content with what you propose on Industrial Training Boards (ITBs). The present system gives rise to tension between Government and the Boards and cushions the Boards from the views of their industries in an undesirable way. The extra burden on industry while unwelcome is likely to be relatively small compared for example with the change in stock relief that we are contemplating. I think it would help to mollify industry and to guide the MSC if you made clear our view that the number of Boards should be reduced and that as a result a significant part of industry would be removed from the Board sector.

I support also your proposal for a joint MSC/Government document on training policy linking the improvement of vocational preparation for 16 and 17 year olds, the reform of apprenticeship, and the removal of restrictions on adult training. It is important however, that this initiative and particularly the work of traineeships, should be properly co-ordinated with the other work which is taking part in related fields notably our remit from the PM to examine the possibility of a further initiative on youth unemployment, the MISC 45 study of financial support for 16-18 year olds, and the work by DES on vocational and other education for 16-19 year olds and on post-experience vocational education.

We need to consider how best to bring these threads together. We might for instance aim to produce a short 'umbrella' document setting out our approach across the whole field and foreshadowing more detailed papers on particular subjects of which training would be one. We might consider asking CPRS or a Cabinet office committee to carry work forward on these lines and perhaps also to co-ordinate the further work you propose on improving links between education and training. In the work I am undertaking for discussion with you in response to the PM's request, I will consider this further.

/Clearly

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Clearly, a great deal more work needs to be done on the MSC's proposals on training. At this stage I would make only two points. First the proposal to remit NI contributions for 16-17 year olds will have to be considered alongside possible changes in benefits for the age group and a full analysis of its costs and effects. This cannot be a task for MSC. It is primarily a matter for Patrick Jenkin; subject to his views I would not object to its being considered in the context of the wider strategy for young people. Second, I doubt whether it would be wise for us to become committed to ambitious targets for vocational preparation. If we start out in this way we are bound to give the impression that we will ensure through public expenditure that the targets are met, especially if we try to guarantee traineeships through YOP to all young people who are not recruited by industry. We would not be able to meet these expectations and, in any case, our aim should not be to create a massive new Government programme. Obviously we should use such funds as are available to promote the three objectives but our prime aim should be to persuade industry to make the changes.

I am sending copies of this letter to the Prime Minister, other members of E, to the Secretaries of State for Education, Social Services, Scotland and Wales, to Robin Ibbs and to Sir Robert Armstrong.

*Yours sincerely
Peter Jenkins*

GEOFFREY HOWE
(Approved by the Chancellor and signed in his absence)

CONFIDENTIAL

From: THE PRIVATE SECRETARY

SCAD

RESTRICTED

Manpower



*cc M Dupin
(with papers)*

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

MBM

14 November 1980

Dear Tim

*TL
14/11*

The Home Secretary was interested to see your letter of 5th November to John Wiggins in the Treasury following the Chancellor of the Exchequer's conversation with the Prime Minister about a possible government initiative to help the unemployed, especially the young unemployed.

The Home Secretary hopes the Home Office can be kept in touch with developments. At this stage he would like simply to draw his colleagues' attention to the existence of the official group set up following a meeting of H Committee in May (H(80) 10th Meeting, minute 3) to carry out an interdepartmental study of the financial support available to 16-18 year olds. The terms of reference of the official group were: "To review the different forms and levels of financial support from public funds for young people between 16 and 18 years old; to examine whether, without net addition to public expenditure, changes should be made in the present arrangements; and to report to the Home and Social Affairs Committee". It is expected to report later this month, and its report will then be considered by H Committee.

The Home Secretary understands that the report will indicate that it would be possible to introduce a new Young Persons' benefit which would replace both child benefit and supplementary benefit for those aged 16 and 17 who remain in full-time education or who have left school but not found a job. The report will set out for Ministers' consideration the arguments for and against such a change, which would, of course, require legislation. The report will also discuss the implications of any change for the future level of the Youth Opportunities Programme (Y.O.P.) allowance. The Group's work is also relevant to work in hand on industrial training, which the Home Secretary understands will be considered by E Committee next week and will be mentioned in the papers circulated for that meeting.

I am sending copies of this letter to the Private Secretaries of the Members of E and H Committees and to David Wright, Cabinet Office.

*Yours,
S. W. B. S.*

S. W. BOYS SMITH

RESTRICTED

T. P. Lankester, Esq.



CONFIDENTIAL

CE AD

[Handwritten mark]

10 DOWNING STREET

From the Private Secretary

13 November 1980

Unemployment and Job Creation

The Prime Minister has read your letter of 10 November and agrees that your Department should be brought into the proposed work which is to be done on unemployment and job creation.

I am copying this letter to John Halliday (Home Office), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

LE LANKESTER

P.A. Shaw, Esq.,
Department of Education and Science.

CONFIDENTIAL



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 4508

Ry

T Burns
Second Permanent Secretary
Chief Economic Adviser

12th November, 1980.

Dear Tim,

SPECIAL EMPLOYMENT MEASURES

You wrote to me on 15th October asking why if it is right to spend some extra money on employment measures why not spend more? This discussion has moved on since you wrote but I agree there is both an intellectual and a presentational problem.

2. In macro-economic terms we begin from the point where we think we have the appropriate PSBR for the monetary target. In a full "crowding-out" world any attempt to increase the PSBR will set in motion offsetting forces that will damage activity elsewhere. In practice we are unlikely to get full crowding-out in the short-term but we consider it unwise to rely upon this for large changes as the cumulative effect upon interest rates and activity can become large. The implication for high interest rates can increase more than in proportion. This might be because of the effect on the confidence of investors in the gilts market as they observe the extent of overrun of the PSBR relative to the MTFs. The risk of having to raise interest rates sharply is increased more than proportionately.

3. Therefore whilst we are prepared to spend some money on unemployment measures the scope is limited if we are to avoid running into the PSBR problem and the consequences for interest rates outlined above. In addition:

- (a) Their effectiveness relies upon how well they can be targetted to special groups so that they create jobs without displacing other workers on a one to one basis. Targetting is always tricky and gets progressively more difficult as the programmes get larger. Another reason why targetted programmes can run into diminishing returns is that the scope for sensible jobs gets exhausted and expansion of the programme leads to relatively silly jobs being created.

T. Lankester, Esq.,
No.10 Downing Street,
LONDON, SW1

/(a)

CONFIDENTIAL

- (b) It may be that the Phillips curve is non-linear in the relevant range; particularly if there are major imbalances within regions or age groups and those groups can be specifically reached. In the early stages it may be possible to employ such groups without adding to labour market pressures but the higher the rate of expenditure the more it becomes equivalent to general reflation.
- (c) It is not clear that the regional distribution of employment is affected but age unemployment may be. Apart from STEP, SEMs do not have a useful regional effect but they are likely to shift unemployment from the young to the main mass of the labour market. There are many political benefits to redressing the balance here even if the macro-economic arguments are limited.

John

Terry

(TERRY BURNS)

P.S. I am copying this letter to John Patterson and John Wiggins here and to Andrew Duguid at No.10.



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

12 November 1980

T Lankester Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Handwritten initials: B M

Dear Tim,

UNEMPLOYMENT AND THE YOUNG

Thank you for your letter of 5 November conveying the Prime Minister's request that the Chancellor, in conjunction with the Secretaries of State for Employment and Social Services, should arrange for an imaginative examination of the possibilities for alleviating the problems of unemployment among the young with a view to preparing a report for the Prime Minister's consideration in due course.

I write simply to let you know that the Chancellor has instructed Treasury officials to prepare a preliminary paper as a basis for further consideration. This should be ready in the next couple of weeks or so, and the Chancellor proposes to send it to the Secretaries of State for Employment and Social Services so that he can consider it with them. It should then be possible to prepare a report for the Prime Minister's consideration.

I am copying this letter to the recipients of yours.

yours

John

A J WIGGINS
Principal Private Secretary

CONFIDENTIAL

cf A.D.



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Ann Shute

We can ask the
Training and Employment
to associate DES
with the proposed
study of unemployment
and job creation for
young people.

Agree?

Wes

Mr T Lankester
Private Secretary
10 Downing Street
LONDON SW1

10 November 1980

Dear Tim,

UNEMPLOYMENT AND JOB CREATION

R

11/11

Flax A

My Secretary of State has seen your letter of 5 November to John Wiggins and has asked me to write to emphasise the part that the education system can play in this area.

In the first place, he thinks that attention could be given to the possibilities of improved support for traditional forms of training and education which suffer during recessions and lead to manpower shortages when the economy picks up. The problem of firms cutting back on apprentice training is well known; we are also receiving representations about the impact of the recession on industrial placements in sandwich courses at graduate and higher technician levels.

Secondly, staying on in, or returning to, education is an important option for some young people. Many colleges of further education have places on vocationally relevant courses, while the part that the schools can play should not be ignored. An official Cabinet Office working group (MISC 45) is considering the impact of the different forms of financial assistance available to young people in and out of employment and we understand that its report will be before Ministers by the end of the month.

My Secretary of State hopes that the education departments can be brought into the imaginative examination of possibilities requested by the Prime Minister.

I am sending copies of this letter to the recipients of yours.

Yours sincerely

Peter Shaw

P A SHAW
Private Secretary

CONFIDENTIAL



Ann Amstutz

2

John Vaizey made the same point to you

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7 November 1980

R
7/4

PERSONAL

T. Lankester, Esq.,
No.10, Downing Street

ms

Dear Tim,

UNEMPLOYMENT, TRAINING, ETC.

The Chancellor thought - à propos your letter to me of 5 November - that the Prime Minister might be interested in some points from a letter he has received this week from Lord Vaizey. The relevant text runs:

"Surely, however, the government ought to seize a few initiatives? Above all, I would do something big and bold on the training front. The Manpower Services Commission is dreadful: set up to cope with $\frac{1}{2}$ million on the dole - it just can't cope. It argues that you can't train for stock - Germany and France do - and it provides these clapped-out "job creating" schemes that are theoretically unsound and hopelessly patronising. And the DES is almost as bad. If I were you I would take the DES higher and further education branches, and the UGC, and all the training at MSC and put it into a Department of Human Resources under some propogandist like Heseltine with somebody (e.g. somebody like me) who actually knows about it all to produce the plans. We could revolutionise skills in 2-3 years. "It is your duty to lose your ignorance!"

Yours

John

A.J. WIGGINS

CONFIDENTIAL

4/AD

FILE

JS



10 DOWNING STREET

cc Welsh Office
Scottish Office
Matters for Records
Environet

From the Private Secretary

5 November 1980

LF 25. 11. 80

Dear Tom.

on Social Security: Nov 79
National Insurance
Contributory Record

In the course of considering the unemployment forecasts for 1981-82 last Thursday (on which I have written to you separately), the Prime Minister and the Chancellor discussed more widely the longer run question of unemployment and job creation, with particular reference to young people. The question was raised - in the most general way - whether the large amounts of money the Government were already spending on young people in Supplementary Benefits as well as through employment support and training schemes could not be remodelled so as to give a greater incentive to useful work and training and so as to make the labour market more flexible. The ultimate objective would be to reduce unemployment and to increase UK real resources and living standards as compared with what they might be in the absence of new initiatives.

Several ideas were put forward. Among them was a suggestion that there should be a new national initiative to help people at present unemployed into work of some kind, particularly the sort that would not normally attract a full wage. Possibilities mentioned included jobs with a heavy training content, or of a community service nature. It was further suggested that there should be some linkage between employment measures of this sort and the social security system. One idea mentioned was to make entitlement to social security benefit in suitable cases dependent on participation in defined activity. It is understood that the Germans operate a scheme on these lines. It was also suggested that a higher maximum for earnings receivable by people on social security might result in more of them doing something economically useful - though there were also strong arguments against in terms of the encouragement this would appear to give to the 'black economy' and the opposition that would be likely from the trade unions.

While recognising the difficulties and pitfalls of ideas like this, and the need to have regard to the constraints on public expenditure programmes, the Prime Minister felt that in present circumstances they were worth further examination.

/This examination

DS

CONFIDENTIAL

- 2 -

This examination might conveniently draw on the work of the Inter-Ministerial Group on the Voluntary Sector, where some of the same ideas have been canvassed. I should be grateful, therefore, if the Chancellor of the Exchequer, in conjunction with the Secretaries of State for Employment and Social Services, would arrange for an imaginative examination of the possibilities, with a view to preparing a report for her consideration in due course.

I am copying this letter to John Halliday (Home Office), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education and Science) and David Wright (Cabinet Office).

~ ~

Tim Lakin.

A.J. Wiggins, Esq.,
HM Treasury.

MR WIGGINS

c.c. Mr Butler
Mr Caff
Mrs Heaton
Mr Prescott
Mr Cropper
Mr Mathews
Mr Warden

INTER-MINISTERIAL GROUP ON THE VOLUNTARY SECTOR

You had a copy of Mr Warden's minute to Mr Prescott of 3 November.

2. You may like to note that the papers attached, which are down to SS2 for briefing, includes reference to the sort of ideas the Chancellor and the Prime Minister were toying with concerning the unemployed, the voluntary sector and social security benefits, and how all this would or should interact in present circumstances.

3. We will try to make sure that the briefing reflects the sort of approach that is in the Chancellor's mind. But the Group we are briefing for is not really the forum for settling wide ranging and potentially controversial developments here, and our line may be that a different forum would be more appropriate. However given the Chancellors general interest you may like to consider drawing his attention to the papers. No 10 might be interested too. ✓

EPK

E P KEMP

4 November 1980



MR PRESCOTT

pa


cc PS/Chancellor
PS/Chief Secretary
Mr Kemp
Mr Caff
Mr Cropper

INTER-MINISTERIAL GROUP ON THE VOLUNTARY SECTOR

As you know, there will be a meeting of the group at 11.00am on Thursday 6 November. Mr Raison's office has every intention of circulating an agenda, but they are not yet in a position to do so despite some pleading from this office.

I attach a paper from the DHSS attached to Mrs Chalker's letter of 31 October, received this afternoon, which I understand may be discussed. I also attach a paper from DE, circulated on 23 October, which I regret was not passed on earlier due to an oversight in this office. The Minister of State (C) would be grateful for the briefest of comments on these.

There may be other items for the agenda. I understand that extra tax help for charities may be raised by Mrs Chalker (I suspect this means VAT, but I am not sure) under "any other business" if nowhere else. I said to Mr Raison's office that Ministers could not be expected to contribute effectively without advance sight of the papers, but I am not sure how far the point was taken.


R WARDEN
Private Secretary
3 November, 1980



DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Joint Parliamentary Under Secretary of State

Timothy Raison Esq, MP
Minister of State
Home Office
Queen Anne's Gate
London
W1

31 October 1980

Dear Tim,

INTER-MINISTERIAL GROUP ON THE VOLUNTARY SECTOR

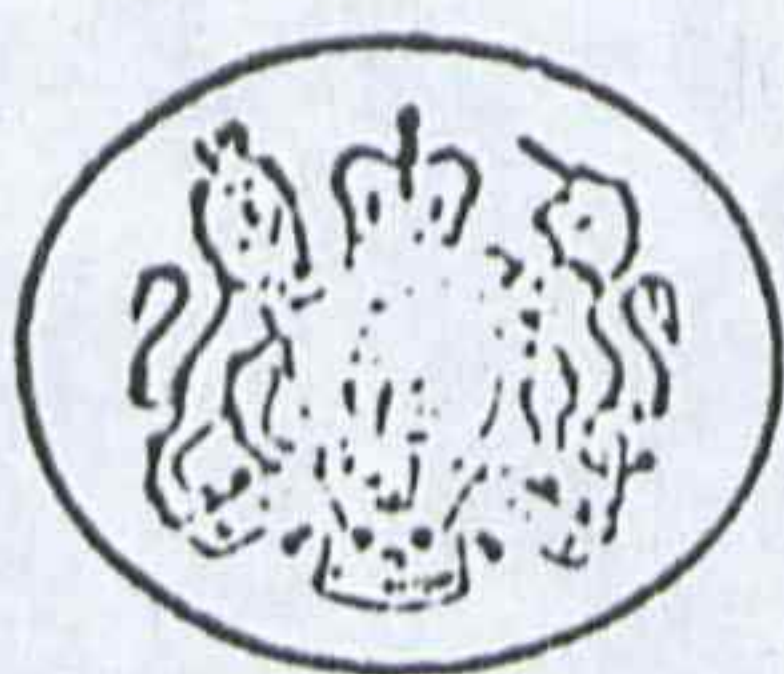
To supplement Jim Lester's paper on "Voluntary Work for the Unemployed", I thought it might be helpful if I were to circulate the enclosed note on "The Volunteer and Benefit for Unemployment" in time for discussion at our meeting next Thursday.

I must emphasize that the note is in origin an internal one, does not represent firm proposals, and could be embodied in regulations only if DHSS and Treasury Ministers were convinced that the cost would be nil or at least literally negligible, or that while costing a measurable amount could be carried by our programme and had sufficient priority. It would be next summer, in all probability, before any changes could take effect.

I am sending copies to the other members of the Group.

Lynda

MRS LYNDA CHALKER



THE VOLUNTEER AND BENEFIT FOR UNEMPLOYMENT

The attached note was prepared for consideration by DHSS Ministers, and discusses those areas in which there has been, to varying degrees, pressure for change. As the note indicates, the scope is in fact very limited, and even the very modest changes that might be envisaged have to be considered in the context of the Government's concern to clamp down on fraud and abuse and against the need to look very closely at any measure which could conceivably increase expenditure - however marginally.

DHSS Ministers would welcome the views of their colleagues on whether changes of the sort discussed here might be worth making, or would be seen as largely an empty gesture. They would take these views into account in drawing up any firm proposals for clearance with the Treasury.

VOLUNTEER AND BENEFIT FOR UNEMPLOYMENT

Background

1. Ministers wish - against a background of high and still rising unemployment, and in the light of their emphasis on the role of the volunteer - to modify the existing rules governing unemployment benefit (and, by derivation, supplementary benefit) entitlement, to provide greater scope for voluntary work to be undertaken without loss of benefit. They wish this to be done in a way that will safeguard the restrictions on abuse and the incentives to full-time work that the existing rules provide, while recognising the presentational and practical limits on this juxtaposition of policies. The objectives may be described in terms of boosting morale and encouraging effort, maintaining (or restoring or creating) work attitude if not work skills, sustaining fitness, and contributing to community welfare. There is little evidence available as to the extent of 'voluntary' work by people who are unemployed, but DE and Home Office envisage initiatives to expand the volume of effort (primarily unpaid effort), and the volunteer organisations envisage - with varying degrees of confidence - some scope for expansion.

2. The areas which have attracted particular attention are:

(a) The possibility, put forward by Mr Frank Field MP, of extending to unemployed people serving as auxiliary coastguards (total field 7,500 - number of coastguards unemployed unknown) the same deeming of availability allowed to lifeboatmen and part-time firemen. (Regulation 9 of the Unemployment Benefit, Sickness Benefit and Invalidity Benefit Regulations.)

(b) The possibility of increasing the amount of the subsidiary occupation earnings limit (Regulation 7(1)(h)), which has remained unchanged for eight or nine years.

(c) The possibility of relaxing the availability condition (Section 17 and Regulation 7(1)(h) and (j)) to ensure that the volunteer can qualify for benefit even if his voluntary work slightly slows his response to job possibilities and could not, as it stands, be combined with a full-time job, eg because it attracts some financial reward and is carried out during normal working hours.

(d) The possible need to do more to secure that the expenses stemming from a particular voluntary job are fully allowed for, and only net earnings are taken into account when considering the volunteer's benefit entitlement.

...the possibility of a two/three week 'leave' period each year, which the beneficiary could be away from home either on holiday or in a work camp, etc. In either case, the leave might be limited to Great Britain or the UK; and it might be a requirement that contact could be made, direct or through a sponsoring body. Anything much wider might have to be associated with a duration of unemployment test.

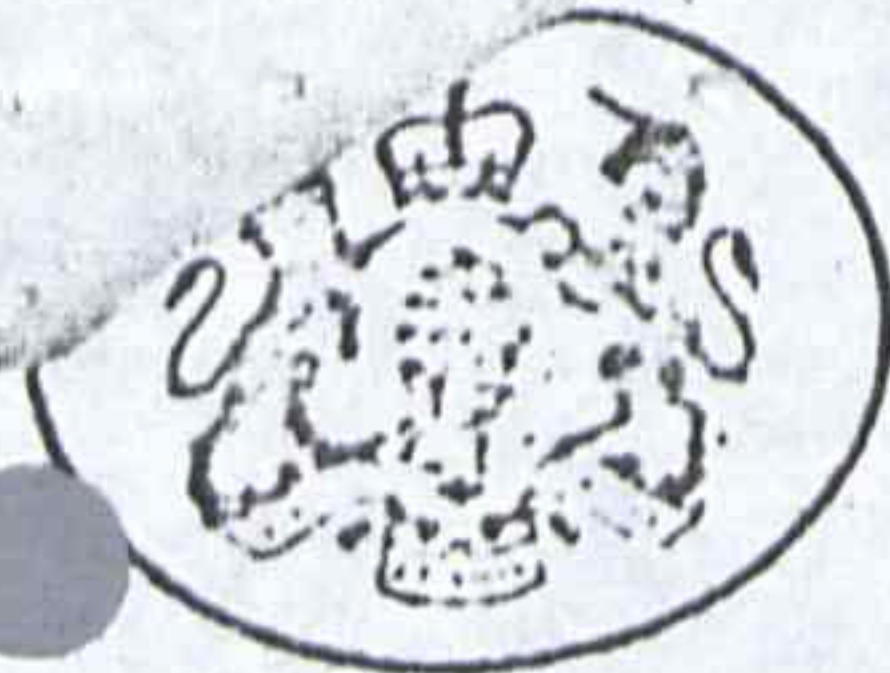
Informal contact with the National Volunteer Centre confirms that (b) to (e) are seen as potential problem areas.

3. It is proposed to proceed by way of Regulations, and not to amend the Act. The relaxations considered must not, therefore, impinge upon the basic (Act) entitlement condition, that the claimant is unemployed. Ministers wish the Regulations to be tightly drawn: there is good reason to be on guard against possible abuse even in a time of high unemployment; and there are pressures - which could substantially increase benefit costs - to subsidise the earnings of part-time workers. As regards timing, it seems unlikely that the SSAC would be in a position to consider regulations before the Spring of next year.

Changes to be considered

4. There is no evident justification, in terms of risk or of social value, or in terms of the number of cases actually known to have been affected (two in recent years), for extending Regulation 9 (firemen and lifeboatmen) to cover auxiliary coastguards (2(a)). There is indeed little logic in the special provisions, introduced in wartime, for the two existing categories. However, the supplementary benefit rules make special provision for disregard of auxiliary coastguard earnings in respect of drills or wreck service; and there is an obvious possibility of awkwardness in the fact that it is possible for a lifeboatman and a coastguard to be working side by side in the same emergency. There is very little pressure on this, and it could easily be argued that the preferable course for unemployment benefit is a general easement of the subsidiary occupation earnings limit (which might do a little to help), with no special provision for coastguards. But a specific concession might have some presentational value for little or no benefit cost. It could take the form of an amendment to Regulation 9 designed to cater for a wider range of emergency services so that 9(a) and 9(b) covered lifeboatmen and firemen respectively, while (c) covered any duty, not being part of that person's normal occupation, in connection with an emergency, whether at sea or elsewhere, in which it may reasonably be thought that there is a risk to life or limb or a risk of serious damage to property. (The precise wording would of course be a matter for Legal.

*The Social Security Advisory Committee has to consider all Social Security Regulations, and it publishes the fact that it is considering them and invites representations.



Parliamentary Under Secretary
of State

Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6620
Switchboard 01-213 3000
GTN 213

J A Gilbert Esq
Private Secretary to
Timothy Raison Esq MP
Minister of State
Home Office
Queen Anne's Gate
LONDON SW1H 9AT

23 October 1980

Dear John

INTER-MINISTERIAL GROUP ON THE VOLUNTARY SECTOR

I understand that the meeting which it was originally hoped to hold today will now be held on 6 November at 11.00am. It was agreed at the last meeting that it would be useful for this Department to prepare for the next meeting a paper on the current review of the Department's special employment measures, focussing on the relationship between these measures and the work of the voluntary sector. I attach a paper in fulfilment of that remit.

I am copying this letter and enclosure to the Private Secretaries to: Michael Alison Esq MP, Peter Rees Esq QC MP, The Lord Bellwin, Mrs Lynda Chalker MP, Reginald Eyre Esq MP, Russell Fairgrieve Esq MP, Neil Macfarlane Esq MP, Wyn Roberts Esq MP, Sir George Young Bt MP.

Yours sincerely
K C G White

K C G WHITE
Private Secretary

VOLUNTARY WORK FOR THE UNEMPLOYED - CONTRIBUTION OF SPECIAL EMPLOYMENT MEASURES

Note by the Department of Employment

1. The purpose of this note is to explain the position reached in the review of special employment measures and in particular the impact of new proposals on opportunities for voluntary work for the unemployed, particularly in the light of the discussion at the meeting of the Ministerial Group on voluntary services on 7 August.
2. At that meeting the Parliamentary Under Secretary of State at the Department of Employment (Mr Lester) outlined the thinking behind Mr Prior's suggestion that the unemployed might welcome the opportunity to do voluntary work. This had also attracted a certain amount of Press interest. Concern was expressed at the meeting that any new initiative should not cut across voluntary bodies existing work and that it should not be seen by the unions as undercutting the labour market. Mr Lester emphasised that whatever could be done, would be within the ambit of existing measures, but proposals for all special employment and training measures were at that time still in the sensitive stage.
3. Since August, following discussions at official level, particularly in the interdepartmental Manpower Group, and consideration by the Manpower Services Commission, the Secretary of State for Employment has put proposals to the Ministerial Committee on Economic Strategy which discussed them on 15 October. Decisions have yet to be taken on the specific proposals in the context of Ministerial discussion of the public expenditure programme as a whole. Proposals put forward by the Secretary of State for Employment include an expansion of the Youth Opportunities Programme designed to provide places for the increased numbers of youngsters likely to be unemployed, and also as part of a longer term aim to ensure that all 16-17 year olds outside education either had a job or were assured of vocational preparation through YOP lasting until the age of 18. Schemes run by voluntary organisations will play a key part in this expansion. He also proposed an expansion of the Job Release Scheme to create more job vacancies through earlier retirement and a continuation of the Temporary Short Time Working Compensation Scheme to avert further redundancies.
4. The Secretary of State for Employment has also put forward a proposal to

replace the current Special Temporary Employment Programme (STEP) with a new programme - the Community Enterprise Programme, (CEP) designed to give more effective assistance to the adult long term unemployed, the number of which is expected to increase over the next two years. STEP has not been a success and a new start is needed. The proposal is to increase the number of places from the present 10,000 to 25,000 in a nationwide rather than regional programme - although within the programme priority would be given to schemes in areas of high unemployment.

5. The proposed Community Enterprise Programme would give greater scope for projects arranged by voluntary agencies, place more emphasis on projects of an environmental nature and encourage greater participation of the private sector by encompassing projects which have public and private advantage. The new programme would also include an experiment in facilitating the creation of new enterprises in communities experiencing high unemployment. One of the main aims of the programme would be to encourage voluntary help. Like STEP it would concentrate in all its aspects on opportunities for the longer term unemployed (over a year out of work - or more than 6 months in the case of 18-24 year olds). The following paragraphs set out provisionally how the Department of Employment and the Manpower Services Commission see the place of voluntary work within this new Community Enterprise Programme:-

(i) Posts with voluntary organisations could be funded to set up and run schemes for unemployed volunteers as happens to some small extent already. These posts might be in the existing volunteer bureaux or where appropriate, new centres, and the aim would be to augment the staff of voluntary bodies mainly with people of the right calibre and attitudes from the ranks of the long-term unemployed. This would enable voluntary bodies to engage unemployed volunteers on a greater range of projects and activities than at present - but on projects and activities that they would themselves fund and run.

(ii) More generally MSC would encourage voluntary organisations to come forward with schemes which would provide training and work experience for unemployed people (of whatever age or duration of unemployment) to do voluntary work for the benefit of the Community. This encouragement would take the form, for example, of publicising examples of successful schemes already operating, and of briefing MSC staff at all levels to look out for possibilities and to nurture them.

(iii) While CEP will be the main channel it might also be possible to link adult unemployed volunteers with YOP schemes in various ways, whether working with the young people on projects etc, or providing additional help to the managers and supervisors. Staff/trainee ratios and funding levels on YOP schemes should allow some scope for voluntary organisations to set up new schemes with this in view, or perhaps to build on some existing initiatives.

(iv) Jobcentres would be available as contact points for unemployed volunteers to hear about voluntary work vacancies. Details of opportunities would be displayed, and lists of addresses of agencies and contact names and telephone numbers would be given to those asking for them. The Jobcentre's role is however seen as limited to the giving of straight-forward information and not as extending to give advice to individuals on which opportunities might be suitable for them or to investigate the credentials of the voluntary bodies involved.

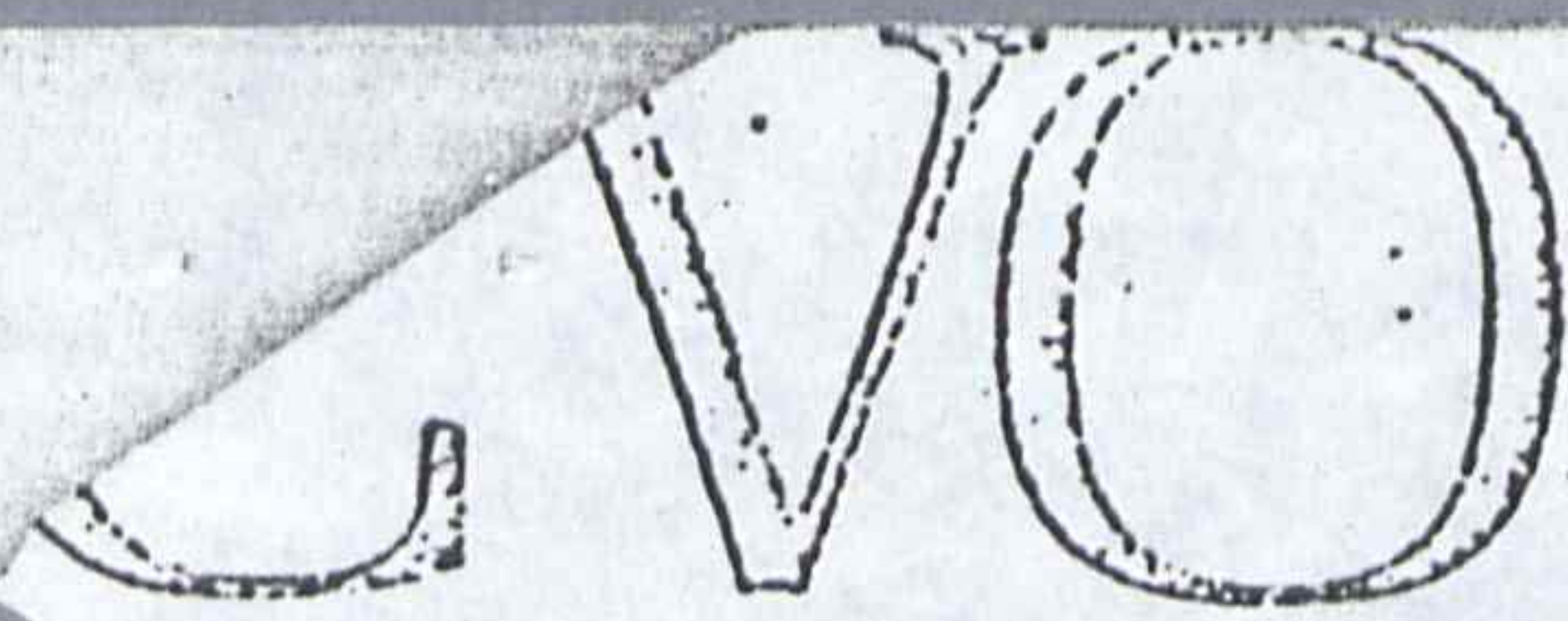
5. It should be emphasised that the primary interest of the Manpower Services Commission, the Special Programmes Division of which will be responsible for running CEP, is in the operation of the labour market and normal employment and the main aim of YOP and CEP must be to provide the unemployed with work experience or temporary employment. The MSC would be unlikely to wish to set targets for volunteers. Nevertheless the framework of CEP should provide a vehicle for facilitating voluntary work by the unemployed which will be of help to them, and of practical value to the Community. This aim would be easier to attain if the consideration which DHSS are giving to the question of the application of the rules for the payment of unemployment and supplementary benefit leads to some assessment which makes participation in voluntary work more compatible with the receipt of benefit.

6. There are, however, considerable limitations on what can be done. People employed full-time by voluntary organisations to develop voluntary activities must clearly be highly motivated to help in this task. The MSC view is that generally people of the right calibre and attitudes could be recruited from the unemployment register, especially in areas of higher unemployment. Nevertheless, they consider that there might be room for some exceptions where these could be justified.

7. There is also the nature of the unemployed themselves to consider. In the main they are unskilled manual workers with no tradition of participation in voluntary work. This applies particularly to those unemployed for long periods. There are also problems which would arise if voluntary work seemed to be substituting the unemployed for full time employees of say, local authorities.

8. Much will depend on what the voluntary organisations are themselves able and willing to do. The impetus will have to come from them. In 1979/80 they provided about 10% of YOP opportunities and around a third of STEP places; next year, 1981/82 with the proposals for the development of youth programmes they will be asked to do much more quantitatively if not proportionately. The new CEP is to be angled towards community involvement where those voluntary bodies are strong, and even if the proportion of YOP plans provided by voluntary organisations remain at around the 10% level they will need to provide almost twice as many as they have in the current year. So much will be asked of voluntary bodies in relation to YOP and CEP.

9. In sum, there is scope for the MSC to help voluntary bodies to help themselves and the community, by tapping existing resources as much as possible and by angling future plans. However, voluntary bodies already have other commitments and increasing demands will be made of them in the future. There are also doubts whether the unemployed are adequately motivated to become volunteers. These factors should be taken into account when Ministers announce and give further publicity to the new programme.



UNEMPLOYMENT, VOLUNTEERING AND THE ROLE OF VOLUNTARY ORGANISATIONS

Introduction

The Secretary of State for Employment and other Ministers suggested early in July that the government is considering ways whereby the unemployed might be encouraged to volunteer for a range of tasks that are of benefit to the community. Comments in the press reflect a range of opinion as to how desirable such a move might be; comments also reflect some confusion that might be inherent in such schemes, or between volunteering and the role of voluntary organisations, or again over the relationship of voluntary schemes to the MSC's special programmes. The Volunteer Centre and the National Council for Voluntary Organisations have therefore convened a forum in which the varied reactions of voluntary sector interests can be articulated.

1. Even the most conservative forecasts suggest that the number of unemployed will continue to rise. Over the past two years an increasing number of voluntary organisations have expressed concern and taken action to try and alleviate unemployment. The general picture of unemployment in this country disguises its differential effects; for example it hits hardest in certain rural areas, economically depressed areas, and inner cities; and it hits hardest at certain groups such as the young, ex-offenders, and minority ethnic groups. The number of long-term unemployed is rising fast; it is likely to approach 500,000 shortly.

There are a number of ways in which the voluntary sector may relate to unemployment:

- as sponsors of special programmes
- by creating or providing placements
- by recruiting or deploying volunteers, some of whom may be unemployed
- through advocacy and other services
- as creators or catalysts for community enterprises.

.../2

2. Though comparative figures are difficult to obtain, volunteer bureaux and projects using volunteer help report that the number of unemployed people volunteering is rising. It is not known which segments of the unemployed are represented, but volunteering is recognised as a way of offsetting the tedium of unemployment, of acquiring new skills or job-related experience, and of engaging in satisfying work. This applies as much to the unemployed as to others, including the disabled or retired.

A number of obstacles exist for individual unemployed people who wish to volunteer. Some of these, such as the 'availability for work' rule for claimants and the reimbursement of expenses, have been taken up with Ministers by The Volunteer Centre. Other obstacles are more difficult to overcome; for example, the compatibility of voluntary service with job search and the energy-sapping effect of prolonged unemployment.

3. There must be doubt about the capacity of volunteer recruiting and deploying bodies in both voluntary and statutory services to cope with a rapid, large influx of new volunteers and to find appropriate settings for them; the existing infrastructure is not large enough. Previous large-scale volunteer recruitment schemes such as Reports Action and kindred media activities, the national adult literacy campaign and the Good Neighbour Campaign, together with the MSC programmes, demonstrate the desire of the voluntary sector to expand its workforce, but they also confirm the need for careful preparation if that potential is to be properly used. The projected levels of unemployment might mean a new volunteer workforce of between one-quarter and one-third of the existing pool of volunteer labour, and a corresponding need for new placements. But unemployment remains a stigmatised and isolating state; among unemployed people are those most likely to lack work skills. This will no doubt have some bearing on their acceptability as volunteers, and the ease of creating placements.
4. It is not as yet clear precisely what Ministers are proposing and how these proposals relate to, or differ from, existing schemes such as the MSC programmes or those provided by Community Service Volunteers. Nor is it clear to what those proposals are a response - whether to the problems of the workless, to the process of transferring services from state to non-statutory provision, to social needs which the unemployed are in a unique position to meet, or to deficiencies in social provision which cannot be made good from available resources.
5. Discussion since the government's suggestion of volunteering for unemployed people has tended to confuse volunteering with measures for the unemployed with which many voluntary organisations are involved. The upsurge of voluntary organisations' involvement with schemes for the unemployed followed the MSC's Job Creation scheme (and later YOP and STEP). JCP, STEP and, to a lesser extent, YOP suit voluntary organisations well. In the first place these programmes provide a pocket of money for which voluntary organisations were encouraged to apply. Secondly, JCP and STEP workers, for example, enable many voluntary organisations to

undertake tasks that coincide with their particular aims and objectives. So, since 1975 or 1976 many voluntary bodies have, for a variety of reasons, firmly aligned themselves with government-financed schemes to alleviate unemployment through job creation, work experience and training. In addition, voluntary organisations have involved themselves in a number of other initiatives designed to alleviate unemployment, including enterprise trusts, co-operatives and other local projects.

6. Particular issues arise if it is intended that large numbers of volunteers are to be recruited from among the unemployed. These include such questions as:

- (i) whether volunteering for the unemployed entails any degree of compulsion;
- (ii) whether volunteering for the unemployed could in any circumstances jeopardise an individual's rights to financial benefits,
- (iii) whether a large-scale volunteer programme for the unemployed is likely to threaten, or be seen to threaten, jobs filled by paid workers,
- (iv) whether a suitable infrastructure exists to recruit, prepare and deploy volunteers locally.

7. Other questions arise in relation to the role which may be played by voluntary organisations, for example:

- (i) whether a volunteer programme for the unemployed lessens the individual's chances of obtaining assistance from special measures designed to prepare unemployed people for work, such as those schemes provided by the MSC,
- (ii) whether work experience and education as presently understood are more suited to the needs of unemployed people than volunteering,
- (iii) whether a large-scale and well-publicised volunteer programme is likely to jeopardise public and government support for programmes that are designed to offer experience relevant to preparation for, and obtaining, a job,
- (iv) whether a large-scale programme for recruiting volunteers from the unemployed will distract central or local government from the support they now give to voluntary organisations.

NH/HG

19 September 1980

NCVO/VC

GOVERNMENT AND THE VOLUNTARY SECTOR

Progress Report - October 1980

I

VSU Initiatives

1. Development of local voluntary action

The Association of County Councils has now decided to welcome the VSU initiative and will be represented on the Consultative Group by Mr David Tombs (Director of Social Services, Hereford and Worcester). The Association of Metropolitan Authorities, which had declined representation on the Group, has agreed that discussions should be held between officials to see how it might participate in the national conference and series of regional conferences.

The membership of the Consultative Group has been augmented by the addition of Mr Cecil Ross, who is engaged in youth work with members of ethnic minority groups, and a DHSS observer.

The first meeting of the Consultative Group was held on 15 August. A one night residential meeting was arranged for the Group at Sunningdale on 26/27 September. It was generally felt that this produced constructive dialogue between the various interest groups and that a high degree of consensus was achieved over the aims of the programme and the methods to be employed. The Group has now agreed the criteria for the selection of pilot projects (Annex A). It is intended that projects should begin work during the latter half of 1981. The Development Commission has indicated a willingness to finance, in conjunction with the VSU scheme, a suitable rural based development project.

The Consultative Group has also agreed to the national conference being held on 23/25 January 1981 at Swanwick, Derbyshire. It is planned to invite up to 200 representatives of voluntary and statutory organisations both national and local. [The conference will be opened by the Home Secretary and will be addressed during its closing session by Mr Raison. Sir George Young also has been invited to speak during that session.] Details of the conference agenda and arrangements for the allocation of places will be circulated to departments once these have been settled.

2. Small grants scheme

Advice has been requested about suitable local authority areas in England for the operation of this scheme from DHSS, DOE, DES, the Development Commission, the Association of County Councils, the Association of District Councils, the London Boroughs Association, NCVO, the Volunteer Centre, the National Youth Bureau and Age Concern. Each has been given a copy of a paper (Annex B) which indicates the range of areas in which it is hoped to fund small grants schemes and the different levels of existing local authority/voluntary sector collaboration which would make areas appropriate for selection.

Age Concern expressed interest in collaborating in the scheme with an offer of an additional £20,000 p.a. for 2 years.

This offer has been welcomed, and negotiations are in progress about how best to give practical effect to the collaboration.

The Welsh Office and the Scottish Education Department have each been asked to select an area for funding under the VSU scheme; the latter has proposed itself to fund (at £20,000 p.a. for 2 years), an additional scheme in Scotland.

3. Charity reviews

Detailed work has yet to start on this. Ministers may, however, be interested to know of a parallel development. VSU officials have held a discussion with the deputy director of a major grant-making trust, which has agreed in principle to allocate £10,000 p.a. for 3 years towards three local initiatives for creating charity bureaux, part of the work of which would be undertaking charity reviews. There may be scope for cooperation in research and monitoring between the VSU scheme and this separate initiative.

GOVERNMENT AND THE VOLUNTARY SECTOR

Progress Report - October 1980

II

Local Authority/Voluntary Organisations Relationships: Good Practice

It was agreed at the meeting of Ministers on 7 August that a study of this subject might best be left to the Joint Working Group to be set up by the National Council for Voluntary Organisations and the local authority associations.

The Group has now been set up with the following membership:

- Mr S Jones (Chairman) (Chief Executive, Leicestershire C.C.)
- Mr N Hinton (NCVO)
- Mr D Clark (NCVO)
- The Reverend A Morgan (NCVO)
- Mr D Tombs (Director of Social Services, Hereford and Worcester C.C.)
- Mr G Dunn (Director of Social Services, Barnsley)
- Mr J Brown (Inner Cities Unit, Lambeth)

Officials from the DHSS and the VSU sit as observers.

The Group held its first meeting on 10 October. It decided upon the following main topics for study, on which papers are now to be prepared:

- (i) The different types of voluntary organisations (in their relationships with local authorities), and the criteria for tasks to be done by each.
- (ii) Limits of commitments and liabilities of voluntary organisations (including contractual relationships).
- (iii) Procedures for consultation between statutory and voluntary agencies (including setting priorities for policy).
- (iv) Degrees and nature of control/oversight exercised by the local authority over a funded organisation.
- (v) Significance of employment policies of the voluntary sector and local authorities (including circumstances in which the local authority can properly use voluntary effort rather than paid staff).

- (vi) Collaboration on training (in "professional" skills for voluntary sector and "liaison" skills for local authority staff).
- (vii) Local authority budgetary processes, and ways of correlating applications for funding with these.
- (viii) Best uses of resources (including pooling of resources).
- (ix) Methods of funding (including capital grants and possible decentralisation of administering grants to e.g. area teams).

A number of subheads and more specialised developments of these general themes were discussed, but the above indicate the scope of the work which the Working Party set for itself.

The Working Party has been provided with relevant extracts from the summary of responses to the VSU's Consultative Document on Wolfenden.

5. The earnings limit (2(b)), which has been 75p a day since 1972, would if it had maintained its value now be over £2. By the Spring of 1981, £2 would fall well short of restoring the 1972 value, and amounts up to £3 a day could be justified on earnings indices. However £2 would involve a substantial increase consistent with the infrequent but sharp increases that have characterised this rule;* and the higher the figure the greater the hazards presentationally and practically. On a 5 day working week basis, a £2 a day rule would amount to rather less than half the single person's short-term benefit rate, and as such would be an arbitrarily reasonable figure - consistent with a pocket money level of earnings.

6. It so happens that £10 a week (usually for a 5 day week) is the current CSV pocket money rate for volunteers under their main volunteer programme. But no precise link to this or any other reference point is intended. Such a link would in any case have only limited logic; and would imply an annual uprating - which is not proposed. There are no convenient precedents elsewhere in the benefit structure. The supplementary benefit disregard will become £4 a week in November (£6 for single parents); but the effect of a disregard, and progressive benefit reduction above it, is radically different from that of an absolute earnings limit. The therapeutic earnings limit for incapacity benefit has now diverged from the unemployment rule for some years; has a distinctive rehabilitation rôle; and has reached a level (£15) and a pattern of annual uprating which there is no need to emulate.

7. There is no firm basis in data available or obtainable for costing a change in the rule. Over 50% of male staff in pubs and clubs are part-timers. Retail distribution and educational services are the biggest single categories of male part-time working. It is in those areas, together with self-employed services, that benefits plus earnings could be most attractive and most readily arranged. No doubt a certain amount of work in this area is and will remain undeclared, for benefit as for tax purposes. As regards declared earnings, it is more likely that some people already on benefit would think it worthwhile seeking a little additional income (with corresponding supplementary benefit savings), than that people not on benefit would come onto benefit. For that majority of unemployed people who are getting supplementary benefit, the change in the earnings limit would make no difference, unless their supplementary benefit entitlement was so low that unemployment benefit plus earnings up to the new limit was a better bet. Any risk lies perhaps most obviously with married women working part-time, who cannot claim supplementary benefit in their own right but, who might be minded to switch to benefit plus £10 if they have chosen/been

*1920-1955 3/4d; 1955-1972 6/8d; 1972-1980 75p (15/- in real money)

forced to pay the necessary contributions for benefit. But even for this group there could be a significant loss of income. Abolition of earnings-related supplement reduces any theoretical disincentive problem. There will, of course, inevitably be some (including some young people) for whom a benefit plus earnings from congenial work combination is more attractive than normal earnings, even if it is less financially rewarding. Those plus (declared) part-time low earners constitute the problem area.

8. As regards availability(2(c)), the result required is greater flexibility in the rather nebulous area which is partly explicitly governed by the Act itself, partly explicitly governed by regulations, and partly a matter of interpretation by the National Insurance (now Social Security) Commissioners. The two basic difficulties are that of securing precisely the result required for the group intended to benefit; and that of catering for the target volunteer-group without trying to introduce into the scheme a whole range of new and probably unworkable definitions of 'voluntary', 'community service', etc, on the one hand, or covering unintended beneficiaries on the other hand.

9. It seems an obvious approach to a problem seen in terms of voluntary work that 'voluntary' should be defined. This would be possible inasmuch as relaxations could be concentrated on unpaid work, and the earnings rule left at its present level. If, however, 'voluntary' is intended to encompass jobs which attract a modest financial reward as well as those for which the reward will be less immediately 'tangible', then we must advise that drawing dividing lines would require definitions which were unsatisfactory in themselves, would give rise to endless dispute, and would staff intensively complicate an area which is quite complicated enough already. Moral judgements as to the contribution to the common good do not lend themselves to statutory provisions. Tying entitlement to association with a particular organisation would require categorisation of organisations according to their declared objectives and actual work, and ~~Coverage~~ of commercial type activities for a favoured organisation while denying benefit to someone doing valuable service under the auspices of another organisation or on an individual basis.

10. Since 1920 the rules, though changing over the years, have tolerated a paid (or potentially remunerative) job only where it is one that could be carried on alongside normal full-time employment. The present Regulation 7(1)(h) expresses this in terms of consistency with full-time employment. It is arguable that the volunteer who receives some payment should not be debarred from benefit by this rather artificial restriction; but only by the basic availability condition. Consistency with a job not yet in sight is much less important than availability

for a job when it comes - which when it comes will spell the end of the voluntary job. The present supplementary benefit provisions involve no such rule; and the volunteer who gets no payment for his work is unaffected by the national insurance rule. ^{Given that} avoidance of a whole new, and administratively expensive, category of case law requires avoidance of definitions based on 'voluntary' work and 'community service'; abandoning "consistency" allows the possibility of low-paid commercial employment. The case for abolition of the consistency condition is that it is a stumbling block to reasonable encouragement of voluntary work. The case for its retention is the fear that the insurance officers will be put in an impossible position when a claimant doing something that very clearly could not be combined with a full-time job, whether as barman or full-time counsellor for Alcoholics Anonymous, says that he would drop it as soon as he had the chance of a real job. Availability as a state of mind is much less effective than consistency as an observable fact. The risk of abolition must be taken if the (modestly) paid volunteer is to be covered.

11. Secondly, there is the problem of timing - of the possibility that a voluntary commitment can be rapidly abandoned but not abandoned forthwith. (Any long-term commitment to full-time voluntary work cannot be reconciled with availability.) The problem could be met by a specific provision to the effect that, without prejudice to any more favourable provision, a claimant who has an employment in line with 7(1)(h) or is rendering services without remuneration shall not be held to be behaving unreasonably in failing to attend an interview (7(1)(j)) if less than 24 hours notice of such interview has been given, or in failing to avail himself of suitable employment (7(1)(h)) if he is willing to take such employment within 24 hours of the vacancy being made available to him. (With some unskilled jobs the vacancy can arise immediately from the interview, and in such cases, there should not be another 24 hours grace.)

12. These changes would be in large measure presentational, but they would provide some relief in a minority of cases and would emphasise, as part of a wider policy, the Government's concern to remove unnecessary obstacles from the path of would-be volunteers - while preserving as far as possible all essential safeguards. Any cost is unquantifiable, but would be likely to be very small. It should be made clear in announcing any change that no dramatic impact was anticipated; but that further changes in the opposite direction would be necessary if abuses arose.

(2(d))

13. Treatment of expenses presents no difficulty under the existing rules, and no changes are recommended. The present rules cover expenses for travel-to-work or travel in the course of work; the costs of tools, etc, required for work; the cost of special clothing if needed; and, within strict limits, meal costs. Information on this and on any of the changes adopted on the lines suggested above might be made

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12 27/10
29 October 1980

THE NET COSTS OF SPECIAL EMPLOYMENT MEASURES

In view of the reference in our discussion yesterday to Nigel Lawson's letter of 21 October (which was circulated to members of E Committee and others on 23 October), I should like to make it clear that I do not accept the points made in that letter concerning the net costs of special employment measures.

It is one thing to take account, as we have done, of the fact that the measures reduce unemployment and that this will partly offset their cost in PSBR terms. It is quite another to attempt to calculate the indirect and second round effects which might arise from the financing of the expenditure. Nigel's letter by no means includes all of the items on the credit side, such as the net demand effect, the economic value of a more employable labour force and the savings on law and order and social care expenditure otherwise associated with high unemployment. Where do we stop? Theoretically, such a calculation could be applied to every single item of public expenditure, but it is hard to see any practical value in doing so. There is nothing to be said for applying it selectively.

Arguments about the methodology of such calculations would only detract from the main point, on which we do not disagree - that the net costs of special employment measures are significantly lower than their gross costs. But even taken on their merits, the calculations are unconvincing. In order to justify increasing my net cost estimates by 'perhaps a third or more', it is assumed that the measures are financed entirely by cuts in public service employment. Not only is this an extreme assumption but given that the purpose of the measures is to reduce unemployment it would ~~surely~~ ^{hardly} be sensible to finance them in that way. If they were financed, for example, by borrowing, the second round effects would not make much difference to my estimates.

The references in Nigel's letter to the longer term consequences of special employment measures are equally unconvincing. With unemployment at its present level, the argument that special measures reduce labour mobility and interfere with wage flexibility do not stand up to examination. The Job Release Scheme, which simply takes out of the

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labour market some of those already coming up to retirement, cannot plausibly be claimed to have any such effects in the long term. Nor indeed can the six months' support offered under the Temporary Short Time Working Compensation Scheme. And the Youth Opportunities Programme should, as the letter partly concedes, have positive benefits in the maintenance of an employable labour force.

Finally the fact that special employment measures would cost some 40% more in 1981/82 than in 1978/79 is scarcely surprising when the numbers of unemployed will have doubled. Whether or not the total spending of £600 million can be termed "marginal", it is undeniable that the additional costs which are at issue are marginal in their effects upon the Financial Strategy. Yet they are likely to be politically crucial to enabling us to pursue that strategy.

Copies of this letter go to the members of E Committee and to the Secretaries of State for the Environment, Health and Social Security, Education and Science, Scotland, Wales, the Financial Secretary, and Sir Robert Armstrong.

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COVERING CONFIDENTIAL



Manpower

Treasury Chambers, Parliament Street, SW1P 3AG

23 October 1980

T P Lankester Esq
10 Downing Street
LONDON
SW1

Mr M. Harrison

Dear Tim,

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22/10

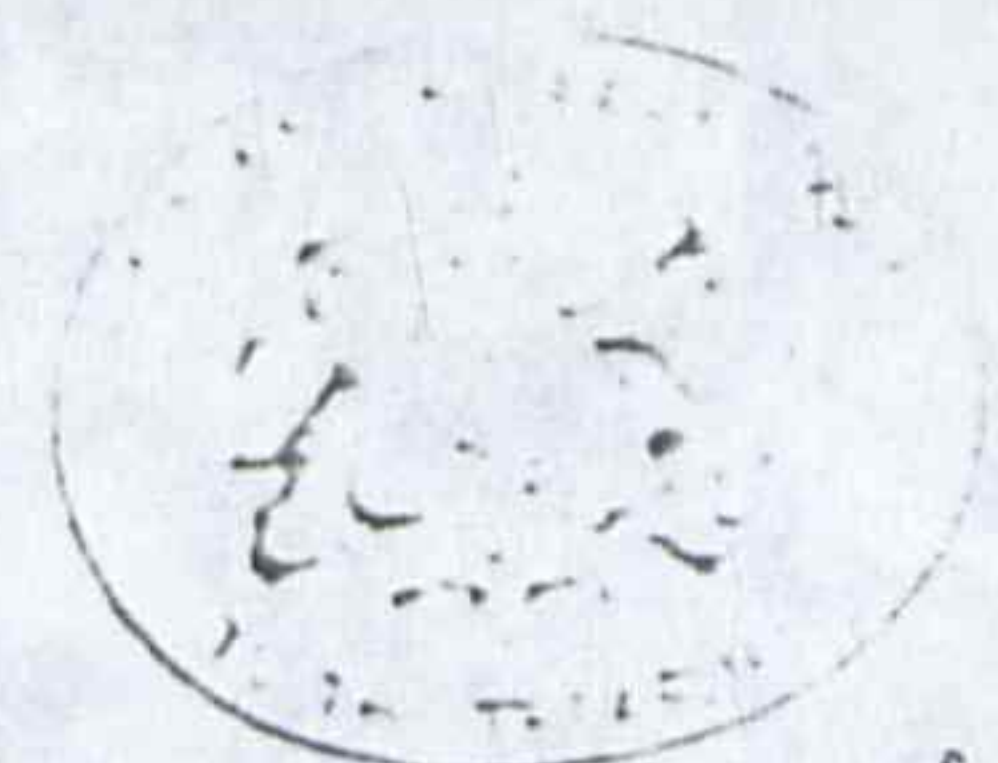
ECONOMIC IMPACT OF SPECIAL EMPLOYMENT MEASURES

... The Financial Secretary wrote as attached to the Secretary of State for Employment on 21 October about the economic effects of expenditure on special employment measures.

At the Financial Secretary's request, I am copying his letter to the Private Secretaries to all members of E Committee, and to the Private Secretaries to the Secretaries of State for the Environment, Social Services, Education and Science, Scotland and Wales.

*Yours ever,
Stephen*

S A J LOCKE
Private Secretary



confidential.

X

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon James Pridgmore Esq MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1

21 October 1980

ECONOMIC IMPACT OF SPECIAL EMPLOYMENT MEASURES

Following the E Committee discussion on 15 October and in advance of your meeting with John Biffen tomorrow, I thought it might be helpful to set down some of the reservations which we have about your calculations of the economic effects of expenditure on special employment measures.

We have serious reservations about the value of your estimates of the 'net cost' of the various measures. These are derived by subtracting from the estimates of gross cost the likely direct offsets in the form of income tax and national insurance flow-backs to the exchequer, and the likely savings in social security benefits. Measures of this kind have some validity if they are being used to compare the cost of one measure against another, for example YOP against STEP. But if we are considering the impact of the SEMs package as a whole then, as with other expenditure decisions, the relevant measure is the total PSBR cost of the measures allowing for all first and second-round effects, direct and indirect, and not just the first-round flow-backs which your calculations attempt to identify.

The impact of the measures on the PSBR will of course depend on how they are financed. If the package is financed by extra borrowing, rather than by cuts in other programmes or increases in taxes, interest rates must rise if monetary targets are to be maintained, and this will add substantially to the PSBR cost of the measures both by raising debt interest and reducing employment in the private sector. The figures presented in your papers suggest an average net: gross cost ratio for all schemes in the region of 50-55%. Our very rough estimates suggest that, allowing for higher interest rates and other factors, the ratio of first year PSBR change to gross costs will be considerably in excess of this figure. On our figures the ratio rises substantially further in the second year because of lagged effects of various kinds, and further increases in interest charges. The total PSBR cost per extra job created will be raised both because of increased borrowing

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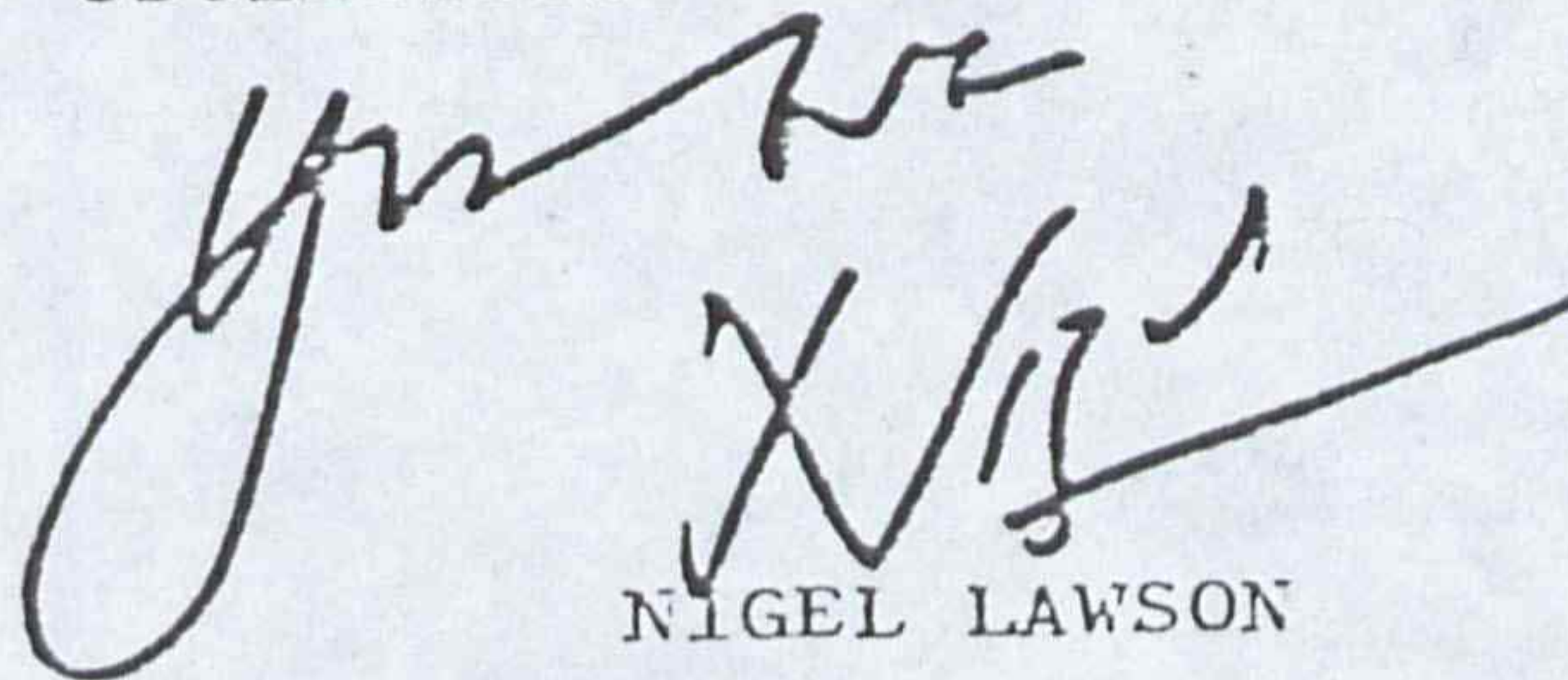
Because private sector jobs are created as a result of the higher interest rates which the increased borrowing causes. For reasons discussed below, the longer the period during which SEMs are operated, the smaller is their likely net impact on unemployment, and the higher the exchequer cost per extra job created.

If expenditure on SEMs is financed by cutting other expenditure programmes, or raising taxes, rather than by extra borrowing, this can only be at the cost of eliminating some of the extra jobs initially created. For example, if public service employment is reduced to offset the rise in the PSBR our estimates suggest that the net improvement in the register would be less than the figure you claim (280,000 in March 1982), perhaps by a third or more. Thus whether financing is through the PSBR or through expenditure cuts or higher taxes the net cost of the measures is considerably higher than you estimate and the net employment effects of the measures are smaller than you claim.

We are also concerned about the longer term consequences of sustaining a high level of expenditure on SEMs. Such measures can be of benefit in the short term while resources are under-utilised, but there are likely to be unintended costs of overriding market signals. In assessing the long term cost of SEMs we need to take account of their adverse effects on productivity and the extent to which they reduce the labour supply. For example, in many cases TSTWC essentially subsidises labour retention in inefficient firms and sectors, making it more difficult for labour markets to adjust and reducing long term productive potential. Moreover, if SEMs carry on indefinitely, people will adjust their behaviour accordingly; for example, employers will increasingly substitute WEEP for normal recruitment and training so that, over a period, one would expect the impact of YOP on unemployment to fall. Furthermore, SEMs conceal movements in wage differentials and hence hinder an efficient allocation of labour. In all these ways, SEMs interfere with our objectives of improving the mobility of labour, increasing the flexibility of absolute and relative wage levels and reducing the natural rate of unemployment ie the minimum unemployment level that can be sustained without accelerating inflation.

Some measures would of course come out better on the long term score sheet than others, particular those (eg the training elements of YOP) whose objectives reflect a mixture of short and long term consideration

In any case the total spending you are proposing - £600 million to £650 million a year - would be some £250 million more than the last Government spent in 1978-79 at 1980 survey prices. On this scale, the measures would be more than marginal palliatives. Their long term economic costs should not be under estimated.



NIGEL LAWSON

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Manpower



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From the Private Secretary

Richard Dykes Esq
Private Secretary to the Secretary of State
for Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

21 October 1980

Dear Richard,

RDY

INDUSTRIAL TRAINING

The Lord President was unable to attend the meeting of E Committee on 15 October which considered your Secretary of State's paper on industrial training (E(80)111).

The Lord President has noted that the Secretary of State's proposal, which was endorsed by E Committee, could substantially reduce the number of Industrial Training Boards from over 20 at present to perhaps three or four. If he had been able to attend E Committee, the Lord President would have wished to point out that the ITBs have very generous redundancy compensation terms. If many of the 5,000 staff involved were made redundant, the extra compensation costs could be very large indeed. This expenditure would have to be offset against the initial potential savings and it could come at a difficult time for public expenditure. It seems very unlikely that the industries themselves would be willing to bear any part of it.

The Lord President would like CSD officials to be consulted on this point as part of the further work which is now to be done on developing the Secretary of State's proposal. He would like as reliable an estimate as possible to be made of the likely compensation costs and the timing of the expenditure. It will be important to establish who is to meet these costs and how they are to be financed.

I am sending copies of this letter to Tim Lankester at No. 10, and to the Private Secretaries to the members of E Committee and to David Wright in Sir Robert Armstrong's Office.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

CONFIDENTIAL
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2 PPS

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

Richard Dykes Esq
Private Secretary to the Secretary of State
for Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

21 October 1980

Mike

MP

R vjw

Dear Richard,

SPECIAL EMPLOYMENT MEASURES

Unfortunately the Lord President was unable to be at E Committee on Wednesday when the special employment measures which your Secretary of State has proposed were discussed. There are important manpower implications in the proposals which ought to be recorded.

The proposals set out in E(80)110 seem to mean increasing the staff in the DE Group by 1,446 in 1981-82 and the staff in Inland Revenue by 160. There would also be some small increases in the education departments for the Unified Vocational Preparation Measures.

However, the total package of new measures and increases in programmes would have the effect of removing 125,000 people from the unemployed register in 1981-82. There would, therefore, be savings in the staff of the Unemployment Benefit Service and in DHSS who would otherwise be required to deal with claims for benefit from them. The savings would be roughly 1,250 staff in each Department (though in the event probably less than this in DHSS).

This suggests that the net manpower implications for 1981-82 would be:-

DE Group	+	196
DHSS	-	up to 1,250
Inland Revenue	+	160

The final figures would obviously depend on the contents of the package which Cabinet agrees and would need to be agreed between our officials. But given the likelihood of an overall saving we would not wish to dissent from the proposed measures on

manpower grounds. We should, of course, take the staff saving for DHSS into account when considering their claims on the contingency margin for increases in staff to cope with rising unemployment.

At the same time we would strongly endorse the Chief Secretary's view that the possibilities for reducing the cost of the special measures and securing further offsetting savings in terms of money and staff should be explored.

I am copying this letter to Mike Pattison at No. 10, Private Secretaries to members of E Committee and to David Wright in Sir Robert Armstrong's Office.

*Yours sincerely,
Jim Buckley*

J BUCKLEY

PART 1 ends:-

TL to HMT 15.10.80

PART 2 begins:-

CSD to Emp 21.10.80