

Prime Minister

① 28

MR. SCHOLAR

Should the Chancellor and Mr Tebbit

PASSPORT FOR A JOB

let you have their reactions, for me,

Lord Cockfield's suggestion is analogous to the Young Workers Scheme except for two features:

- a. the passport concept avoids the employer having any hassle with tax or national insurance arrangements; and
- b. the passport system would require, I believe, legislation.

Chequers  
meeting?  
Yes please  
not  
MLC 4/7

The Young Workers Scheme did not require any legislation; it was done under the existing laws.

The first draft of the Young Workers Scheme suggested that the employer and worker be excused the national insurance contributions and surcharge - instead of a £15 subsidy. This was rejected because of the complications involved with the DHSS arrangements on the one hand, and because of the need for legislation on the other. We used subsidies instead.

The avoidance of bureaucratic red tape is the important difference between the passport and the YWS. Obviously it would apply more tellingly to the very small employers, such as those who employ one or two people, rather than those that employ ten, since the latter will be normally fully in the tax and NIC recording system in any case. The passport scheme will have the greatest impact on those who, formally at least, employ no-one.

There may well be an argument for using the passport system for domestic servants. The YWS does not apply to them. The vast majority of domestic servants would be home-helpers, mothers' aids, etc. Normally there would be only one employee per employer. The passport system would legalise what I suspect is largely a black economy. And like the Young Workers Scheme it may have a desirable effect in bringing downward pressure to bear on youth wages.

It may be argued that the passport scheme, like the Young Workers Scheme, will be too expensive in terms of pounds per job created. This argument should be strongly and unequivocally rejected. The basis for the higher cost per job for the Young Workers Scheme is a survey which was incompetently carried out, wrongly analysed and misleadingly reported

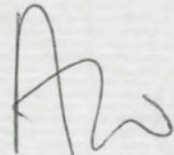
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by the Institute of Manpower Studies. I append a letter which I wrote to David Stanton on this point (see especially paras 3, 4 and 5). It is unfortunate that the Department of Employment continues to use these figures, particularly the 6%, in subsequent reports.

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There has been no evidence of ubiquitous complaint about YWS employees being fired as they slip out of eligibility for the subsidy. Thus I see no obvious problem with the passport system.



ALAN WALTERS  
4 July 1983





10 DOWNING STREET

David Stanton, Esq.,  
Department of Employment,  
Caxton House,  
Tothill Street,  
London, SW1.

AS  
Rle  
YWS

5 July 1982

Dear David

YOUNG WORKERS SCHEME; INITIAL EVALUATION BY THE INSTITUTE  
FOR MANPOWER STUDIES

Thank you for sending me the IMS Study. I thought the results of the study are both useful and of some interest. I am a little disturbed, however, by the interpretation of the results. It seems to me rather superficial. But let me go through it a bit more systematically.

First the sampling frame, which is described in Chapter 2. Although the desirable frame had, as the author says, "a number of desirable features", I am unable to determine whether it was randomly drawn with probabilities proportional to size. This would enable the final results to be treated as "representative" of the whole population. I suppose I am being just a pernickety statistician, however, since it is clear that the author chose what he thought was the right composition and in some "selective" way. But even so, one doesn't know how the size distribution and the industrial break-down of establishments or firms compares with the country as a whole. We have a wide spread, but the coverage is often much thicker in some areas than others, partly by design. I don't know whether one can say much about the final figures then and how they represent the population. In fact although they use F statistics, they do not appear to give confidence intervals for any of their results.

The second main point I find rather puzzling is, of course, the use of hypothetical questions or questions about intentions. This applies, of course, to the critical questions 4(b), 4(c) and 4(d), with all those ramifications - and incidentally quite a few under 5(c)(i), (ii), (iii) and (iv). When I used to lecture in statistics, I always strongly argued that questions about intentions, and in particular intentions which stretch quite a long way in the future, which also involve an enormous number of subsidiary hypotheses, were just simply not worth asking. The answers were analagous to the replies to the question to the octogenarian: how did you come to be eighty? Or, analogously it is like asking voters today how they will vote if the General Election is held in May 1984 - I don't think that even pollsters ask that one!

/Thus I am



Thus I am inclined to think that the answers to your hypothetical questions are to be treated with scepticism, if not derision. Indeed I would strongly argue that even ex post questions on such characteristics as retention or expansion effects will be wildly variable, and certainly markedly biased. I had some detailed experience in checking the answers of businessmen to such questions both ex ante and ex post, with their actual behaviour when I undertook a survey of transport decisions in the West Midlands in 1953. It really was an eye-opener. Reality was completely different from the announced intentions. So I am sure you will forgive me if I am sceptical about the answers, even to 4(b) let alone 4(c) and 4(d).

But supposing I were not sceptical, and one took the results at their face value. Then both the displacement rates and the expansion effect apply only to one year. But we know that the effect of the expansion along the demand curve for labour in response to a change in real wage rate, has a very considerable lag, and I guess the work that was done recently at LSE showed that the half-life of the effect was roughly 20 or 22 months. This means then that the 6% could be represented as about one-quarter or one-third of the total expansion effect which will ultimately appear. Similarly, the displacement effect will be increased by roughly the same ratio. In this respect I find the language of the conclusions rather misleading.

With all these grumbles, however, I do think the survey in its factual aspects has served a useful purpose.

Thank you very much for sending it to me.

Yours  
Alan

ALAN WALTERS

P.S. We will get a more considered reaction later



FILE

W7

Z 1

MR WALTERS

The Prime Minister would be grateful if you had a look at the idea in the Chancellor of the Duchy of Lancaster's minute to her, attached. You will see that the Prime Minister has commented that we shall need to work out what could happen if the employee were to be retained at 18.

M.C. SCHOLAR

4 July, 1983

SECRET & PERSONAL



4 NO



CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

The Rt Hon Sir Keith Joseph, MP,  
Secretary of State for  
Education and Science,  
Department of Education  
and Science,  
Elizabeth House,  
York Road,  
London SE1 7PH

11 July 1983

2

Prime Minister

MCS 11/7

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Dear Keith,

Passport for a Job

mt

Thank you for your letter of 7 July.

I am not at all clear what the "odium" is you have in mind. I can well understand "opposition" but that is a different matter.

The difficulty in doing this for everyone is the prohibitive cost. My starting objective, therefore, was to pick a case which would arouse sympathy but cost relatively little. And my intention was to build on this. I am writing a further paper on those lines.

I am copying this letter to the recipients of yours.

Yours,  
Arthur

COCKFIELD



Manpower  
Temp. list ment  
measures, Pt 10

21



1111 JUL 1983





Copy No 1 CC NO



PASSPORT FOR ATOLS 3  
dated 1/7 - 14

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

Prime Minister (4)

Mus 7/7

The Rt Hon Lord Cockfield  
Chancellor of the Duchy of Lancaster  
Cabinet Office  
70 Whitehall  
LONDON SW1

7 July 1983

mt

Dear Arthur.

(Pass port for a job)

Thank you for sending me a copy of your personal minute to the Prime Minister. I very much approve of your purpose but wonder whether it would not be better to face the odium that your proposal would involve in order to strip away some of the barriers, particularly the ones whose removal would cost no revenue, for all rather than for a very small group.

I am copying this letter to those who received your minute.

Yours truly  
C. Hill



7 JUL 1983

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