

MR TURNBULL5 April 1984UNEMPLOYMENT

Although there is some marked improvement in the position of youth unemployment, the issue of long-term adult unemployment seems to be getting markedly worse. What might be needed is both carrot and stick approach which at the same time does not involve any significant increase, and one hopes a decrease, in public spending. What we want is some system that will get them back into a job and into the disciplines of normal work practices.

What I suggest is that with the long-term adult unemployed, who we might define as those who have been continuously on unemployment benefit for one year and over the age of 21, we allow them to keep their unemployment or social security benefits and be employed at a wage of, say less than £40 per week, over a restricted period - say six months.

This would create an incentive for private sector employment since the wage costs would be less than £40 per week. Employers would then find it not expensive to take on such labour and see how they pan out. If the workers fail the tests of continuous employment then they are back on the dole and part once more of the hard-core long-term unemployed. (We may consider some sort of sanction against the prospective long-term unemployed, but I would not think that should be part of the scheme.) If on the other hand, they prove that they can be useful employees and return readily to work disciplines and productive activity then the employer will have an incentive to retain them after the qualifying period. Then, perhaps passing through yet another stage to soften the re-entry conditions, they may pass into normal employment and come off the dole.

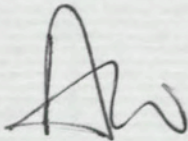
In a sense we are treating the long-term unemployed like new entrants to the labour force. They require training and rehabilitation to the world of work.

The dangers and disadvantages of this scheme are fairly obvious. There would of course be some temptation to run to extend unemployment to the qualifying period. There may be then a

hiatus in the hiring sequence. There would also be a danger of timely dismissals. All these dangers are similar to those which we ran in the case of the Young Workers Scheme. I am not sure whether they would be more or less serious in the case of the long-term unemployed, but at least I think it is worth another thought.

One advantage is that it is unlikely to cost the Exchequer anything very much. In fact, one might hope that some public spending would be saved by this scheme. Another advantage is that politically it could be presented as a real earnest attempt to deal with long-term unemployment on a compassionate but efficient basis. Of course the unions and the Labour Party would present it as wage cutting. And it is wage cutting but it is not income cutting; on the contrary it is income enhancing of the long-term unemployed.

I am sending copies of this to Michael Quinlan and John Redwood.



ALAN WALTERS



10 DOWNING STREET

From the Private Secretary

Prime Minister (2)

Policy Unit and Alan Walters between them
have produced a number of ideas for tackling
long term and youth unemployment

Department of Employment are now looking
at the three schemes and we will report
to you further on whether any they look
promising.

AT 6/4

cc. AT



10 DOWNING STREET

6 April 1984

D Derx Esq
Deputy Secretary
Department of Employment
Caxton House
Tothill Street
LONDON SW1

Dear Donald,

I have pleasure in enclosing a short note containing some personal thoughts on new variants of a work programme for the long-term unemployed and passport for a job for young people.

I thought these might be useful, as at our meeting with Tom King yesterday, there seemed to be some uncertainty about the exact nature of the scheme we have been arguing for. I should be grateful if you would pass it on through your office to those who need to see it.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'John Redwood'.

JOHN REDWOOD

6 April 1984

The Long-Term Unemployed

The aim of the scheme would be to offer community work to all those who had been on the unemployment register for longer than a specified number of years. It is suggested in the first instance this might be 3 years, and it could be shortened to 2 thereafter, if it was successful. We would need to see the figures for the numbers in these categories before finalising any decision.

The community work offered would need safeguarding against the argument that it's taking work away from others. This problem has been resolved in the case of the Community Programme, and similar provisos would be necessary for the long-term unemployed scheme.

The sensitive issue is how much choice the long-term unemployed should be given about:

- (a) whether they are to undertake this work or not; and
- (b) the nature of the work itself.

It would clearly be wrong to enforce such work on categories like the disabled and the mentally ill. They should be excluded. I think it would be wrong to force people to do a particular job with no choice whatsoever.

We could provide a choice of community work in each area, so that the individual can opt between different tasks and jobs that need doing. We should carefully consider what incentive should be built in to encourage people to opt to work under this scheme, rather than stay at home.

The main cost of the scheme would be the cost of supervision. There would need to be adequate supervision and management to devise the right kind of projects and to ensure that they were carried out to some reasonable standard. This is

a cost which I think would be well worth incurring. The argument for the scheme seems overwhelming. Most people in the community recognise that a large number of projects could be done quite usefully: everything from cleaning up the park, mending fences, improving the municipal estate, through to helping the elderly and dealing with problems of loneliness and community care. It would be sensible to add the force of the long-term unemployed to some of these tasks where it is clear that they are not taking work away from those already employed in doing something similar.

Passport for a Job

The basic idea of the passport is to allow everybody under the age of 18 to be employed for a cash wage of up to £45 a week without the need to make any income tax returns or payments or any separate national insurance returns and payments.

The two main arguments against the scheme are the high degree of deadweight if it were extended to all those young people already in work, and the possibility that young people would then displace older people in the jobs market as they became cheaper.

The deadweight problem is already acute in the case of the Young Workers' Scheme. It does not, therefore, seem to rule it out entirely. The best way of reducing the deadweight to a realistic level would be to limit the scheme to small companies and single employers only. If no employer with more than 5 employees or more than 10 employees was able to take advantage of it, the deadweight would be drastically reduced. (Perhaps DEm has figures that could quantify this for us.)

The scheme would be positioned as another measure to help both small business and young people. Whilst it is true that in some marginal cases young people might displace older people, in many cases the new jobs created would be additional. Young people with their current level of experience and training would not be able to displace many of the older people in the job market who have more clearly-defined skills and disciplines. Many new jobs would,

however, come from those small businesses and individuals who would like some help on the farm, in the office, on the shop floor, in the home, but who are put off by the formidable burden of paperwork that any new individual entails. If you have ever tried to fill out national insurance and income tax details late at night after doing a full-time job yourself, you will know the problem and realise how easy it is for the individual to give up and do the basic job himself rather than the managerial job of dealing with the paperwork consequent upon employing somebody else.

The scheme should not prevent the young person taking a job for higher remuneration. If he or she did so, then they should become part of the regular taxed labour force in the same way that all young people working for larger concerns would remain part of the normal taxed work force.

One of the charms of the scheme is that it is a way of legitimising a small part of the growing black economy. Many young people do already work on a cash basis with no frills, no protection and no paper work. Their work is casual and sporadic, and they remain on the unemployed register. This scheme would give them regular work and would remove them from the register. We recognise that it would need legislative changes which would doubtless delay its implementation.

JOHN REDWOOD

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**NEWS
RELEASE**

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BRITISH INDUSTRY

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CBI CHIEF SUGGESTS NEW EXPERIMENT
TO HELP LONG-TERM UNEMPLOYED

A new initiative to help the long-term unemployed - those who have been without work for more than a year - to find jobs was launched today (Thursday) by Sir Terence Beckett, Director General of the Confederation of British Industry.

He proposed a "jobs bounty" of around £30 a week to be paid by the Government to employers for each long-term unemployed person taken on to a firm's books.

Speaking to businessmen at the CBI's Northern Region annual lunch in Durham, Sir Terence said unemployment in the region was more than 17 per cent, with nearly a quarter of a million men and women without jobs.

In the North East more than 75,000 men had been unemployed for over a year. This accounted for 45 per cent of male unemployment in the region and was higher than the national average.

Said Sir Terence: "We believe society will have to face up to the fact that the long-term unemployed constitute the greatest problem amongst those out of work. Once someone has been unemployed for six months, and especially for more than a year they become almost unemployable because of the deterioration in skills and motivation.

*Mr Letwin
any news on
X?
AT 22/5*

Re

AT

*I called by
but you
was out!
M. give
meaning, &
11/8
come
down.*

DL

X/

"Has the time come when some special measure should be tried out to see if we can break out of the vicious circle?"

"As the recovery starts to feed through would it be worth seeing if some special bounty from the taxpayer - say £30 a week - might be paid to employers who take on their books a person who has been out of work for over a year?"

Sir Terence pointed out that the £30 figure represented most of the benefit an unemployed person would receive from the State. The money could be diverted to compensate employers for special training and provision of updating skills that would undoubtedly be needed.

Suggesting that such an experiment could be tried first of all in the Northern region, which was suffering worst of all from long-term unemployment, Sir Terence said "We know it will be argued that if an employer was going to take on labour he would do it anyway - nationally over 300,000 leave the register each month.

"But more and more, the longer term unemployed stay at the bottom of the pile. It is essential to give them some chance, some hope."

Turning to the miners' dispute, now in its eleventh week, Sir Terence said: "It is having minimal effect on manufacturing industry.

"No doubt those Northumberland and Durham miners who are supporting Mr Scargill's strike call believe they are safeguarding their future. In fact, they are jeopardising it, and that of other workers in high energy-using industries.

"The longer the strike continues, the more jobs are in danger."

17 May 1984