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P.01350

PRIME MINISTER  
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Annual Review of Special  
Employment and Training  
Measures:

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E(A) (84) 41

BACKGROUND

The special employment and training measures (SETMs) are programmes run by the Department of Employment and Manpower Services Commission to provide work or training for the unemployed; to support part-time working in certain circumstances; and to encourage older workers to retire so as to make way for younger people from the unemployment register. They are known as 'special' because most of them were originally introduced as ways of reducing the number of registered unemployed in what were expected to be temporary crises of unemployment. Many of them have been developed to serve wider and more permanent ends. Nevertheless, public expenditure provision for them is regarded as less certain than for established programmes; and they are reviewed each summer. The timing reflects the fact that the training measures are often geared to the start of the academic year in September.

2. The cost of the SETMs is about £2 billion a year. About one half of that is due to the Youth Training Scheme (YTS), which provides training and an allowance to unemployed 16 and 17 year old school leavers. A further £0.6 billion is due to the Community Programme, which provides the long-term unemployed with work, usually part-time, on projects of value to the community.

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Flag A \_\_\_\_\_ 3. In his memorandum E(A)(84)41 the Secretary of State  
for Employment makes proposals about several of the SETMs.  
Flag B \_\_\_\_\_ The Chief Secretary argues, in his minute of 16 July,  
that decisions should be confined to those which are  
operationally necessary; the rest should be held over  
for consideration in the context of the public expenditure  
Flag C \_\_\_\_\_ survey. Mr King's minute of 20 July accepts this. In  
consequence, the proposals requiring consideration by  
E(A) tomorrow are the following.

(i) That the Enterprise Allowance Scheme, which provides an allowance to unemployed people who wish to set up their own business, should from 1 September 1984 provide places to all who satisfy the qualifying conditions (ie. should become 'demand-determined'); and that the qualifying period of unemployment should be reduced from 13 to 8 weeks with effect from 1 April 1985. The proposals are expected to raise the number of places on the scheme from 35,000 to 80,000 in a full year at an additional cost of £23 million in 1984-85; £111 million in 1985-86; £160 million in 1986-87; and £164 million in 1987-88.

(ii) That the Community Programme should include a training element; that the average wage limit should be increased from £60 to £63 a week; that an additional 30,000 places should be provided in 1985-86; and that the Programme should be extended until October 1987. The cost would be £135 million in 1985-86; £138 million in 1986-87; and £141 million in 1987-88.

(iii) That the Voluntary Projects Programme, which allows unemployed people to volunteer for work on constructive activities, without pay and so without

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effect on their entitlement to benefit, should  
be continued. The cost is £2½ million in 1984-85;  
£8 million in 1985-86; £12 million in 1986-87; and  
£12 million in 1987-88.

Mr King says that he can cover the cost of these proposals  
(and indeed the others in E(A)(84)41) except for part of  
the proposed increase in Community Programme places, from  
estimating savings, mainly due to lower than expected  
take-up of YTS places.

4. Finally, Mr King proposes that the SETMs should no  
longer be regarded as 'special' but should be regarded as  
continuing employment and training measures. Although  
there is no urgency about this proposal, the Sub-Committee  
may nevertheless wish to express a view on it.

MAIN ISSUES

5. The issues before the Sub-Committee are as follows.

(i) Do they accept Mr King's proposals on:

- Enterprise Allowance Scheme;
- Community Programme;
- Voluntary Projects Programme?

(ii) Do they wish at this stage to express any  
preliminary views on the other proposals in E(A)(84)41?

(iii) Should the SETMs cease to be regarded as  
'special'?

Enterprise Allowance Scheme: nature

6. Mr King argues, in essence, that the EAS is doing a  
good job in stimulating new businesses; that when its

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effects on benefit payments and tax receipts are taken into account its cost is small; and that therefore the more people who join, the better.

7. Against this, the Chief Secretary is likely to make the following points.

(a) It is inevitably hard to be sure how many new businesses are due to the EAS, and how many would have been set up (and been successful) without it.

(b) The gross public expenditure figures are important in their own right; other projects beside the SETMs could no doubt claim that their net cost was much less than their gross cost; the whole question of net versus gross costs and 'crowding out' is very difficult; but, in general, the Government does not believe that spending public money creates jobs.

(c) Controlling public expenditure is already difficult. One of the main causes of the difficulty is the number and size of demand-determined programmes. It would be foolish to add to them.

8. There is another difference of view between Mr King and Mr Rees which will be relevant to the other proposals in E(A)(84)41. Mr King argues that estimating reductions should be regarded as available to finance policy improvements. He may argue, with some justice, that if his programmes were showing estimating increases he would be required to find savings by policy cuts. Against that, Mr Rees can be expected to argue as follows.

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(a) The bias in the system is inevitable and essential if public expenditure is to be contained.

(b) In any event, Mr King is bidding for money to cover estimating increases elsewhere in his programme. Most of his estimating savings on SETMs will be needed to offset them.

Enterprise Allowance Scheme: qualifying period

9. It is not clear whether Mr King is seeking a decision on his proposal to reduce the qualifying period of unemployment for entry to the EAS from 13 to 8 weeks. Since it would not take effect until 1 April 1985, there is no obvious reason for a decision now. If Mr King presses for it, the relevant considerations are similar to those set out in paragraphs 6 and 7 above: in short, is the EAS a good, cost-effective scheme which the Government should try to spread as widely as possible; or a reasonable proposition, but one which should not be allowed to risk going out of control?

Community Programme

10. We understand that the Chief Secretary is unlikely to object to the proposal to include a training element in the Community Programme. He is also unlikely to object to the proposal to increase the limit on the average wage from £60 to £63 a week. (The point is that to provide a number of places consistent with the figures that Ministers suggested when the Programme was launched, but at an acceptable cost, a low limit is placed on the average weekly wage that may be paid under the scheme. Many of those who provide places for the Programme are unwilling to pay less than the normal going rate. The only way of keeping within the limit is to make most places part-time. But this is not always possible; and if the hours worked are too short, because the limit is too low, there can be significant inefficiency).

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11. The Chief Secretary is, however, likely to argue that there is no need to take a decision now on the proposed extension of the scheme from October 1986 to October 1987. He will also argue strongly that it would be wrong to provide more places under the scheme. The arguments about net versus gross costs and whether estimating savings may be used to finance policy changes will again be relevant.

Voluntary Projects Programme

12. Because of the lead times needed for arranging suitable projects, if the VPP is to be extended beyond its present closing date of March 1985 a decision must be taken now. It is not, however, clear that it is necessary at this stage to decide on an extension beyond March 1986.

Other measures

13. There is no operational need to consider the other detailed proposals in E(A)(84)41. But the Sub-Committee may wish to give some general guidance to Mr King and Mr Rees for their bilateral discussions in the public expenditure survey. One particular point that was raised in the corresponding meeting of E(A) last year was whether it was right to have a large number of SETMs or whether it would be better to concentrate resources on fewer schemes. Cases in point are the part-time Job Release Scheme and the Job Splitting Scheme. Take-up of both schemes is low. This means that they are relatively expensive to administer (it should be noted that Mr King is bidding for 70 extra staff in paragraph 23 of the Annex to his memorandum); and that there is a risk of having to make the terms of the schemes more generous in order to increase take-up. On the other hand, they do no harm; and they may have presentational advantages, both domestically and in the European Community.

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Should the SETMs be "special"

14. Mr King appears to have two reasons for wanting these measures no longer to be regarded as "special". One is to do with presentation; he wants to emphasise the positive contribution to improving the labour market in the longer term. The other is to do with public expenditure and the management of the schemes. On the presentational issues there may not be much dispute. There may be advantage in laying stress on some of the less short-term benefits of some at least of the schemes. But the implications for public expenditure of ceasing to regard the measures as "special" require fuller consideration. It may well be that those involved in managing some of these schemes, in both the public and the private sectors, need some assurance of stability. On the other hand the Government should not become committed to carrying on permanently some schemes which were introduced as a temporary crisis measure, or to continuing indefinitely arrangements for funding youth training which were originally designed with a view to reducing unemployment in the short term. You will recall that you were unwilling earlier in the year to approve a proposal from Mr King to present the YTS in a way that made it appear more permanent.

15. There is no need for an immediate decision on this matter. The best course may therefore be to invite the Secretary of State for Employment and the Chief Secretary, Treasury to consider further whether there are any improvements to be made in the arrangements for review of these measures in the interests of improving their management but without involving the Government in closing its options for the future unnecessarily.

HANDLING

16. You will wish to invite the Secretary of State for Employment to introduce the discussion and the Chief Secretary, Treasury to reply. The Secretary of State for Education and Science will wish to comment on training aspects, and the Chancellor of the Exchequer and the Secretary of State for Trade and Industry on wider labour market implications. Dr Boyson will be able to comment on any implications for Social Security benefits.



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CONCLUSIONS

17. You will wish the Sub-Committee to reach conclusions on the following.

- (i) Should the proposals in E(A)(84)41 regarding
- the Enterprise Allowance Scheme;
  - the Community Programme;
  - the Voluntary Projects Programme

be accepted?

(ii) Do the Sub-Committee wish to give the Secretary of State for Employment and the Chief Secretary, Treasury any guidance on the other matters discussed in E(A)(84)41 before their bilateral discussions in the context of the Public Expenditure Survey?

(iii) Should the SETMs cease to be regarded as special, as proposed in paragraphs 16 and 17 of E(A)(84)41?

*Pq*  
P L GREGSON  
Cabinet Office.

23 July, 1984