



Prime Minister

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To: MR SCHOLAR ✓

From: G B SPENCE

28 February 1983

Unemployment Measures

1. The attached paper has been circulated to the Private Secretaries to the Chancellor, Secretaries of State for Employment, Health and Social Security, Chief Secretary, and to Mr Mount and Mr Gregson.
2. Would recipients please ensure its circulation is restricted to the minimum possible.

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UNEMPLOYMENT MEASURES

Note by the Central Policy Review Staff

The Secretaries of State for Employment and for Social Services have proposed measures to reduce the unemployment register quickly by useful amounts and quite cheaply.

2. The CPRS suggests that the measures should also be tested against other objectives of Government policy, e.g. do they do anything to provide new job opportunities; do they fit with the Government's developing ideas for pensions and the elderly?

3. The CPRS assessment of each of the measures is summarised below :-

a) Temporary Short Time Working Compensation Scheme - "

- register effect and cost per unit sensitive to estimates of deadweight (i.e. jobs which would have been retained in any case); assumption of only 10% deadweight probably over optimistic.
- economic benefits dubious; more likely at this stage of the cycle to slow down overdue restructuring than keep in being experienced labour forces required for the upturn.
- Conclusion: not a strong candidate

b) Enterprise Allowance Scheme

- The costs are exaggerated and the benefits under-estimated. Some businesses will survive and take on staff. On DE's

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cautious assumptions about deadweight and displacement the cost per person off the register falls to £1,105 and the register effect rises to 29,000 if 25% of the businesses survive 3 years.

- it is worth paying more for a scheme like this which gets unemployed people into new businesses creating new output and jobs in the normal labour market than for schemes which just reduce the register.
- some extension of experiment would give chance of proving these benefits.
- Conclusion: would welcome time-limited nationwide scheme

c) Automatic credits for unemployed men over 60

- very cost effective for getting people off register
- no adverse side effects on other policies e.g. remains very cheap even if it induces some men to choose to leave paid employment ahead of normal pension date
- Conclusion: scheme acceptable

d) No registration and higher rate of supplementary benefit for men over 60

- in theory could induce voluntary early retirement on to supplementary benefit (which would be undesirable) but very few men in this age group have high enough "replacement rates" to find this attractive.
- not particularly cheap means of getting people off register, given absence of other economic benefits.
- has social value of raising incomes of people permanently dependent on benefit
- Conclusion: acceptable, despite cost.

e) Job Release Scheme

- like all early retirement schemes less useful than schemes which create output and employment but has merit of aiming at people whose jobs will be filled by others, thus encouraging new blood.
- the proposed new part-time option is very cheap and has merit of helping new people into work while retaining people who still have something to contribute.

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- it would be unfortunate if choice of 60/63 variant (for men only) were seen as response to Social Services Committee report because that urges 63 pension age for women as well as for men (and in any event do Ministers want to support pension age of 63 bearing in mind potential long term cost?).
- Conclusion: We favour adding the part time option to job release. The 62/62 variant is preferable to avoid implied acceptance of Social Services Committee report.

Presentation

4. The CPRS suggests that the measures (c-e) should not be presented as an early retirement package since the full implications (including the pensions implications) of early retirement have yet to be assessed. Instead they could be presented as measures easing the plight of those who have lost their jobs or who might be willing to see their jobs filled by younger people and who are approaching retirement.

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