

Prime Minister

Interesting ideas, but it may well be better to meet to discuss them than to write.

PRIME MINISTER

BF

WORKFARE

Agree a meeting (probably next month) with

9 May 1986

Lord Young

Tv Fowler

Chancellor

Mr Tebbit ?

Mr Tomison ?

Dev

This month 4.10.1986. Yes not

9/5.

Workfare means different things in different US States depending on the state of the labour market. Some Workfare programmes provide extra training and peer group pressure to get the unemployed back into private employment. Often these schemes are targeted on one-parent families in states with buoyant economies. They are backed up with a tough 'seeking work' test for welfare. Other Workfare schemes (eg in West Virginia) go further and provide compulsory public sector jobs because there are not enough private jobs to go round. The state is taking on the responsibility of employer of last resort for welfare claimants.

David Young points out, fairly, that some of his recent initiatives bring us closer to Workfare. Indeed, the Community Programme would probably be regarded as Workfare in America. But we can do much more. Above all the 'availability for work' test has virtually disappeared from British welfare and should be restored.

The Blaug Report begins by revealing how mistaken was the conventional wisdom of the 1970s when job hunting was completely divorced from claiming SB or UB. In 1973 Job Centres were set up separately from Unemployment Benefit Offices. And in 1982 we ended the obligation for the unemployed to sign on at Job Centres. The results are clear:

PEOPLE ENROLLING IN JOB CENTRES

<u>Year</u>	<u>People Enrolling (M)</u>
1981	2.5
1982	2.7
1983	0.8
1984	0.5

As administrative links between claiming benefit and looking for work disappear, so DHSS staff lost any evidence on which they could disqualify people from benefit.

PEOPLE DISQUALIFIED FROM BENEFIT BECAUSE NOT AVAILABLE FOR WORK

<u>Year</u>	<u>Cases Disqualified</u>
1970	20,000
1975	5,000
1980	9,000
1985	2,000

By comparison, the latest Labour Force Survey estimates that approximately 1,100,000 people claiming benefit were either working or not looking for work. In 1985 in the South East there were approximately 750,000 people registered as unemployed. A mere 450 were disqualified from benefit on the grounds that they were not available for work.

These figures are not widely known: they ought to be.

DHSS and D/Employment are indeed reviewing arrangements for paying out SB and UB to the unemployed as David Young says. But they are not looking at how to link Job Centres and benefit payment. The MSC want their Job Centres to be glamorous high-street shops which have nothing to do with being on the dole. Neither D/Emp nor the DHSS want to have to ask for more case officers to supervise the unemployed more intensively. But it is a serious management failure that someone can now carry on receiving benefit as unemployed without ever having to go near a job centre or put in a job application. We may have gone too far in saving money on administering benefits and cut too many corners.

Whilst a change in the operation and ethos of job centres and benefit offices is a start, it is not enough. I recommend three more steps to bring us even closer to full-blown workfare.

First, we should link the Community Programme directly with the availability for work test. Some CP places should be reserved for Unemployment Review Offices to use in testing whether claimants are genuinely available for work. If they refused to take up a CP place without a good reason they could then be disqualified. The MSC would hate this as they only want 'highly motivated' people on the CP, but it would be a crucial measure.

The second step is to go beyond an 'availability' test and instead have a 'job seeking' test, as in some American States. An unemployed claimant should have to show that he has applied for say at least 10 jobs in the last month. If he fails or lies he can be disqualified. If you did this in Humberside or Tees the firms would be swamped with applicants, but it could be very effective in the South East.

Thirdly, the disqualification rules themselves could be toughened up. Norman Fowler, to his credit, has just extended the period for which benefit is reduced from 6 to 13 weeks. But you could go further to 26 weeks. Moreover, during this period disqualified people should be taken off the unemployment register: at the moment they remain on it. We should change the rules now when the reduction in the register would still be small, so we will be less open to the charge of fiddling the figures.

These are the sort of measures we need in the more buoyant parts of the economy: the public sector doesn't need to provide more jobs, but to put more pressure on the unemployed to go for the jobs that already exist. But in the North East and Northern Ireland, the public sector could provide more work for the genuinely unemployed. An expansion of the CP is the best route towards workfare here.

I therefore recommend you ask David Young and Norman Fowler to consider:

- re-establishing the link between claiming benefit and signing on at job centres;
- using specially reserved CP places to apply the availability for work test;
- introducing a job seeking test in some areas;
- increasing the penalties for disqualification and eliminating disqualified claimants from the register;
- extending the CP in areas with genuinely high unemployment.

David Willetts  
DAVID WILLETTS