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PRIME MINISTER

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PUBLICISING THE FACTS ABOUT UNEMPLOYMENT

Most of the media comment on unemployment still follows the simplistic line that reducing unemployment is merely a question of creating new jobs. Our own policies and policy proposals are increasingly reflecting the more complex understanding that the crucial social problem is to remotivate and re-equip the growing pool of long term unemployed to take the jobs that are available - a problem exacerbated by the fact that many are concentrated into high unemployment blackspots.

This was further highlighted by a visit I made last week to two new JTS schemes in Stoke on Trent. These were pilots for this new training scheme, which offers six months training and work experience to the long term unemployed over 18.

All I spoke to admitted to some initial scepticism, after having been unemployed for between six months and three years. Nearly all, however, were genuinely enthusiastic about the benefits they were receiving. While the technical training content itself is important, even more important was the renewed hope and motivation they had been given from realising that there were opportunities open to them. The work placement associated with the training is particularly valuable in this respect, and a number hoped to gain a permanent job with the employer after they had finished the training. Yet few would have thought to apply for such places - and few employers would have accepted them - without the intermediary role of the training agency and the JTS scheme. For example:

- A 40 year old man, unemployed for most of the last 5 years, who was encouraged to make use of his quickness with numbers to take a course in bookkeeping. He has been

placed with a local firm who have sent back glowing reports, and he now hopes to continue studying part time for an accountancy qualification!

- A 35 year old made redundant from a plastics firm, who was interested in learning about stockkeeping. While on the course he has been working with a small electronics firm and helping to build their stock control system - and will almost certainly work for them afterwards.
- A 23 year old who has discovered an easy mastery of the computer console, and now hopes to gain a permanent job as a programmer.

It is clearly important that the public gain a better understanding of the real problems of unemployment, and the crucial positive role of our Restart and training programmes in helping people displaced by industrial restructuring back into work. Commentators might then also be more sceptical about Labour's simplistic approach and easy promises.

The attached sheets set out the main components of the analysis that support the Government's perspective. I have reviewed these with Lord Young, and asked his officials to prepare the detailed statistical back-up in a form that could be publicly released.

All of this should be available by Easter, and Lord Young is considering the most appropriate "non-political" vehicles to get the analysis out into the public domain. You may wish to review the material with him at that time to ensure we get the right presentation in what is clearly a sensitive area.



NORMAN BLACKWELL

ANNEX

UNEMPLOYMENT FACT PACK

It is becoming clear that getting the unemployed into new types of job as the economy expands is now increasingly a supply side problem - how to get the long-term unemployed back to a level of qualifications and motivation where they are able and willing to take the jobs that are available. This problem is made worse by the fact the long term unemployed are heavily concentrated into localised unemployment black spots.

To create a better understanding of the true nature of unemployment, we need to collate and disseminate the various bits of information which support this conclusion. The key elements might be:

(1) Movement on and off the register. The majority of people in most parts of the country are able to find a job within six months to one year (67% within 6 months, 82% within 12 months). Despite allegations of a North/South divide, these figures hardly vary from one part of the country to another. The 20% who do not manage to find a job within a year are consequently those with the lowest employability and/or motivation to look for work.

(2) Skill level of long term unemployed. In line with this conclusion, rates of unemployment are much higher amongst those with lower skill levels. Furthermore, the recent MSC survey has shown that around 25% of the long term unemployed have significant problems with literacy. Not only does this make them difficult to employ, it also hampers their use of Job Centres and newspapers to search for new work.

(3) Demotivation. It is also striking that a significant number of those registered as unemployed (perhaps half a

million) had not looked for work in the week prior to the 1985 labour force survey.

(4) Low work incentives. Low skills and low motivation are compounded by poor financial incentives for many of the unemployed. A married man who is a householder needs to earn around £100 a week to be £10 better off in work - and the break even point rises with the number of children. Almost 30% of the unemployed are less than £20 a week better off in work at wages they might reasonably expect to obtain given their prior work history - and the incentives to take "low wage" jobs just to get back into work are much weaker. As a result, only 5% of the UK population works for less than half the median wage, compared to 15% in the US. (These findings will be documented in the inter-departmental report on the "Unemployment Trap", to be delivered shortly)

(5) Unemployment blackspots. The difficulty many long term unemployed face in getting back into work is compounded by the fact that unemployment is concentrated in a number of blackspots - representing areas of industries contraction around the country. Although many are in the North and West this by no means represents a north/south divide: northern parts of the country equally have many areas of below average unemployment. And numerically a quarter of the unemployed live in the South East of England.

(6) Local mobility. At a more micro level, variation of unemployment rates of one part of a city to another can be more dramatic than the differences between cities. Since employment has been growing over the last 3 years at very similar rates in every part of the country, and - as noted above - the average rate at which unemployed people obtain jobs is roughly the same in each region, it follows that the key problem is getting long term unemployed to take jobs

within a few miles of their homes - rather than to move from one part of the country to another.

(7) Importance of council estates. Furthermore, the areas of high unemployment are heavily concentrated on council estates. Unemployment rates on council estates nationally are 25% - as against 5% in owner-occupied housing. While this is partly because low skill workers are more likely to live in council estates, it appears that within any skill category unemployment rates for council tenants are still several times higher than for people with the same skill level in private housing. The unemployment rates on council estates appear to be consistently high whatever the unemployment rate in the surrounding location. With council estates accounting for 50 - 60% of all unemployment, it appears likely that the dependency culture on council estates is a strong contributory factor.

(8) Success of job clubs. Perhaps the best evidence in support of this analysis is the consistently strong performance of job clubs - which provide help and motivation to assist the long term unemployment back into jobs. Over 60% of those passing through job clubs obtain a job or training place - and this figures varies very little between "bad" and "good" locations.

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The conclusion this leads to is that the focus of Government policy (and policy intentions) is far more appropriate than Labour schemes to create a million more make work jobs. The emphasis is

- Restart interviews to advise and motivate the unemployed (followed up by Restart courses, job clubs, etc).
- Extensive training, including a crash programme to

tackle literacy

- Community programme work experience for those who have limited training capability and simply need to get back into the labour market before an employer would consider them
- YTS for the young, to stop them ever falling into the routine of unemployment
- Focussed attention on the problems of inner cities (and subsequently council estates)
- (- progressive attention to benefit sanctions for those who choose to opt out.)

N.B.

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