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From the Private Secretary

5 November 1980

BF 25 11 80

Dear Jim.

on Social Security: Nov 79
National Insurance
Contributory Record

In the course of considering the unemployment forecasts for 1981-82 last Thursday (on which I have written to you separately), the Prime Minister and the Chancellor discussed more widely the longer run question of unemployment and job creation, with particular reference to young people. The question was raised - in the most general way - whether the large amounts of money the Government were already spending on young people in Supplementary Benefits as well as through employment support and training schemes could not be remodelled so as to give a greater incentive to useful work and training and so as to make the labour market more flexible. The ultimate objective would be to reduce unemployment and to increase UK real resources and living standards as compared with what they might be in the absence of new initiatives.

Several ideas were put forward. Among them was a suggestion that there should be a new national initiative to help people at present unemployed into work of some kind, particularly the sort that would not normally attract a full wage. Possibilities mentioned included jobs with a heavy training content, or of a community service nature. It was further suggested that there should be some linkage between employment measures of this sort and the social security system. One idea mentioned was to make entitlement to social security benefit in suitable cases dependent on participation in defined activity. It is understood that the Germans operate a scheme on these lines. It was also suggested that a higher maximum for earnings receivable by people on social security might result in more of them doing something economically useful - though there were also strong arguments against in terms of the encouragement this would appear to give to the 'black economy' and the opposition that would be likely from the trade unions.

While recognising the difficulties and pitfalls of ideas like this, and the need to have regard to the constraints on public expenditure programmes, the Prime Minister felt that in present circumstances they were worth further examination.

/This examination

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This examination might conveniently draw on the work of the Inter-Ministerial Group on the Voluntary Sector, where some of the same ideas have been canvassed. I should be grateful, therefore, if the Chancellor of the Exchequer, in conjunction with the Secretaries of State for Employment and Social Services, would arrange for an imaginative examination of the possibilities, with a view to preparing a report for her consideration in due course.

I am copying this letter to John Halliday (Home Office), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education and Science) and David Wright (Cabinet Office).

W. W.

Tim Latham.

A.J. Wiggins, Esq.,
HM Treasury.