

cc D/CP

PRIME MINISTER

24 July 1986

RALPH HOWELL: WORKFARE

Workfare can fulfil two very different purposes:

- In the prosperous South East, Workfare could be used to call the bluff of the unemployed. The availability for work test has been allowed to wither away as benefits staff have been overstretched. Restart is trying to give it some meaning again without the burden on the Government of acting as employer of last resort.
- In the North, Workfare could be an extensive public sector make-work scheme. That is what MSC programmes provide at the moment, rather expensively. To get real gains, we would need to go beyond them and do what the MSC has never dared - break the trade union rate for the job, which many companies accept. We may also find that the scheme covers more people than Ralph Howell expects; and we then have the problem of getting them off the scheme again.

Ralph Howell wants to help us. Moreover, his ideas are in tune with the instincts of many people. We recommend that you suggest he does three things:

- i. Publicise good, vivid examples showing how difficult it is to recruit workers in areas like East Anglia with roughly average unemployment. This would get across the message that the unemployment rate is not what it seems.
eg Royal Ordnance at Enfield

- ii. Design a pilot Workfare scheme for his constituency. But you might warn him of the legal pitfalls. Currently, there is no clear legal definition of
Surely if you want to do this you should talk to Lord Young rather than Mr Howell.

availability for work. If an unemployed architect refuses a job on a Government scheme counting lamp-posts, he may be able to argue to the independent adjudication offices that he is genuinely available for work, and that the Government's offer was unreasonable.

- iii. If he finds these legal problems cannot be surmounted, Ralph Howell could campaign publicly for a change in the law so that the test of availability for work is one that it is easier to fail.

David Willetts
DAVID WILLETTS

Norman Blackwell
NORMAN BLACKWELL