

*This is the original*

6 December 1982

PRIME MINISTER

*Policy Unit note, now superseded  
and incorporated into today's note.*

Policy Unit

*MCS 22/12*

We now have the first reports from both Mr Tebbit and Mr Fowler on the follow-up to the Unemployment meeting of 14 October. The harvest from the original crop of ideas is a poor one.

Mr Tebbit's Paper

Enterprise Allowance (paragraphs 3-4). Clearly a waste of money. At £3,000 per person off the register, the cost is absurdly high. Should be scrapped.

Full-time job release scheme (paragraphs 5-8). The costs mount year by year, for example, towards £1 billion in 1987-88 if the scheme is indefinitely extended to the age of 60. But job release is preferable to a permanent flexible retirement scheme, because it can be reversed when employment prospects improve. Should be cautiously extended to cover 60-year-old men, as funds permit.

Part-time job release scheme (paragraphs 9-11). Easily the best of the options. Negative cost per person, and has humane attraction for people who would like to wind down to half-time. Should be introduced.

Temporary short-time working compensation (paragraphs 12-13). We wonder how many jobs it has really kept safe. It is economically dubious and open to fiddling, but it is cheap (£140 per head). We certainly do not want a permanent scheme which would be a permanent wage subsidy. Could be extended for one more year if the package looks thin without it.

Workfare (paragraphs 14-15). Department of Employment has only just begun to explore the idea, and clearly finds the element of "compulsion" distasteful. The genuine difficulty is how to fit any Workfare scheme in with the Community Programmes. The answer is to devise a Workfare condition for the Under-21s only on the Community Programme, but only after the latter is in full swing, say in 1985. This would not involve any true compulsion for the under-21s living at home, and it would compare favourably with countries such as West Germany where no benefit is payable to the young.

Mr Fowler's Paper

(i) and (ii): The DHSS appear reluctant to tighten up the rules for claiming benefit. Their arguments tend to be based on sweeping assertion and inclined to contradiction. In paragraph 2, it is claimed that "The work of my unemployment review officers is very effective" and that "a much more sweeping approach does not seem likely to produce such effective results". On the other hand, Note A, paragraph 5, says: "The main problem arises with younger people who may be content with comparatively low benefit rates which provide them with what is virtually pocket money. They can therefore live fairly comfortably without work, or afford to wait until they are offered well-paid work". Yet the previous paragraph argues that very few vacancies are left unfilled because of low pay.

The DHSS will never of its own volition come up with tighter rules. We suggest that you ask for an independent study to be carried out (and published) into the rules for the payment of unemployment benefits here and abroad.

(iii) and (iv) connect with the job release section in the Department of Employment's paper. I cannot see the advantage of extending the disregards of part-time earnings to long-term unemployed men. This merely encourages them to stay on the register and is unfair, not only to the retired and the disabled, but to the low-paid in full-time employment.

Extending job release to the 50-59-year-olds after 2 years on the register is not only expensive - up to £1,500 per person off the register - but would tend to lure many people permanently out of the labour force at an age when they might be at their peak. Spare funds should be devoted to job release for the 60-65-year-olds.

We believe that these proposals should both be dropped.

(v) and (vi). The DHSS is still working on these, if not with much enthusiasm. I do not believe that we can go into the Election without some improvement in the position of lower-income families with young children. The two-tier child benefit scheme is one route; because it comes from the Post Office and still is thought of as the Family Allowance, it is, I think, less perceived as a "welfare benefit" than

the non-universal DHSS benefits. But if you would prefer help to come through the wage packet (as Patrick Jenkin and some others at the Family Policy Group clearly did), then there is a case for a Family Responsibility Tax Allowance for parents of under-5s. This would raise the tax threshold for those who now suffer most acutely from the Poverty Trap.

We suggest that the Treasury should be asked to give their views on this possibility and the alternatives to it.

### Next Steps

We suggest that you reconvene the Ministers who met on 14 October (preferably after the Treasury has reported too) and ask for the following positive things to be done:

- (a) Part-time job release scheme to be introduced. Job release scheme to be continued and extended to age 60.
- (b) Workfare scheme to be devised for under-21s under the umbrella of a fully established Community Programme.
- (c) Independent study to be made urgently of benefit rules with international comparisons.
- (d) Treasury to analyse the options for helping lower-income families with children.

*fm*  
FERDINAND MOUNT