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File



bc: Mr. Mount

10 DOWNING STREET

From the Private Secretary

28 March 1983

UNEMPLOYMENT MEASURES AND FAMILY SUPPORT ISSUES

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 18 February, about possible changes in child benefit and family income supplement.

The Prime Minister does not intend to pursue these child support proposals or the extension of FIS at the present time.

I am sending copies of this letter to Tony Rawsthorne (Home Office), Margaret O'Mara (HM Treasury), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

David Clark, Esq.,
Department of Health and Social Security.

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10 DOWNING STREET

Prime Minister

Your unemployment meetings

There are some loose ends:

1. Workfare. Please see Mr.

Tebbit's minute of 9 February

(Flag A). Agree to Ferdie's suggestion

at X (Flag B)? Yes not

2. Rules about suitable employment.

Please see Mr Fowler's minute of

18 February (Flag C). Agree to

Ferdie's suggestion at Y (Flag B)? Yes

3. Extending FIS and introducing

PTO

a new CTA or family responsibility
allowance.

Please see Mr Fowler's minute
of 18 February (page D).

Agree to allow this to rest
for the time being?

MCS 23/3

22 March 1983

B

Policy Unit

PRIME MINISTER

Prime Minister

MCS 23/3

UNEMPLOYMENT MEASURES

Your meeting on 2 March dealt with the schemes which were announced in the Budget. There remained four longer-term matters left over from the original meeting on 23 December. Since the only action demanded is for further work by officials, I don't think you need another meeting (except on the related issue arising out of iv.).

i. Workfare. This could not realistically be introduced until the Community Programme was fully under way. As Norman Tebbit points out, to be sure of finding enough jobs, it would have to be restricted to the 18-24 age group. Even then, it would need considerable preparation.

This is what Mr Tebbit himself proposes MCS

|| We suggest that officials should be asked to work the scheme up into practicable form to be ready if it were decided to go ahead after the Community Programme has run its guaranteed 2 years. | X

ii. The rules about suitable employment. The DHSS admits that the present rules are not what they would have chosen.

The difficulty is to produce an alternative criterion of "suitability" which does not imply some kind of national minimum wage. As the DHSS indicates, the most promising answer lies along the American definition of work as unsuitable if the wages offered are "substantially less favourable to the individual than those prevailing for similar work in the locality" - ie any kind of work must be considered, but only if the wages offered are not too far below the local going rate for the job.

We suggest:

- (a) that the DHSS should be asked to pursue the possibility of an American-style criterion of suitability;
 - (b) the DHSS should carry out its own suggestion of an experimental exercise in interviewing under-25s who have been out of work six months and seeking out lower-paid vacancies for them.
- | Y

iii. Labour market information and analysis. You approved Norman Tebbit's proposals in correspondence.

iv. Future policy on Child Benefit and Family Income Supplement.
The immediate priority of lifting Child Benefit up beyond its May 1979 level has been satisfied. But the longer-term difficulty remains. Treasury Ministers do not wish to re-inject child support back into the tax system. Their goal is to strip the system of all allowances, except the personal allowance, in preparation for a long-term switch to ITTA. There are some in the Inland Revenue and the DHSS who do see some merit in a Child Tax Allowance or Family Responsibility Allowance. But the prevailing view favours the status quo. Even the more modest (though still expensive) option of improving the FIS taper runs into considerable opposition from the Chancellor. If we go for ITTA, the pressure to increase Child Benefit out of the proceeds of the married man's allowance would become intense. We therefore have to consider together the two questions of husband-and-wife taxation and child support. If we are to accept Child Benefit as the principal form of child support, then I believe we must redefine it more clearly.

When the Government surrendered in 1972 and paid Child Benefit through the Post Office and not the pay packet, the Government also tamely accepted the definition of it as a "benefit". Yet it was a merger of two things, neither of which had ever been either a National Insurance benefit or a means-tested form of assistance to the poor. We intended it to be a tax credit. Why don't we call it a Child Credit - and mention it on the pay slip (perhaps even offering the option of payment with the pay packet)?

Now that the Budget is out of the way, the Chancellor would like to discuss ITTA with you. The Guardian leaks of his original paper and of the discussion in the Family Policy Group might increase the pressure to resolve this issue, one way or the other.

FERDINAND MOUNT *fm*



10 DOWNING STREET

(2)

Prime Minister

(Pages A, B, C)

These three minutes from

Norman Fowler arise from the

two unemployment meetings, in October
and December.

To be aware. I will

resubmit, with advice.

MUS 18/2

Charley on MS