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PRIME MINISTER

E(A) COMMITTEE: SPECIAL EMPLOYMENT MEASURES

We are now to meet next Tuesday to discuss my paper on the annual review of special measures. I do not want to conduct by correspondence the discussion we shall have then, but I should like to answer Peter Rees' minute of 16 July.

I entirely accept our objectives on public expenditure. The purpose of my current proposals is to establish that part, if not all, of the substantial savings I have achieved elsewhere goes to ensure that the political impact of our Special Employment Measures is maintained.

One of our most politically successful and acceptable measures is the Enterprise Allowance Scheme. We recently raised the intake to 1,000 a week, and demand for places continues to outstrip the supply. I believe we should not restrict numbers by tightening the rules but instead make the Scheme demand-led, and so reduce the queues which frustrate applicants and provoke serious criticism from our back-benchers. Whilst the gross cost of this would be £23m this year I must point out that the net cost, once the flowbacks and savings in benefit are taken into account, is very much lower. Our surveys show that the survival rate at the end of the first year is 90%, and there is every reason to believe that the experience will be typical. Furthermore businesses supported by the Scheme are now beginning to employ extra people, so the net cost of expanding it may be even further reduced. I therefore cannot

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accept the Treasury's reservations and must urge in the strongest possible terms that this Scheme, which makes such an important contribution to our wider objectives, should now become demand-led.

As far as the rest of my proposals are concerned I have no objection to decisions being confined, at this stage, to those matters that are also operationally necessary - namely, those relating to the Community Programme and Voluntary Projects Programme.

I am copying this minute to other members of E(A); and to Sir Robert Armstrong.

A handwritten signature in green ink, consisting of a large, stylized 'R' followed by a vertical line and a small flourish.

TK

20 July 1984

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10 DOWNING STREET

Prime Minister

Mr King hopes to have
a quick word on the Special
Employment Measures (and
on the next Chairman of the
MSC) between the Sheffield
and E(A) meetings

AT

23/7