

11/3/86



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PRIME MINISTER

BUDGET PROPOSALS: EMPLOYMENT MEASURES

I promised to let you know the main lines of the agreement I have reached with David Young on a Budget package of public expenditure measures to help the unemployed.

Last year I announced the new 2-year Youth Training Scheme and a substantial expansion of the Community Programme. These measures were financed by an addition to the planning total. This year, as I mentioned to you, it is essential to keep the measures to a level that can be financed from the Reserve. We cannot allow a further increase in the public expenditure planning total.

The package I have agreed is based on the proposals put forward by David Young at your meeting last November. Its main components are:

(a) an increase in the 1986 expansion target for Community Programme places: by Christmas we will have almost twice as many places as we had before the 1985 Budget. At the same time, the average wage limit for the CP will be raised to £67 a week as from next month;

(b) nationwide extension of David's imaginative initiatives for helping the long-term unemployed - counselling and the £20 Job start allowance. This means that every single one of the long-term unemployed will be called to interviews and offered help towards finding a job. The evidence of the pilots suggest that many of those who are on the register, but ought not to be, sign off when called up for an interview;

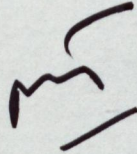


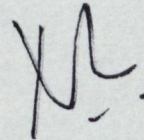
- (c) a New Workers Scheme to help create jobs for 18-20 year olds - a successor to Alan Walters' Young Workers Scheme. This will pay £15 a week to any employer taking on an 18 or 19 year old at not more than £55 a week or a 20 year old at not more than £65 a week;
- (d) an enlargement of the Enterprise Allowance Scheme for the unemployed who wish to set up on their own. The annual rate of entry will rise from 64,000 now to 100,000 by April 1987 and there will be more training for those on the scheme. The tax treatment of the Allowance will also be improved.

As I told you last week, I shall also be announcing an extension and improvement of the Loan Guarantee Scheme.

The gross expenditure additions to David's programme will be £190 million in 1986-87 and £280 million in 1987-88. After allowing for an offsetting reduction in social security spending the net public expenditure cost will be £100 million in 1986-87 and £165 million in 1987-88. These will be charged to the Reserve so that there will be no increase in the planning total.

I would be glad to know if you are content with this package of measures.

Yes. 



N.L.

File PA



10 DOWNING STREET

From the Private Secretary

13 March 1986

1986 BUDGET

The Prime Minister is entirely content with the proposals set out in the Chancellor's two undated minutes, one about the MTFs for this year's Budget and the other about employment measures.

(David Norgrove)

Mrs. Rachel Lomax,
HM Treasury.