

7 December 1984

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PRIME MINISTERAT
10/12JOBS

The Government needs a restatement of policy on jobs, as opposition will continue to centre on this issue. It needs to be of our choosing and timing, and consistent with the main economic strategy.

What can be done?

We are now approaching a crucial point in this Government's life. The opinion polls may not remain as favourable as they have done indefinitely, as the miners' dispute grows wearisome, and as memories of the bombing fade. People will again expect action and results. In spring 1984, it took a bold Budget, with losers as well as winners, to rally the press and opinion in favour of the Government.

The test of the next 4 months is whether the Government can deliver on its central strategies. It has a chance to deliver on the welfare state, on jobs, on further tax reform, on encouragement to personal rather than institutional savings, and on education and training.

Timing

The Government could win the argument and present solid achievement on the main issues by a series of linked statements:

Week 1: Results of Tom King's employment exercise - a programme providing scope for 375,000 more training and work places on Department of Employment schemes, coupled with labour market measures on Employment Protection and Wages Councils. In total, we should aim for half a million-plus jobs and scheme places.

Week 2: Young people and training - unemployment for the under-18s is no longer an option, to be announced by David Young.

Week 3: Budget statement announcing tax reform, raising of income tax thresholds, perhaps with some reduction in employer's National Insurance for the lower paid, which helps achieve the jobs target.

Week 4: Norman Fowler's announcement of the results of his wide-ranging Social Security Reviews. He seems to be working towards greatly simplified Supplementary Benefit, major changes in pensions, reductions in Housing Benefit and the ending of benefit for under 18s (who will be given training places).

Week 5: Major press conference by leading Ministers involved, perhaps chaired by you, to explain the total strategy on jobs, the welfare state and taxation; and to explain how it is a coherent whole designed to: (a) make the labour market work again; (b) give incentives and rewards to those who wish to save for themselves; (c) reduce the tax on jobs - the employer's National Insurance - and on lower incomes to tackle poverty and unemployment traps; (d) relieve poverty.

The art is now to bring these things together. Tom King and Norman Fowler should have their reports ready by end January, and Cabinet decisions can be made in mid February.

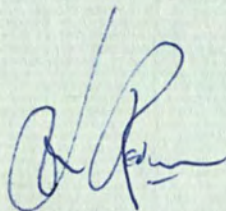
They need to be tied into Budget and public expenditure planning as:

- a. Tom King's 375,000 jobs and scheme places will cost an additional £300 million plus. This is about half the likely savings on the HB/SB Review.
- b. Cuts in employer's NIC could be important to the job initiative.

It is vital to have some such coherent programme. All of these schemes serve to put downward pressure on real wages, reduce employment costs and strengthen the labour market.

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By taking them as a whole, the individual less palatable parts of the programme could be sold to the public. Taken individually, it could be a dribble of disappointing statements allied to a few unpleasant banana skins.



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