

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON THURSDAY 23 DECEMBER 1982 AT 11.30
TO DISCUSS UNEMPLOYMENT

Present

Prime Minister
Home Secretary
Chancellor of the Exchequer
Secretary of State for Industry
Secretary of State for Social Services
Secretary of State for Employment

Mr J Sparrow
Mr F Mount

Sir Robert Armstrong
Mr P L Gregson

The meeting had before it minutes to the Prime Minister from the Secretaries of State for Social Services and Employment received at the beginning of December; from the Chancellor of the Exchequer of 13 December; from the Secretary of State for Employment of 20 December on employment protection legislation; and from the Head of the No 10 Policy Unit on 22 December on information and analysis relating to the labour market.

On the Chancellor of the Exchequer's minute of 13 December it was noted that the Chancellor would be considering further the various matters listed at i.-v. of paragraph 1. On the Secretary of State for Employment's minute of 20 December it was noted that the Chancellor of the Exchequer and the Secretary of State would be having further discussions to resolve any remaining difference of view about the extent to which relief from the provisions of the employment protection legislation should be given to small firms. On the minute from the No 10 Policy Unit of 22 December it was noted that the Secretary of State for Employment would be considering further, in consultation with the No 10 Policy Unit, whether there should be more research into the labour market, in the light of a more precise definition of the matters to be studied and the likely cost.

There was a discussion of the various measures listed in the minutes from the Secretaries of State for Social Services and Employment received at the beginning of December.

On the Enterprise Allowance it was noted that the cost of the scheme appeared to be high (about £3,000 net cost per person off the register) but that this was not out of line with the cost of other special employment measures such as the Community Programme and was critically dependent on the assumptions made about deadweight and displacement. The proposal for a national scheme should not be ruled out entirely because it might bring long term advantages in stimulating the development of new small businesses. On the other hand the effect might in some cases be to put out of business existing small firms who could not compete with the subsidised newcomers. It was therefore agreed that the proposal for a national scheme would be looked at again when the full evaluation of the pilot schemes became available in late 1983.

The question of early retirement was considered in the context of the proposals relating to the Full-time Job Release Scheme and the Partial Retirement Option in the Secretary of State for Employment's minute and the proposals relating to supplementary benefit for the older unemployed (items iii. and iv. and note C) in the Secretary of State for Social Services' minute. It was agreed that action should be confined to those over 60. The future of the Full-time Job Release Scheme would need to be considered in the context of additional bids in the 1983 Public Expenditure Survey. The possibility of introducing a Partial Retirement Option appeared attractive since the cost might be nil or negligible and this should be examined further, although the relationship with the Job Splitting Scheme would need to be considered carefully. On benefits for the older unemployed it was agreed that there might, subject to further investigation, be merit in the concept of an interim retirement benefit. The intention would be to encourage more of the unemployed over 60 to withdraw from the register. At present men over 60 were entitled to the long term rate of Supplementary Benefit after a year on Supplementary Benefit. It might be desirable to devise a benefit for men over 60 who had been unemployed for 6 months or more to carry them through to 65 when they qualified for a state retirement pension. Occupational pensioners would not be eligible. There would need to be a more generous capital disregard than that applicable to Supplementary Benefit. It would also be desirable to remove from the register those who might be registering only to obtain "credits". It would be essential to ensure that the rules for any new scheme were kept as

simple as possible, It was agreed that the Secretary of State for Social Services, in consultation with the Chancellor of the Exchequer and the Secretary of State for Employment, should consider urgently the possibility of a scheme on these lines which might be brought into effect quickly.

On the Temporary Short-time Working Compensation Scheme it was noted that this would come to an end in March 1984 and that the CBI had pressed for a permanent scheme. It was agreed that a permanent scheme would be undesirable. It was also agreed that the Secretary of State for Employment, in consultation with the Chancellor of the Exchequer, should look into the possibility of modifying the scheme (possibly by changing the "once-only" rule, and seeking to reduce deadweight) and of continuing it further on a temporary basis after March 1984. In this context it would be desirable to look at similar schemes in France and West Germany.

The need to prevent the structure and administration of benefits from discouraging market-clearing wage rates, and active job seeking by the unemployed was considered in relation to the Workfare proposal discussed in the Secretary of State for Employment's minute and in relation to the issues about benefit rules and administration discussed in the Secretary of State for Social Services' minute (items i. and ii. and notes A and B). It was agreed that the Workfare proposal needed to be studied further on the basis that it might be confined to the young unemployed, possibly those under 21, but that the relationship of such a scheme with the Community Programme would need to be examined carefully. The question of benefit rules and administration should be examined jointly by the Secretaries of State for Social Services and Employment, in consultation with the Chancellor of the Exchequer. While it might not be desirable to make a new rule that a job should be taken if the pay was not below benefit levels (since this would be a looser regime than that which applied already) it was questionable whether a job should be regarded as "suitable" only if the wages were not below normal standard rates prevailing in the area. Moreover, whether or not changes were made in the rules, it was desirable to ensure that the rules were applied with appropriate rigour in local offices. This further work should take account of information about benefit rules and administrative practices abroad.

23 December 1982

SUBJECT

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10 DOWNING STREET

From the Private Secretary

23 December 1982

Dear John,

The Prime Minister held a discussion this morning with the Home Secretary, Chancellor of the Exchequer, the Secretaries of State for Industry, Social Services and Employment, Mr. Sparrow, Mr. Mount, Sir Robert Armstrong and Mr. Gregson.

I attach a copy of a record, prepared by Mr. Gregson (Cabinet Office), of this meeting.

I am sending copies of this letter to the Private Secretaries to the Ministers who attended the meeting and also to Sir Robert Armstrong, Mr. Sparrow, Mr. Gregson and Mr. Mount. I would be grateful if you and they would give this letter and its attachments the usual limited circulation.

Yours sincerely,

Michael Scholar

J.F. Halliday, Esq.,
Home Office.

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