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From the Private Secretary

2 June 1986

Dear John,

WORKFARE

The Prime Minister today held a meeting to discuss Workfare on the basis of your Secretary of State's minute of 2 May. Present were your Secretary of State, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Paymaster General, the Minister of State, Trade and Industry and the Parliamentary Under Secretary of State, Health and Social Security.

The meeting concentrated on the first of the objectives of Workfare mentioned in paragraph 3 of your Secretary of State's minute, namely how the system could be structured in such a way as to expose those who were not genuinely unemployed. There was general agreement that the changes made over the past 10 to 15 years, and going even further back beyond that, had weakened the "availability for work" test to the point where it was no longer in practice applied. This was a matter for the greatest concern.

Lord Young described the results the Restart pilot schemes had achieved so far. These schemes offered help to the long term unemployed, and also had a significant effect in reducing the numbers on the register. The Chief Secretary had now agreed that the pilots could be extended to those unemployed for 6 months or more, rather than a year or more as at present. The administrative arrangements, however, needed to be tightened to ensure a proper follow up of people who did not come for interview. A tentative agreement on revised arrangements had been reached with DHSS which would greatly simplify the task.

The Prime Minister stressed the urgency of getting effective arrangements in place and following up the information provided by the Restart pilot schemes. A full report on the action taken and the results should be provided by Wednesday 2 July. The Treasury should be involved in discussions about the proposed new arrangements.

In further discussion it was noted that the present availability to work test was set in terms of the availability to take up employment in a job similar to the one which the unemployed person had formerly held. This was

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over-restrictive. There was a strong case for applying that test only for the initial period of unemployment but thereafter to require the unemployed person to be available to take any job. Changes of this and other kinds would be controversial, and would require careful preparation, but there could be two years of the Parliament left in which to make them. In this context Lord Young described pilot projects to begin next week which would require those unemployed for 4 to 6 weeks then to fill in a questionnaire about their previous employment and other particulars relevant to the availability to work test.

Other main points to emerge from the discussion were as follows:

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i) proposals would be coming from Department of Employment and DHSS within about a month or so regarding changes in departmental responsibilities for payments to the unemployed. The Chief Secretary asked that Treasury officials should be involved in the preparation of these proposals;

ii) a job seeking test had been applied in the UK before the last war, but the result had been to burden employers with spurious job applications. It might nevertheless be worth considering restoring such a test in areas of low unemployment;

iii) it would be worth at some stage considering whether the Community Programme and YTS should be used to test availability to work;

iv) Professor Blaug was rewriting the latter part of his report. It would be better to avoid publication if possible and there seemed no reason to send it to the Select Committee on Employment for their comments.

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The Prime Minister asked finally for a note on the benefits available in other countries for young people and the long term unemployed. (For young people this could be an updated version of the note attached to Stephen Hickey's letter of 25 February 1985 to Andrew Turnbull.)

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chief Secretary, the Secretary of State for Social Services, the Chancellor of the Duchy of Lancaster, the Paymaster General, the Minister of State (Department of Trade and Industry), and the Parliamentary Under Secretary of State (Department of Health and Social Security).

DNJ
David

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