

CC B/UP

PRIME MINISTER

15 September 1986

MEETING WITH LORD YOUNG

In your discussion with Lord Young on unemployment you may wish to cover:

1. The latest view of unemployment prospects given the national roll-out of Restart;
2. Lord Young's reaction to the various policy initiatives in the Policy Unit paper and
3. The presentation of the Government's case on unemployment prior to the next election.

Short Term Prospects

Lord Young should be able to brief you on the latest statistics which are due to be published on Thursday (18 September). For the first time this year they show unemployment virtually unchanged from July to August - with the recent trend increase of 10-15,000 per month offset by an increase in CP places (5,000) and the initial impact of Restart (5,000?). Vacancies also continue to improve.

However, Department forecasts still offer little assurance of any sustained decline over the next year with the positive impact of an expected slowdown in labour force growth offset by the end of planned expansion in special measures. The main hope for improvement is the rigorous application of the Restart programme together with stricter tests for new claimants and other anti-fraud measures. You might ask Lord Young for more information about his plans for accelerating this process by (eg) introducing Restart interviews at six months and tightening up on benefits - eg more frequent

attendance, registration only at the centre nearest home address.

Policy Options

Lord Young has seen the paper prepared by the Policy Unit and supports the main thrust as consistent with his own approach. Some of the key ideas from the paper that you might raise - either for immediate action or to have ready for the start of the next term - include:

- i. A 'workfare' approach for 16-17 year olds as the first step towards a wider approach - ensuring that every youth accepts training or work experience in return for benefit. There are still roughly 200,000 unemployed claimants in this age group.
- ii. Creating an adult version of YTS (particularly for 18-25 year olds who missed it) to train people into work. This might be funded by switching the budget from skillcentres.
- iii. Creating a simplified system to encourage the self-employed to take on their first employee.
- iv. Graduating the allowance on the Enterprise Allowance Scheme to encourage more mature entrants (should reduce net Exchequer cost).
- v. Refocusing the Community Programme to improve value:
 - more places in the high unemployment regions;
 - more aligned with Government objectives versus 'makework';

- breaking the union requirement to match local authority wage rates (which are above the market clearing wage in many areas) to help lower wage expectations.

- vi. Creating fiscal incentives to encourage large companies to spin-off existing small, management units which tend to be more successful in creating wealth and employment.

It would be useful to agree an interim list of priorities for the Department to work on prior to the report of the Strategy Group; you might ask Lord Young to review this at a wider follow up meeting.

Presentation of Policies

The apparent electoral acceptance of continued high unemployment may not survive a concerted attack in a pre-electoral period and policy presentation will therefore be crucial. You could ask Lord Young to review alternative ways of presenting the causes and policies for unemployment and propose the most effective presentation strategy for Ministers to follow to both explain the Government's approach and ridicule the Labour Party's bankrupt alternatives.

Norman Blackwell

NORMAN BLACKWELL