

PRIME MINISTERMEASURES ON UNEMPLOYMENT

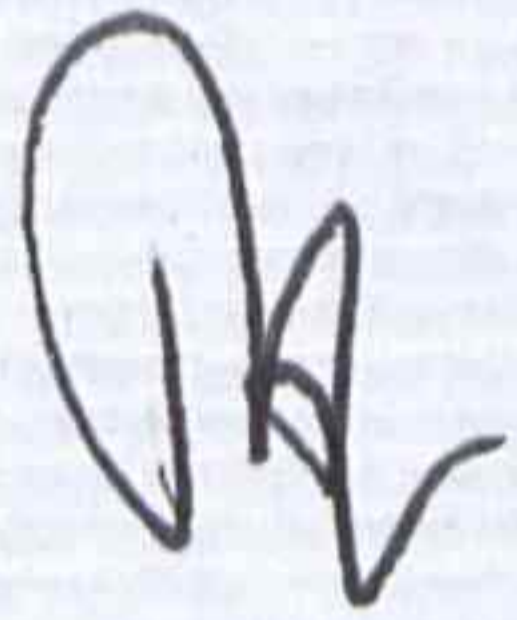
We are sure you are right to resist any commitment to the full-scale Jim Prior package at this stage. A few supporting points:

1. There seems to be a slight mood of panic with some of the colleagues. So it's the worst possible time for a decision on anything beyond a minimal commitment. You and all colleagues are under great time pressures with little time to stop and think. The whole mood, in Cabinet, the House and in the country, could be very different by September, after the holidays.
2. Francis Pym seems to have misrepresented the mood of MISC59. Alan's and my impression was that there was not much support for CYS, and considerable support for the Walters plan. In fact, the Walters plan looks better on closer inspection with Treasury and Employment officials.
3. But we do need to think before acting. For example:
 - (a) To have any impact, Alan's scheme must be on the right scale. The 1976 Youth Employment Subsidy was worth £10 in "then'money" per head. If Alan's scheme is confined to about £5, it could look derisory and yield no wider benefits. It should be at least £10, preferably £15 per head.
 - (b) Of Jim's other measures, we think extending the Community Enterprise Programme would be better than expanding JRS.
 - (c) If we do expand JRS, why not bring the age down to 63 only, and think further about bringing it down to 60 in February 1982, depending on how public sector pay is going?
 - (d) A better sop for Jim could be some selective spending following Michael Heseltine's Merseyside visit - since some spending seems unavoidable there.
 - (e) Trading Wages Councils/EPA in return for oral commitment on CYS could be a bad deal. The CYS money would be spent, The Wages Councils/EPA would mysteriously run into the sand.

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4. If you say on Monday that you are considering a major initiative on training, it will be very difficult to get off that hook later. Once on that hook, the floodgates would be open. If spending £1bn is good, colleagues will argue, then why not spend more? But it would be safe for you to say that the emphasis of YOP will increasingly be on training.
5. Finally, challenge the assertion that a big package is a "social and political necessity". Exactly why is this so? What would happen if the package was not forthcoming?

I am copying this minute privately to Geoffrey at No.11.



JOHN HOSKYNS

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