

PRIME MINISTER

UNEMPLOYMENT AND YOUNG PEOPLE: E ON 24 FEBRUARY

1. INTRODUCTION

1.1 The CPRS paper E(81)22 makes three main proposals:

- (a) A mandatory training year of work experience and work preparation for 16+ school-leavers.
- (b) Measures to reduce the differential between young people's and adults' wages.
- (c) A new programme of community work for the long-term unemployed.

1.2 We strongly support the second of these proposals, including the reduction in the level of benefit. We have minuted separately on one important way of widening the differential: the abolition of Wages Councils. We also strongly support the CPRS proposal for more skill-training for able school-leavers. The rest of this note addresses the value of the CPRS package as a whole - particularly the political value - and its presentation.

2. MORE COMMUNITY WORK

2.1 We all know that there is no prospect of getting unemployment in the more difficult regions down to acceptable levels within the next few years. Against this background, we think the political arguments in favour of a greatly expanded programme - CPRS suggests 100,000 places - of community work for the long-term unemployed are compelling. We agree with the CPRS assessment that it would only be necessary to offer a very small premium above the benefit level. There are many people who would like the opportunity to do something even if it is of marginal economic value.

2.2 We must show that we have some political imagination: that we are willing to take steps to salvage something - albeit second best - from the sheer waste involved. Organising community work is a much more justifiable - and much more cost-effective - measure than support for some of the lame duck industries which consume energy and materials, while paying wages far above the local equilibrium level,

thus preventing the adjustments which could help lead to creation of new enterprise.

2.3 This scheme needs to be aggressively marketed. Up to now, the various Manpower Services schemes have had curious labels (like WEEP) which seem unlikely to fire the public's imagination. If we are to sell this scheme effectively and get some credit for it, perhaps there could be a junior Employment Minister with special responsibility for it; a national television advertising campaign to explain it and invite participation in its setting up - ideas for local projects, offers of management skill in leading projects. This would help to tap the large reservoir of resentment against the wastage involved in mass unemployment. It needs to be branded with a snappy title, perhaps itself the subject of a public competition.!

2.4 The key to making these operations successful is likely to be the local leadership for individual projects. There is plenty of scope for asking companies to supply young trainees - gaining valuable management experience - to lead these projects.

### 3. THE TRAINING YEAR

3.1 The political value of the compulsory training year is more difficult to assess. There are obvious ideological problems: is a Tory Government really going to outlaw a shopkeeper taking his own 16-year-old son on his payroll as soon as he leaves school? What are the political consequences of reversing the tide towards greater juvenile independence from parental income and influence? Would it damage industry to remove the supply of 16-year-old labour from the market? Would the MSC be capable of organising traineeship for an extra 70,000 16-year-olds?

3.2 All these questions are worth asking. But they have to be set alongside the reality of 20% unemployment among under-18-year-olds now and the CPRS prediction of this rising to between 50% and 70% during 1983. If this really is the prospect, many of the arguments above become secondary. A year spent in training/work experience is not as good as a year spent paying one's way. But the question is whether it is better than a year spent doing nothing. We feel certain that it is.

3.3 Compulsory or voluntary?

3.3.1 Although we think it would be right to make the training year as universal as possible, there are obvious hazards about the "compulsory" label. These dangers could be reduced by the right presentation and by designing some flexibility into the system. Specifically:

- (a) As paragraph 30 of the CPRS report suggests, the scheme could be presented as an entitlement. 16-year-olds could be free not to participate in the scheme, but they would receive no benefit at all.
- (b) Instead of appearing to outlaw the employment of 16-year-olds, we should explain the new obligation on a company employing a 16-year-old to ensure that he was employed in a way which met the traineeship requirements.
- (c) The Government would be accepting an extended obligation to provide the (modest) youth benefit and to find/arrange training year places for all 16-year-olds that did not find approved places themselves.
- (d) Small businesses, particularly family businesses, could be treated more flexibly than large companies. Even work in, say, a shop, might be accommodated.

4. UNION REACTION

4.1 We can anticipate union opposition to the package on several points:

- (1) The training year seeks to provide a substitute for the apprenticeship system.
- (2) A widened wage differential between young people and adults could lead to substitution of older workers (union members) by younger people. It could also reduce wages at the margin.
- (3) Reduced youth benefits could look like the thin end of the wedge - with other benefits to follow.
- (4) The community work programme could supplant some public service employment (though the aim would be to avoid this).

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4.2 Despite these objections, we think it would be very hard for unions to carry public opinion against a package so clearly intended to help solve youth unemployment; provide better training, including skill training; and help the long-term unemployed. It is hard to see how they can oppose these objectives or a plan involving modest public spending to help solve them. This is one area where public opinion must be on the Government's side. But careful preparation would be needed to anticipate and head-off union opposition.

5. CONCLUSION

We think the CPRS proposals could provide the basis of a politically imaginative package.

I am copying this minute to members of E, Robin Ibbs and to Sir Robert Armstrong.



JOHN HOSKYNS