



Ref. A04874

PRIME MINISTER

Unemployment and Young People

Your meeting at 9.00 am tomorrow, 13th May, has been arranged to discuss problems of unemployment and young people and to take further stock of the issues discussed by the Ministerial Committee on Economic Strategy on 24th February and 26th March. Those attending are the Chancellor of the Exchequer, the Secretaries of State for Employment, Social Services ^{Scotland} and Education, Mr Ibbs and myself.

2. The Department of Employment and the CPRS have both tabled notes, sent to Mr Lankester on 7th and 11th May.
3. The Department of Employment's note describes work currently in hand, and in particular:
 - (i) The publication next week of the consultative document on the New Training Initiative leading to substantive decisions, in the light of comments, in September.
 - (ii) A report to the Ministerial Committee on Economic Strategy in early July by the Secretary of State for Employment on a number of outstanding proposals for dealing with unemployment both of young people and adults which were in the CPRS' report E(81) 22.

The note also discusses in Section II the prospects for youth unemployment with forecasts in the annexes.

4. The CPRS judge that there is now only limited scope for action this year and that the main issue is what could be said this year on action in 1982. They have compiled, in the annex to their note, a check-list of options for the Committee to consider. Of these the most important are those grouped in Section A2 for the reform of financial support for 16-18 year olds with a view to reducing the bias against those in full-time education. For the most part the other options put forward are the responsibility of the Secretary of State for Employment and should, or could, be covered by his further report to E at the beginning of July.

5. At their meeting on 24th February (E(81) 8th Meeting, Item 1) E agreed that improvements in industrial training should be on the basis of a voluntary approach, and they did not accept the CPRS' suggestion for mandatory arrangements. They asked that further thought should be given to the aim of offering all 16 year olds the choice of staying in full-time education, or taking a job with or without a training scheme attached, or taking up a full-time training scheme, with benefit not available to those who deliberately chose to remain unemployed. It was recognised that for this to work the present structure of benefits and training allowances for young people would need to be rationalised.

6. The meeting of E on 26th March (E(81) 12th Meeting, Item 1), chaired by the Chancellor of the Exchequer, discussed in particular the proposals for a Youth Benefit (YB) scheme. The proposal was that, if YB were to be applied generally to 16 and 17 year olds, at school, in training or unemployed, they, or their parents, would receive child benefit plus a means-tested allowance of up to £10.50 plus a flat rate of £8.00 for those on the Youth Opportunities Programme (YOP). The objective was to remove the present strong financial incentives for young people to leave full-time education where, on present weekly rates, their families are eligible for child benefit of £4.75, and either to get YOP traineeships with allowances of £23.50 or to be unemployed with supplementary benefit of £15.25.

7. Although some Ministers were attracted to this scheme in principle, the Committee agreed that it should not be introduced now because of the following main objections:

- (i) The extension of means-testing to enable more to be paid to those staying in full-time education and less to those who were unemployed would be deeply resented at a time of rising youth unemployment and when training opportunities were insufficient for all young people to be offered an alternative to involuntary unemployment.
- (ii) The change would reinforce the unions' criticism of YOP as a source of cheap labour.
- (iii) Funds would be re-distributed from families with children who were unemployed to families who might be no worse off financially but who had chosen to let their children stay at school.



- (iv) Major legislation would be needed in 1981-82.
- (v) Several hundred additional Department of Health and Social Security staff would be needed to administer the new payments for children still at school and the means-testing of the benefit.

The Committee agreed, nevertheless, that the scheme should be put on ice rather than written-off and that it should be considered again in the autumn when they looked at the recommendations in the light of the consultations on the New Training Initiative. It looks, however, as if, unless the Committee were now to alter fundamentally the view they have taken of YB, there will be no new factors arising in the autumn from the training consultations which would of themselves lead to a change of heart.

8. The Secretary of State for Education and Science was strongly in favour of YB, which he saw as helping to meet the Manifesto commitment that the Government would 'review the relationship between school, further education and training to see how better use can be made of existing resources'; the Secretary of State for Social Services was sympathetic in principle but worried about the practical difficulties and extra staff required; Treasury Ministers had some sympathy in principle but feared that pressures for concessions on the proposed allowances would lead to substantial increased public expenditure; the Secretary of State for Employment was firmly against, because of worries about the reactions of the young unemployed and of those on YOP.

HANDLING

9. You might open the meeting by asking the Secretary of State for Employment and Mr Ibbs to speak to their notes. Each of the other Ministers present will then wish to comment.

10. The main question before the meeting is whether to stay with the approach endorsed by E Committee, which allows for some useful though relatively modest tidying up of the present arrangements (eg revising training allowances), or to look for a much more radical approach for 1982 which might involve reviving the idea of the YB scheme (or something like it) and/or stepping up training opportunities, perhaps to the extent of providing a universal training year. To answer these questions you might use the check-list annexed to the CPRS' note as an annotated agenda, but giving most of the time to Section A2 on financial



support for 16-18 year olds. In looking at the latter you will need to bear in mind that, although there are obvious objections to an extension of means-testing, this is an essential part of the scheme if the overall public expenditure costs are not to be increased. If the scheme were to go ahead the legislation could presumably be tacked on to the Social Security Bill in the provisional programme for 1981-82.

11. If the proposals in paragraph 6 of the CPRS' note for further work were to be endorsed, each of the Ministers at your meeting would be involved; but I would suggest that:

- (i) The Secretary of State for Employment might lead on the work he already has in hand on the CPRS' earlier training and employment proposals, plus an analysis of the feasibility of developing a universal training year for those not employed or in full-time education.
- (ii) The Secretary of State for Social Services, in close consultation with the Secretary of State for Employment, should lead on any further examination of the reform of benefits and YOP allowances on the lines of YB.

I suggest that the Secretary of State for Social Services should be put in the lead on the second exercise in part because he is responsible for child benefit, for supplementary benefit and for the additional staff who would be required to implement the scheme, and in part because, on the evidence of discussions so far, he is much more sympathetic in principle to the idea than is the Secretary of State for Employment.

CONCLUSIONS

12. In summing up the discussion you will wish to record conclusions on any further work which is now to be put in hand in addition to that already commissioned by E Committee. If the meeting does decide that urgent consideration should be given to a more radical approach you might divide the tasks as suggested in paragraph 11 above and ask for further reports by end June/early July. Whichever Minister takes the lead should ensure that all the other Ministers at the meeting should be closely involved.


ROBERT ARMSTRONG

12th May, 1981