

of Mr Walters

Doni Maititi

Ref: A05250



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PRIME MINISTER

There is also a note by John Mbiti (Fly B) which you have not seen.

R 14/11

Measures Against Unemployment
(E(81) 74, 75, 76 and 77)

Fly A

Since Mr. Le Cheminant sent you his brief of 8th July on these papers, Mr. Lankester has circulated Professor Walters's comments on the Secretary of State for Employment's memorandum (E(81) 74).


2. You might ask the Secretary of State for Employment and the Chancellor of the Exchequer each to give their reactions to Professor Walters's ideas when they introduce their own papers. Professor Walters's wish to tackle the problem via lower wages for young people is very much in line with the Chancellor's own thinking.

3. The Committee will wish to be clear, however, how Professor Walters's scheme (for remitting the National Insurance contribution for any 16 year old earning less than, say, £40 a week and perhaps paying a small grant) fits in with the Secretary of State for Employment's proposals for a comprehensive scheme building on the present Youth Opportunities Programme scheme. In his paragraph 13 Professor Walters suggest that his scheme 'could be introduced alongside YOP on the present scale'. It is not clear whether he means YOP with the present scale of financial provision or YOP with sufficient finance to honour the present commitments to places. If the former, it would mean breaking the undertakings given and would lead to a system which, unlike the Secretary of State for Employment's proposals, would not guarantee some form of training for all 16 year olds not in employment. If the latter, it would be necessary to look more closely at the cost effectiveness. The remission of National Insurance contributions would apply to those 16 year olds earning less than £40 who are already employed; so there would be a substantial cost irrespective of whether the concession led to a reduction in unemployment. How much impact might the change have on the unemployment register? How would the total cost compare with the Secretary of State for Employment's proposals? Would unions and young people accept the lower wages envisaged?


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4. The two main questions arising from this paper on which you will wish to record conclusions seem to be:-

- (i) Whether there should be further work to analyse the costs and benefits of Professor Walters's proposals.
- (ii) If so, whether or not this should be on the assumption that the present commitments to provide YOP places by a specified time should stand.



Robert Armstrong

*(Approved by Sir
R Armstrong and signed
on his behalf)*

13th July, 1981

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