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Note of a Meeting held at 9:45am  
on Friday 24 July at 10 Downing Street,  
to discuss Measures to deal with unemployment.

PRESENT:

The Prime Minister

Chancellor of the Exchequer

Chancellor of the Duchy of Lancaster

Secretary of State for  
Employment.

Secretary of State for  
Social Services.

Chief Secretary, Treasury.

Sir Robert Armstrong.

Mr D J L Moore.

THE PRIME MINISTER said that she wished to announce, in her speech in the Censure Debate on Monday 27 July, a number of measures which the Government were taking to reduce unemployment. These would include the three measures already approved by the Ministerial Committee on Economic Strategy at a gross cost of £145 million in 1982-83: expansion of the Youth Opportunities Programme (YOP) to enable existing commitments to places to be met (£113 million); increased support for long term skilled training (£11 million); and provision for the long term unemployed aged over 60 who had been drawing supplementary benefit for more than one year to be eligible for the long term supplementary benefit rate, (£21 million).

The meeting discussed the following additional measures:-

- (a) It was agreed that to enable around 50,000 more young people to stay on in further education there should be provision of an extra £60 million in 1982-83 rising to £100 million in 1984-85. The Secretary of State for Education and Science was considering separately how the money should best be advanced to local education authorities: through the Rate Support Grant, or by a specific grant.

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(b) It was agreed that it should be announced in general terms that, to encourage employers to take on more young people at realistic wage levels, they would be offered a weekly subsidy for all young employees in their first year at work and earning less than a prescribed amount, probably £40 a week. In the longer term this might be operated by remission of the employers' National Insurance contribution, but it was not practicable at present for the Department of Health and Social Security to carry out the necessary checking to operate such a scheme. It would, therefore, probably be necessary for the Department of Employment to pay a direct subsidy. It was agreed that this should be £15 a week at an estimated cost in 1982-83 of about £60 million. The impact of this scheme was uncertain: the Department of Employment had estimated that it might create new jobs after two years in the range of 15-60,000. The cost per additional job in the first year would be high because much of the money would go to those young people already employed (the dead-weight effect). It was noted that there was a risk that employers might either refuse to bring down young peoples' wages below £40 or do so and then pay back some of the subsidy to the young person. It was, nevertheless, worth going ahead with a scheme on these lines in order to provide real jobs and to encourage a wider differential between the wages of young people and of adults. The scheme would be complementary to the other measures under <sup>consideration</sup> /

(c) A reduction in the present age limit of 64 for the Job Release Scheme (JRS) would be helpful in encouraging people to retire and make way for those who were at present unemployed, including those who would not benefit from the schemes directed at 16 year olds. The Secretary of State for Employment's original proposal of reducing the age limit to 60 from February 1982 was, however, very costly; it was unrealistic to assume that the limit could then revert to 64 in March, 1983. It was agreed that instead the limit should be reduced to 63 by November, 1981 and to 62 by February 1982. On the assumption that it would not revert to 64 before March, 1984 the additional cost in 1982-83 would be about £150 million.

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(d) It was agreed that to develop opportunities for voluntary service by unemployed people a further £8 million should be made available through the Manpower Services Commission (MSC) in 1982-83, and that about £4 million should be made available for voluntary schemes for which the Secretary of State for Social Services was responsible.

(e) It was noted that there would be additional costs in 1982-83 of £283 million to provide places for those becoming eligible in that year for YOP. Since this sum was in respect of existing guarantees for places it should be differentiated in the statement from the costs of new measures: otherwise the total effect of the measures announced could have an adverse effect on the financial markets.

(f) It was agreed that no decisions should be taken at this stage on the future development of the Community Enterprise Programme for the long term unemployed.

(g) The opportunity should be taken to press home the message that a wider differential between the wages of young people and of adults would open the way to more employment for the former. There was a particular problem over the minimum wage limits for the 200,000 or so young people covered by Wages Councils which ranged from £32-40 for 16 year olds and £38-50 for 17 year olds. Further thought would have to be given to how best to reconcile the apparent anomaly whereby, while the Government was introducing a new scheme to encourage the payment of wages of less than £40, employers could be prosecuted for such payments if they fell below the minima set by Wages Councils. In the last resort it might be necessary to consider legislation to provide for a lower floor for the Wages Council minima; it was noted that the Secretary of State for Employment was very strongly opposed to the possibility of such legislation which, in his judgement, would bring little practical advantage in return for considerable political criticism and opposition from the unions.

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THE PRIME MINISTER, summing up the discussion, said that the meeting had agreed that in addition to the three measures already approved by the Ministerial Committee on Economic Strategy, she should announce in general terms the Government's intention to introduce a new form of subsidy to encourage the employment of 16 year olds, an amendment of JRS, further provision to enable some of the long term unemployed to work for voluntary organisations, additional provision for further education places, and additional provision in 1982-83 for YOP places under existing guarantees. The total gross additional costs in 1982-83 would be about £700 million, and there would also be further costs in 1981-82 and in the later years. She would need to present these figures with care in order to avoid an adverse reaction from the financial markets and to differentiate between the costs of new measures and the costs of meeting present undertakings for the YOP scheme. She would discuss the draft of this part of her speech further with the Secretary of State for Employment and with the other Ministers directly concerned.

THE MEETING -

- took note with approval of the Prime Minister's summing up of this discussion.

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