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Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
London SW1

23 November 1981

D. Leon.

YOP ALLOWANCE FOR 16 YEAR OLDS *with note (sup)*

Thank you for your letter of 16 November.

I am surprised by the MISC 62 decision. The arrangements approved by E assumed that SB would be removed from 16 year olds at the same time as the comprehensive training scheme was introduced, with the benefits of that training being adduced as a trade off for the loss of SB. Jim Prior gave the House the clear impression that we would not withdraw SB before that position was reached, both when he appeared before the Select Committee on Employment on 20 May and in debate on 24 June. He wrote as much to the Director of Youthaid in July.

To withdraw SB from 16 year olds next year before we can offer all of them places under the new training scheme would therefore be a marked change in the Government's position. It would certainly alter the public perception of our motivation in withdrawing SB. It is bound, despite the strength of our case, to be received with hostility by many of those on whom we depend for delivery of YOP and our new scheme - not just unions, but the careers service, those involved in further education, the voluntary organisations and young people themselves. Of course we risk an adverse reaction to the arrangements agreed by E, but they make a much more defensible combination. Implementing the SB decision a year earlier and carrying through the contentious legislation in the next few months rather than a year later would create a particularly unfavourable atmosphere in which to try to achieve our youth training objectives.



When you last made this proposal you will recall that I told E that to attempt to remove the SB entitlement and introduce the new low allowance for 16 year olds before we launch the new scheme in the Autumn of 1983 would be fatal. Not only would we find ourselves unable to build up to the new comprehensive scheme in time, we would risk YOP beginning to collapse on us next year through withdrawal of support. Loss of support for YOP places in industry would mean, of course, that, in order to try to maintain the guarantees, we should have to expand the more expensive forms of YOP provision such as training workshops and community service. So we could well end up worse off on the expenditure side rather than produce savings.

It is essential that colleagues should be aware of these wider implications of withdrawing SB from 16 year olds in 1982. In my view, we should stick to the E decision - with the SB change and the training scheme coming in together in 1983.

I am copying this letter to the recipients of yours.

J Norman

23 NOV 1987



Prime Minister

24 November 1981

✓ P.A.
Done M/S

Agree to X below?

Policy Unit

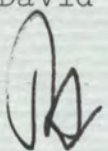
M/S 24/11

Norman Tebbit is
speeding to lose Britain
& Norman Fowler's delay should
(Tuesday).
little to
know the
result
of
that meeting
not

PRIME MINISTER

BENEFITS FOR 16-YEAR OLDS

1. We understand Norman Tebbit spoke to you briefly today about his concern that the MISC 62 decision to end SB for 16-year olds ten months before the new Youth Training Scheme starts up will torpedo our policies on youth unemployment/training. (He wrote to Leon Brittan on 23 November.)
2. We think Norman Tebbit is right - and we should therefore ignore Leon Brittan's notion that the YOP allowance should also be cut earlier. If we are going to sell the comprehensive Youth Training Scheme with a much reduced allowance (only £12.75) and successfully remove the entitlement of 16-year olds to SB, we need to make these changes at the same time. Criticism and non-cooperation from young people, unions and employers may be so loud and effective that YOP places dry up during the last ten months, and the new training scheme never gets off the ground.
3. It is crucially important electorally that the new regime should be anticipated favourably, and should be seen to be operating effectively in its first six months. Its success could have a major impact on the unemployment figures during the winter of 1983/4.
4. We are in any case already concerned that the Youth Training Scheme will be unable to do all we are asking of it. We think it would be wiser to operate an expanded Walters scheme alongside it. The combined coverage and cost of the schemes could be unchanged. It is still possible to leave room for this outcome in the forthcoming White Paper on Youth Training and we will comment further when the draft is circulated.
5. The immediate issue is whether the Treasury proposal to withdraw SB sooner should go to Cabinet. We think you should act now to stop it, asking Norman Tebbit to find other savings if he can.
6. David's note below provides further important reasons for this.


JOHN HOSKYNs

10 DOWNING STREET

24th November, 1981

PRIME MINISTER

It would appear that MISC 62 made a mistake, an understandable mistake bearing in mind that there was no representative of the Department of Employment present at the meeting. (It is less understandable that there was no representative, in view of the impact on employment and training programmes of any decision on SB).

If you agree that the decision must be reversed, it is very important that it is reversed before Cabinet. Should the matter be discussed at Cabinet and the decision changed, probably after a forceful interjection from Prior, you will achieve the worst of all worlds. Leaks to the effect that you wished to cut off SB before alternative training was in place but that you were overruled. Since you were on MISC 62 (I believe) it will be difficult for you to make clear at Cabinet that you have changed your mind, so even if you say nothing you will appear to be conceding to the weight of opinion, and the leaks will be very damaging to you personally.

If you wish to press this through Cabinet against the advice of Norman Tebbit you might consider whether it would carry through Parliament. M.P's in constituencies with high unemployment might find this measure very unpalatable until a full years training alternative was firmly in place.

D.W.

Manpower

AA (4)



Prime Minister

MUS 17/11

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
Secretary of State
Department of Education
and Science
Elizabeth House
York Road
London SW1 7PH

16 November 1981

E. Kirk

MR

REVIEW GROUP ON THE YOUTH SERVICE *encl. 5.*

Thank you for your letter of 31 October.

I agree that when this group was set up our clear intention was that it should produce realistic recommendations. I hope very much that this will prove to be the case but you will understand my concern at the steady flow of press articles ... like the one enclosed which must be building up rather different expectations.

I am copying this letter, without the enclosure, to the Prime Minister, the Secretary of State for Employment, Social Services, Home Affairs, Scotland and Wales and to Sir Robert Armstrong.

E. Kirk
Leon

LEON BRITTAN

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17 NOV 1981

Prime Minister

MCS 12/11



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Tebbit MP
 Secretary of State
 Department of Employment
 Caxton House
 Tothill Street
 London SW1

16 November 1981

YOP ALLOWANCE FOR 16 YEAR OLDS

I have agreed with Norman Fowler that entitlement to supplementary benefit (SB) should be withdrawn from 16 year olds from November 1982. MISC 62 has endorsed this agreement.

It seems to me that this decision has implications for the level of allowances under the Youth Opportunities Programme. We agreed and E Committee accepted, that allowances for 16 year olds under the proposed comprehensive training scheme, to be introduced from September 1983, should be set at a rate of, in current terms, £12.75 a week. This was on the basis that the entitlement of 16 year olds to SB would be withdrawn at the same time.

I am naturally extremely reluctant to raise again any part of the most comprehensive agreement we were able to arrive at. But the development mentioned in the first paragraph of this letter does seem to be a significant new factor. Now that SB is to be withdrawn from a date well before September 1983, it does seem to me inescapable that we should review the position.

As I understand matters, it would not be feasible, even if resources were available, to introduce the comprehensive scheme from a date earlier than September 1983. So we cannot in our presentation link withdrawal of SB to the introduction of the comprehensive scheme. Besides, MISC 62 supported the decision to withdraw SB on its merits. In other words, it is right to expect 16 year olds to look to their parents for financial support if they are unemployed, before providing State support. It follows from that that there is no need to pay 16 year old YOP trainees an allowance sufficient to support economic independence. Moreover, the present situation is that YOP trainees enjoy a lead of about £8 a week over SB; we intend after September 1983 to

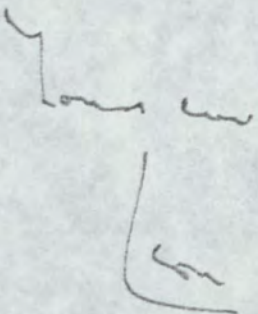
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reproduce the substance of that position; and it would seem very odd to have a short intervening period during which the lead was, in effect, £25 a week (the figure which will apply from this November).

I should be grateful for your views on this situation. But it does seem inevitable to me that we should introduce the allowance regime which we have agreed for the comprehensive youth training scheme from the date of withdrawal from 16 year olds of entitlement to SB. I can well see that it may be necessary to make special arrangements for those already on YOP courses at the date of the change; and I should be very willing to consider sympathetically any proposals you may have in this respect. I estimate that a change on the lines described above would yield savings on your programme of about £70-£80 million in each of 1982-83 and 1983-84, subject to any transitional arrangements; no doubt your officials will be able to provide more refined estimates.

I am sorry to have to raise a new question on your programme at this stage; but, as I say, it seems to me that the logic of the situation makes this inevitable.

I am sending copies of this letter to the Prime Minister, Norman Fowler, other members of E and MISC 62, Sir Robert Armstrong and Mr Ibbs.


LEON BRITTAN

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