



10 DOWNING STREET

cc CPRS
DHSS
HMT
A. Ridley

HL

From the Principal Private Secretary

18 May 1983

Time Out Article - "Thatcher's Secret Unemployment Plans"

I attach a copy of an article from Time Out, together with a speaking note which we have hastily prepared for the Prime Minister's use in case she is asked about this article. Could you please let me have any comments as early as possible tomorrow morning - preferably by 9.15. a.m.

I am copying this letter with the same request to Eileen Mackay (CPRS) and Steve Godber (Department of Health and Social Security).

E. E. R. BUTLER

Barnaby Shaw, Esq.,
Department of Employment.

TIME OUT ARTICLE - "THATCHER'S SECRET UNEMPLOYMENT PLANS"

Time Out have obtained two Government documents of early 1981 - a CPRS report entitled "Unemployment and Young People" and a Policy Unit commentary on it.

The documents appear to be genuine but the quotations from them in the article are dishonestly selective. In quoting the passage below the article leaves out the words underlined:

"The prospects for young school leavers are bleak. The MSC forecasts (which may be on the pessimistic side) suggest that there could be nearly half a million under 18s in early 1982 (excluding the effects of special measures) and 600,000 by early 1983. By the end of 1983, between 50 per cent and 70 per cent of the labour force under 18 might never have had a proper job. The effect in terms of future training skills, attitudes to work and opportunities for crime and social disruption is uncertain. **But it is A MATTER** undoubtedly for justifiable concern."

The omission of the first sentence underlined is designed to suggest that the CPRS was making its own confidential forecasts rather than drawing on the published forecasts of the Manpower Services Commission. The omission of words "is uncertain" is designed to suggest that it was taken for granted that there would be effects on skills, attitudes to work and crime.

Similar selective quoting is shown by the article's omission of the underlined words in the following sentence quoted from a paper by No. 10 Policy Unit:

"We all know that there is no prospect of getting unemployment in the more difficult regions down to acceptable levels during the next few years".

The motive in omitting the restriction of this sentence to "the more difficult regions" is obvious: it is designed to suggest that the paper was talking about unemployment generally, not particular black spots.

Even by quoting in this selective and dishonest way, the article produces nothing of which the Government need be ashamed. For example, there is nothing to be ashamed of in saying that:

- the level of unemployment is unacceptable and, particularly in the most difficult regions, will take a long time to get down;
- political imagination is needed in taking steps to help the young unemployed;
- schemes to help the young unemployed should be aggressively marketed to achieve the maximum take-up.

The article goes on in the same vein to suggest that, because the CPRS report contained an estimate of the effect of their proposals on the unemployment register, the schemes were designed only to affect the statistics: this is obviously invalid.

It should be borne in mind that both the Labour Party and the Alliance Parties support the Youth Training Scheme which emerged from these proposals.

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The article goes on to suggest that the "real aim behind the scheme" is to cut youth wages, and goes on to apply a similar charge to the Youth Workers Scheme and the Community Programme. It is nonsense to suggest that this is the purpose of these schemes. But there is nothing to be ashamed of in suggesting that it would be easier to deal with the problem of unemployment if traditional skill differentials were not so rigid, or if the wages of the unskilled, and particularly the young, were allowed to reflect their productivity. Insisting that young people should be paid more for their labour than the market will sustain is bound to increase and prolong the problem of youth unemployment.

/ The article

The article also says that the DHSS have "admitted" that those who refuse a place on the YTS will have benefit stopped or reduced for six weeks and that this constitutes "compulsion" to join the scheme. The arrangement that unemployment benefit is withheld, and supplementary benefit reduced (normally by 40 per cent), for six weeks from people who ^{without good cause,} refuse an opportunity for training is not new. There has been legislation to this effect for many years. It is most recently covered by the Social Security Act 1975 - enacted by a Labour Government - which carried forward similar provisions from earlier legislation.

H.E.R.B.

18 May 1983



FRONTLINE EXCLUSIVES

7 DAYS IN LONDON

'The new disclosures reveal a Toryism which is authoritarian, inclined towards social engineering without regard to human cost, and profoundly secretive and undemocratic.'

THATCHER'S SECRET UNEMPLOYMENT PLANS

Confidential Government documents obtained by *Time Out* show that the private face of Conservative unemployment policy is the opposite of that purveyed by party leaders in public. The documents, which illustrate both the basis of existing policy and the course which would be followed in the event of a Tory election victory, reveal that:

● As long ago as the beginning of 1981, the Government was in no doubt that unemployment would reach its present levels — and would not decline in the foreseeable future.

● The real purpose of the Government-sponsored training and work schemes is not job creation or youth opportunities but to 'massage' the statistics, force youth wages down, and curb crime and social unrest.

● The Tories believe that three of the main causes of unemployment are benefits for the unemployed themselves, union power and narrow differentials between high and low wages — all of which will come under attack if the party wins the election.

The leaked papers obtained by *Time Out* were produced by the Central Policy Review Staff, better known as the 'Think Tank', and the No 10 Policy Unit, two separate bodies very close to the Prime Minister herself. It is clear from the documents that Margaret Thatcher has been personally concerned with some of the most extreme theories and ideas.

The Think Tank Report on Youth Unemployment, circulated confidentially in February, 1981, contains the genesis of all the Government's subsequent initiatives. Contrasting sharply with the optimistic pronouncements on both economic upturns and employment policies made by Mrs Thatcher and Norman Tebbit since that time, the report paints a grim picture. Its introduction states:

'The prospects for young school leavers are bleak. By the end of 1983, between 50 per cent and 70 per cent of the labour force under 18 might



'It is clear from the documents that Margaret Thatcher has been personally concerned with some of the most extreme theories and ideas.'

never have had a proper job. The effect in terms of future training skills, attitudes to work and opportunities for crime and other forms of social disruption is undoubtedly a matter for justifiable concern.'

Looking at economic forecasts, the Think Tank concluded that by 1983,

Opposition claims that the Youth Training Scheme was conceived in the first instance to cut the jobless statistics are all true.

unemployment would be above three million — a prediction which ministers repeatedly denied at the time. There was no chance, the report went on, that the jobless total would fall to the level obtaining when Mrs Thatcher came to power in the foreseeable future.

Written just three months before the outbreak of the 1981 riots, the report was in no doubt of the possible

implications of youth unemployment for social disorder: 'From the point of view of law and order, the fact that unemployment leaves some potentially troublesome youngsters with nothing to do is a justifiable cause for anxiety.'

Mrs Thatcher was given a copy of the Think Tank report, and also had the benefit of a personal memorandum prepared by the No 10 Policy Unit commenting on the Think Tank findings. There was no disagreement between the two bodies. The Policy Unit told her: 'We all know that there is no prospect of getting unemployment down to acceptable levels within the next few years.'

In response to the problem, the Unit concluded: 'We must show that we have some political imagination; that we are willing to salvage something — albeit second best — from the sheer waste involved. There are many people who would like to do something (No 10's italics) even if it is

of marginal economic value.'

The last quotation comes from the Policy Unit's response to the Think Tank's ideas for dealing with youth unemployment, ideas which formed the basis of the three main schemes set up by the Government. All of them, No 10 went on, would have to be 'aggressively marketed' — using national TV advertising and the full array of public relations techniques. The schemes have indeed received this treatment — and no minister has yet gone on record to say that they are 'second best'.

Looking at the Think Tank proposals in detail, similar contradictions occur. The biggest scheme developed by the Government to date is the Youth Training Scheme (YTS), which comes into full effect in September with places for 460,000 16 and 17-year-olds. It works by the Government, operating

The Think Tank proposed radical action — massive reductions in the level of benefits for youngsters, and a campaign to persuade employers of the virtues of low pay.

through the Manpower Services Commission, paying an allowance of £25 per week to trainees on the scheme.

Employment Secretary Norman Tebbit has been at pains to show that this scheme, unlike the old Youth Opportunities Programme (YOP) which it replaces, will provide a sound basis for young people's entry into the world of work. Against the claims of Labour leaders that YTS is merely a method of reducing the paper jobless totals and of exploiting youth, he has said that the scheme will 'provide a bridge between school and work', and will be 'an integral part of the Government's policy for improving Britain's industrial performance'. With 13 weeks, off-the-job training, Tebbit claims, YTS will help young people find jobs when their training year comes to an end by giving them skills.

However, the documents make clear that the Think Tank was under no such illusions. It recognised that there was a strong possibility that YTS trainees, having completed their year on the scheme, would find a bridge not to work, but to the dole queue. All the training would do would be to 'increase the supply of

CHRIS DAVIES

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skills when there is an upturn in the economy' — which, as we have seen, it did not regard as arriving in the foreseeable future.

But then the primary aims of the Think Tank proposals — called then 'Training Year' or 'TY' — were not, in any sense, to create youth opportunities. The report states:

The essence of the proposal is to reduce the size of the labour force by raising to 17 the age of entry to the normal labour market. We estimate that the Training Year would reduce the level of registered unemployment by about 200,000 above the 130,000 reduction resulting from YOP. Listing the advantages of the scheme, the first point emphasised is that 'it significantly reduces registered unemployment.' Writing, it will be recalled, in 1981, the Think Tank said: 'On forecasts for 1982-3, the register would in effect be nearly 300,000.'

YOU LOT WILL DIG A HOLE THEN THE OTHER LOT WILL JUMP IN AND FILL IT.



In other words, opposition claims that YTS was conceived in the first instance to cut the statistics are all true.

There was another important aim behind the scheme which never surfaced in public — to cut youth wages. When the Think Tank drew up its proposals, it wanted the allowance to be just £15 per week — on the basis that 'financial hardship affects young people less severely than older people'. Political pressures later forced the level to be raised to £25 per week. But even with the higher rate, the conclusions of the report remain chillingly applicable. In a paragraph headed 'It makes young

Union power and employment protection would be curtailed in draconian fashion. An assault on the closed shop and other restrictive labour practices would be only the first step if the full radical vision of the new report were to be realised.

people pay for their training', contained in a list of the scheme's advantages, the report says:

'Young people on TY would receive a modest allowance well below the normal wage. It would be possible, in time, to prescribe a lower training wage for those being trained by their employer (including apprentices). This would be a means of achieving a particularly desirable objective (TO's italics) — the lowering of the training wage, which is unlikely to be achieved voluntarily.'

There are signs that this 'overspill' effect from low YTS allowances to

Like the first report, the new study lays heavy emphasis on widening differentials. Action would be taken to keep youth wages down, to depress rates of pay for unskilled workers and, perhaps most explosively of all, for women in relation to men.

low youth wages in general is beginning to come about. The Electrical Union recently agreed to a cut in the employers' apprenticeship rate from £41.63 to £27.88 per week.

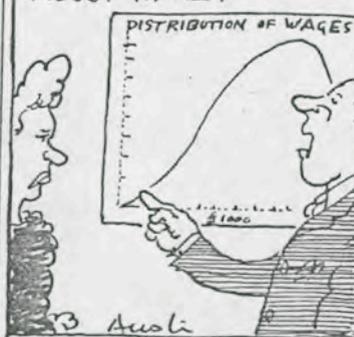
One final contradiction between public statements and private practice has come to light regarding YTS. Although the original Think Tank scheme was to be compulsory, this was later found to be politically unfeasible. Norman Tebbit went so far as to say in the House of Commons last June that he had 'never' proposed any form of compulsion. But what happens to young people who turn down a place on the scheme? Both the Department of Employment and the Manpower Services Commission would not suffer any reduction in supplementary benefit. How then to explain a memorandum from the MSC Employment Services Division recommending just such a course, complete with liaison with benefit offices? Confronted with this, a third Government Department, the DHSS, admitted that, after all, there was some element of compulsion — the 'refuseniks' would have their benefit stopped or reduced for six weeks after September 1.

The second big scheme launched by the Government and first previewed in the Think Tank report is the Young Workers Scheme (YWS), the personal brainchild of Professor Alan Walters, Mrs Thatcher's economic adviser. Like YTS, the plan has been loudly trumpeted by Norman Tebbit as a way of providing job opportunities for 17-year-olds. The notion behind the scheme is that by subsidising employers who pay young people

less than £45 per week, youngsters will 'price themselves into jobs' — and so create more employment.

In fact, before the scheme even began in January last year the Department of Employment commissioned a study which showed that the job creation effect would be very

A WOMAN'S PLACE IS ABOUT HERE.



small — only 6 per cent of young workers on the scheme (110,000 at present) would be in jobs that did not exist before. The Think Tank, discussing a prototype of the plan in a section headed 'More Job Opportunities in the Ordinary Labour Market', came to the same conclusion. Nevertheless, the scheme did contain one thing very much in its favour — like the training plan, it would help to reduce youth wages.

This was the major objective of this entire section of the report — 'Action to widen wage differentials between young people and adults'. To achieve this end, the Think Tank proposed radical action — massive reductions

The Central Policy Review Staff or Think Tank is a group of economists and advisers to the Government set up by Edward Heath, now headed by John Sparrow of merchant bankers Morgan Grenfell. Under Mrs Thatcher the body has been a reliable indicator of hard right thinking within the Tory leadership.

The No 10 Policy Unit is Mrs Thatcher's personal staff of full-time advisers, now headed by ex-journalist Ferdinand Mount. In the papers leaked to *Time Out*, the influence of Professor Alan Walters, the PM's personal economist, is strong.

The Manpower Services Commission is a tripartite body of employers, unions and the Department of Employment — which controls it. The MSC administers the Youth Training Scheme and the Community Programme.

The Young Workers Scheme, which came into operation in January 1982, is a scheme whereby the Government subsidises employers with grants of up to £15 per week for taking on young people at low rates of pay — £40 per week for the full allowance. It has been a dismal failure at creating jobs — less than 10 per cent of youngsters on the scheme owe their employment to it. There are currently 110,000 on YWS.

The Youth Training Scheme was set up to replace the old YOP and comes into full operation — with 460,000 school leaver places — in September. Trainees are paid £25 a week, and employers get three allowances for every two people they have already taken on. They can convert all five places to YTS.

The Community Programme — aiming at 100,000 places by autumn — is a scheme for the long-term, mainly young unemployed. Workers are taken on after negotiations between the MSC and 'sponsors', and in theory the Government will pay them the 'rate for the job'.

in the level of benefits for youngsters, removing young people from the jurisdiction of Wage Councils, and a campaign to persuade employers of the virtues of low pay.

In the end, the Think Tank rejected the YWS, although the strong personal influence of Professor Walters ensured that it was nevertheless put into effect. But the scheme's slight effect on job creation was not the reason why it was turned down. The worst problem with employment subsidies in the Think Tank's view was that 'youth employment is promoted at the expense of the Government, rather than that of the young people themselves.' (TO's italics.)

There is further evidence to back the suggestion that the primary objective of the YWS was to depress wages, rather than create jobs. Last year, ministers considered whether the maximum wage rates for payment of the subsidies should be raised to keep pace with inflation. They decided that they should not — otherwise the scheme's real purpose would be in jeopardy.

The third and final scheme set up by the Government is the Community Programme, a measure designed to help the long-term unemployed over 17 years old, though mostly under 25. Arising from the old Community Enterprise Programme, it works by the Government subsidising 'sponsors' who come up with a job that needs doing.

Looking at economic forecasts, the Think Tank concluded that by 1983, unemployment would be above three million — a prediction which ministers repeatedly denied at the time.

The cynicism expressed by the No 10 Policy Unit under the heading 'More Community Work' takes some beating: '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 (their italics) the local equilibrium level.' As with the other schemes, the Think Tank looked at community work. Its advantages were considerable: low investment cost, little supervision needed, and 'some community benefit.'

The original Think Tank plan was that people on the Community Programme would be paid not the 'rate for the jobs' but merely the current benefit rate plus a small premium. The No 10 Policy Unit warmly endorsed this proposal. But in the end union opposition proved too much — and the Think Tank's hope that it could then blame the unions for taking 'unconstructive attitudes' and force them into submission proved unrealistic. Officially, at least, people on the programme will be paid the rate for the job, not 'benefit plus'.

But the way in which these rates will be worked out suggests that they will be overwhelmingly low — and certainly, in the case of a married man with a child, little more than 'benefit plus'. The Manpower Services Commission told *Time Out* that it was working on a basic 'negotiating figure' when dealing with sponsors —

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just £60 per week. Payment under the scheme will affect benefit entitlement, and all things considered the No 10 Unit's view that people would rather do something than nothing even if it was of 'marginal economic value' — still seems applicable.

In addition to these leaks illuminating policy which has already been put into action, *Time Out* has also received details of a later Think Tank report — a study of unemployment in general, not simply in relation to youth. This study, completed late last year, provides a unique insight into policies which would be enacted in the event of a Conservative election victory. If this later study has as much influence on Government decisions, the policies will be very radical indeed, considerably more radical than those likely to be unveiled in the Tory manifesto.

Like the first report, the new study lays heavy emphasis on widening differentials. This time, action would be taken not only to keep youth wages down, but to depress rates of pay for unskilled workers in relation to the skilled and, perhaps most explosively of all for women in relation to men.

The earlier study laid the groundwork here, pointing out that 'the present tax rules unduly favour married couples'. If couples did not get higher allowances than two single people, both reports conclude, there would be less incentive for women to enter the labour market at all than there would be under a more 'neutral' system. The Think Tank believes that female jobs have expanded at the expense of other employment opportunities, particularly those of youth. Reduction of the scope of the Equal Opportunities Commission may be very much on the cards.

Another problem highlighted by the new study is the level of real wages in general — felt to be too high relative to productivity. In a classic formula-

WE'RE GOING TO TRAIN YOU TO LIVE ON TWENTY FIVE POUNDS A WEEK



tion of anti-Keynesian economics, the Think Tank restates its proposal seen in the first report in relation to youth, but this time applied across the board: if real wages could be held or forced down, unemployment would eventually fall. Not unexpectedly, the report compares British productivity with that overseas, and recommends that British workers should bear a large part of the burden for improving the international comparison.

The language of the Think Tank in dealing with this knotty problem of highly paid, unproductive workers is typically euphemistic — the inevitable

resistance to sweeping changes of the kind proposed is 'real wage stickiness' and 'behavioural and institutional resistance to change'. In other words, union power and employment protection — which should be curtailed in draconian fashion. An assault on the closed shop and other 'restrictive labour practices' would be only the first step if the full radical vision of the new report were to be realised.

The point where the report is perhaps most radical of all is in its discussion of the so-called 'Minford thesis' — a discussion which took place at the express wish of the Prime Minister. Briefly summarised, the Minford thesis (named after its creator, Professor Minford of Liverpool University) states that not only union power but unemployment and social security benefits are an underlying cause of unemployment.

According to Minford, benefits create unemployment because there is too small a gap between benefit levels and low-paid job wages. Quite how widening this gap — by reducing benefits, not increasing wages — would create jobs is one of the deeper mysteries of applied economics: one might well think that the incentives to get a job were already sufficient. But not in the view of the Think Tank and Mrs Thatcher. Both the administration of the social security system — which is said to encourage people not to make themselves available for work, and should therefore be more strictly administered, forcing people to take jobs they do not want — and benefit levels and allocation come under heavy fire.

Another recommendation of the new report echoes Norman Tebbit's celebrated remarks concerning his father's bicycle. The report urges moves towards increased geographical mobility, drastic reform of the public housing system being the most prominent of its proposals in this area. A related suggestion is to remove 'job-entrenchment' and encourage more competitive behaviour within the labour market — possibly by the inevitably controversial abolition of statutory redundancy pay.

Just how many of these schemes would be enacted if the Conservatives win a further term of office is impossible to say. But if the policies towards unemployment carried out already are anything to go by, one thing seems certain: that the public statements accompanying new reforms will run sharply at odds with the real stimuli behind them. Like the family policy group leaks earlier this year, the new disclosures reveal a Toryism which is authoritarian, inclined towards social engineering without regard to individual human cost and profoundly secretive and undemocratic. Only rarely has honesty crept through the barrier of confidentiality in the past two years. It did once last October. Writing in *The Director*, Manpower Services Commission chairman David Young told employers: 'You now have the opportunity to take on young men and women, train them and let them work for you at our expense, and then decide whether or not to employ them.' A more succinct indication of the real beneficiaries of the various schemes could not be found.

David Rose

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It is unilateralism that makes Foot unacceptable to the ruling establishment as a future Prime Minister.



Conservative Central office appears to be commemorating the fiftieth anniversary of Hitler's rise to power in an uncharacteristically round-about fashion. I refer, naturally, to the simplistic rant with which Margaret Thatcher inaugurated her election campaign at Perth in Scotland last week. The influence of Hitler's repulsive propaganda boss, Goebbels, was unmistakable. It was Goebbels who perfected the technique of the 'Big Lie' and made it the centrepiece of the Nazi ideological drive. His method was simple. Invent a falsehood, embellish it shamelessly and then repeat *ad nauseam* in the press and on the radio. Thatcher told her Perth audience that this general election was a straightforward choice between 'freedom and Marxist Socialism'. The Tory hounds who bayed their appreciation of this particular piece of incisive analysis were only too happy to believe this rubbish. The remarks in question were, however, intended for a wider audience. The *Sun*, *Mail*, *Standard* and the rest of the horror-dailies had been paving the way for such an assault for years.



If Thatcher actually believed that the Labour leaders were advocating 'Marxist socialism' (her crude code for what exists in Eastern Europe), then she would be a suitable case for treatment. Every Tory leader is perfectly well aware that a substantial majority of the Parliamentary Labour Party is just as firmly committed to the existing social, political and economic order as the Tories, though with a different scale of priorities. Healey, Shore, Hattersley and Golding are strong believers in the 'mixed economy' (capitalism). Why then this outrageous lie? Perhaps to make doubly sure that the voters do not suffer a last-minute loss of nerve and return Labour to office as a consequence.

What is undoubtedly both new and welcome in Labour's current election manifesto is a clearcut commitment to a non-nuclear defence policy, though even this is hardly extreme. It does not go as far as even the policies of the Swedish or Austrian social democrats who remain opposed to

NATO. It is unilateralism that makes Foot unacceptable to the ruling establishment as a future Prime Minister. This explains the attempts to remove him by the Labour Right a few months ago. It is a unique feature of this campaign that Labour's official policy on the EEC and nuclear weapons is *not* supported by any Fleet Street paper. If the *Daily Mirror* had supported Labour's policy on this question it could have played a major role in ensuring, at the very least, a close result. John Pilger and Paul Foot, two of the best campaigning journalists in the country, could easily have presented the arguments against the Tories and the SDP-Alliance to millions of readers every day. Labour

The British press is as editorially uniform on maintaining nuclear weapons as is the press in the Soviet Union.

could have benefited greatly. Likewise the *Guardian*, which could have utilised the absence of half its senior journalists (contesting seats as Alliance candidates) to give unequivocal backing to the anti-Cruise campaign.

This is not to be. The British press is as editorially uniform on maintaining nuclear weapons as is the press in the Soviet Union. In order to cover up this monolithism the pundits continue to build Foot as the scapegoat of this campaign. Only last Sunday, Anthony Howard was pontificating in the *Observer* that Foot was a liability and Healey might have led Labour to victory. What is always left unexplained is why, in this case, aren't the electorate flocking to the SDP, which is led by people very similar to Healey in politics and temperament? Foot is constantly attacked for being too old, but the same pundits who want Labour to ditch Foot are quite happy to accept Reagan as their leader in the world arena. The message seems to be that a geriatric is fine only provided he has a slick speechwriter, an efficient teleprompter and, above all, a nuclear phallus.

The fundamental reason for Labour's inability to win back the electorate is the experience of the Callaghan government. Labour lost in 1979 not because of Foot, Benn, Livingstone, *Militant* or anyone else. They were defeated because 2,000,000 trade unionists voted for Thatcher. This layer of skilled workers has not been won back. They were angry in 1979 because Labour eroded differentials by redistributing wealth exclusively *within* the working class. Those in employment have not seen as drastic a lowering of living standards as they did under Labour. This is the unpalatable fact.

If by some miraculous transformation Labour were to win on June 9, the real victors would be the Peace Movement throughout Europe. For Labour remains the only party determined to prevent Cruise from being stationed at Greenham Common and elsewhere. For this reason alone a Labour victory could be the first small step towards a nuclear free Europe.

PRIME MINISTERUNEMPLOYMENT AND YOUNG PEOPLE: E ON 24 FEBRUARY1. 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 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).

4. 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

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WITH THE
PRIVATE SECRETARY'S COMPLIMENTS

Mr. Scholar - to see

TIME OUT: "THATHER'S SECRET UNEMPLOYMENT PLANS"

The IPRS report predates the Government White Paper "A New Training Initiative" (December 1982) which gave its considered policy. This made it clear that the Government was going for a high quality Youth Training Scheme for School-leavers, not a measure designed to reduce registered unemployment. Had it been otherwise, it would be surprising that the Labour and Alliance parties had given their support to the YTS. Mrs Williams said (21 June 1982) that she welcomed the YTS "announced by the Secretary of State today and pay him due credit for being the first Minister of any Government to introduce a scheme to provide all unemployed 16 year-olds with what are hope will be effective training. It would be less than generous not to admit that the RHG has had more success with his Cabinet colleagues than I had with mine".

It is true that the Government originally considered a low allowance (£750 a year = £15 a week). But it finally decided on an allowance of £25 a week, which can be topped up by a company which is willing to employ a youngster on higher rates of pay. The allowance is substantially above benefit levels (£15.80).

There is nothing surprising about an internal Government report in 1981 anticipating youth unemployment. The number of youngsters reaching school leaving age is now very high (25% higher in 1981 than 1971), and retirements are low.

HEALEY ACCUSES THATCHER OF JOBLESS LIES

LABOUR DEPUTY LEADER DENIS HEALEY TODAY ALLEGED THAT MRS THATCHER AND HER MINISTERS HAD LIED OVER UNEMPLOYMENT TRENDS.

HE SAID THAT A LEAKED CABINET THINK-TANK REPORT SHOWED THAT THE GOVERNMENT WAS "LYING ON FIVE ISSUES OF MAJOR IMPORTANCE" WHEN IT SAID IN 1981 THAT THE END OF THE RECESSION WAS IN SIGHT.

THE REPORT, CIRCULATED TO MINISTERS IN FEBRUARY 1981, PREDICTED THAT BY THIS YEAR, MORE THAN HALF THE LABOUR FORCE UNDER 18 WOULD NEVER HAVE HAD A JOB, AND THAT A COMPREHENSIVE YOUTH TRAINING SCHEME - SUBSEQUENTLY INTRODUCED

- COULD CUT THE NUMBER OF REGISTERED UNEMPLOYED BY ABOUT 200,000.

MR HEALEY, INTERVIEWED ON TV-AM, SAID LABOUR INTENDED TO MAKE "A VERY BIG THING INDEED" OF THE REPORT IN THE ELECTION CAMPAIGN.

"THE GOVERNMENT WERE LYING WHEN THEY SAID ¹UNEMPLOYMENT WOULD NOT REACH THREE MILLION. THIS REPORT SAYS IT WOULD. ²THEY WERE LYING WHEN THEY SAID THAT UNEMPLOYMENT WAS NOT A FACTOR IN THE BREAKDOWN OF LAW AND ORDER UNDER THE CONSERVATIVES. THIS REPORT SAID IT IS," HE SAID.

MR HEALEY ALSO ALLEGED THAT THE GOVERNMENT HAD LIED THAT ³THE YOUTH TRAINING SCHEME WAS NOT A DEVICE TO CUT THE JOBLESS TOTAL, THAT ⁴IT WOULD NOT PUT OLDER PEOPLE OUT OF WORK, AND THAT ⁵IT WOULD NOT CRIPPLE UNIONS' ABILITY TO PROTECT THEIR MEMBERS.

ASKED WHETHER "LYING" WAS TOO STRONG A WORD FOR WHAT MIGHT BE CONSIDERED SIMPLY MISCALCULATION, MR HEALEY REPLIED: "A LIE IS A STATEMENT WHICH IS FALSE AND WHICH IS KNOWN BY THE PERSON WHO MAKES IT TO BE FALSE.

"MRS THATCHER WAS TOLD THE FACTS IN THIS SECRET REPORT - AND IN SPIT OF KNOWING THE FACTS SHE MADE FALSE STATEMENTS IN THE FIVE AREAS I HAVE MENTIONED. "I HATE TO USE THE WORD 'LIE' - I WOULD NOT BE ALLOWED TO USE IT IN PARLIAMENT - BUT MAKING A STATEMENT KNOWING TO BE FALSE IS A LIE."

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TEBBIT HITS BACK AT HEALEY

EMPLOYMENT SECRETARY NORMAN TEBBIT THIS AFTERNOON HIT BACK OVER CLAIMS BY LABOUR DEPUTY LEADER DENIS HEALEY THAT MRS THATCHER AND HER MINISTERS HAD LIED ON UNEMPLOYMENT.

MR TEBBIT SAID THAT MR HEALEY HIMSELF WAS NOT TELLING THE TRUTH.

MR HEALEY MADE HIS ALLEGATION ON TV-AM SAYING THAT A LEAKED CABINET THINK-TANK REPORT SHOWED MRS THATCHER AND HER MINISTERS HAD BEEN 'LYING ON FIVE ISSUES OF MAJOR IMPORTANCE' WHEN THEY SAID IN 1981 THAT THE END OF THE RECESSION WAS IN SIGHT.

HE SAID THE REPORT, GIVEN TO MINISTERS IN FEBRUARY, 1981, PREDICTED THAT BY NOW MORE THAN HALF THE LABOUR FORCE UNDER 18 WOULD NEVER HAVE HAD A JOB AND THAT A YOUTH TRAINING SCHEME - NOW INTRODUCED - COULD CUT THE UNEMPLOYED BY 200,000.

MRS THATCHER WAS TOLD THE FACTS IN THIS SECRET REPORT AND IN SPITE OF KNOWING THE FACTS SHE MADE FALSE STATEMENTS IN THE FIVE AREAS I HAVE MENTIONED. I HATE TO USE THE WORD LIE BUT MAKING A STATEMENT KNOWING IT TO BE FALSE IS A LIE', SAID MR HEALEY.

MR TEBBIT DISPUTED MR HEALEY'S ACCOUNT OF THE REPORT, PUBLISHED IN THE LONDON MAGAZINE TIME OUT.

MR TEBBIT SAID THE REPORT DID NOT WARN THAT UNEMPLOYMENT COULD REACH THREE MILLION, OR SAY THAT LAW AND ORDER WOULD BREAK DOWN.

MR TEBBIT ADDED: 'ALL THIS RAISES CONCERN ABOUT MR HEALEY'S CAMPAIGNING STYLE. AS HE SEES THE POLLS POINT TO A LABOUR CATASTROPHY HIS ALLEGATIONS BECOME MORE HYSTERICAL DAY BY DAY.'

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191431 MAY 83



Prime Minister ⁽²⁾

MS 21/6

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Willie Rickett Esq
Private Secretary
10 Downing Street
LONDON SW1

MS
21 June 1983

Dear Willie

DEBATE ON THE ADDRESS

... As foreshadowed in my letter of yesterday,
I enclose defensive briefing on points
that might be raised on the Youth Training
Scheme.

Yours Sincerely
Felicity Everiss

MS F M EVERISS
Private Secretary

cc Mr. Wolfson

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10 DOWNING STREET

PRIME MINISTER

M

Time Out article

I attach a note to give you some material to deal with the "Time Out" article. I have sent a copy to the Department of Employment, the DHSS and the CPRS and have asked them for clearance as early as possible tomorrow morning.

F.R.B.

18 May 1983

MR. HEALEY'S "FIVE LIES"

The Government were lying when they said that unemployment would not reach three million. This Report said it would.

Untrue. The Report made no such forecast. It merely described a number of outside forecasts, by Cambridge Econometrics, the Cambridge Economic Policy Group, the London Business School, the National Institute, the University of Liverpool. Some of these forecasts showed unemployment going over 3 million: others were below. All had already been published. It also referred to Manpower Services Commission forecasts, which were below 3 million.

The Government were lying when they said that unemployment was not a factor in the breakdown of law and order. The Report said it is.

Untrue. The Report said that "the effect of youth unemployment in terms of opportunities for crime is uncertain. But it is undoubtedly a matter for justifiable concern".

The Government were lying when they said that the Youth Training Scheme was not a device to cut the unemployment total, that it would not put older people out of work and that it would not cripple unions' ability to protect their members.

All untrue. The Report said that, among many other advantages, such a scheme would reduce registered unemployment, but what is wrong with that? The Report did not say that the Youth Training Scheme would put older people out of work or that it would cripple unions' ability to protect their members.

So all Mr. Healey's charges of five lies turn out to be lies themselves.

UNEMPLOYMENT

Manpower

THE CAUSES

We hear a good deal about how to cure unemployment. But first, let's remember what caused it.

As the Western world sank into recession, unemployment rose rapidly everywhere. In some countries such as West Germany, it has risen faster than in Britain. But the level in Britain is tragically high.

The world recession hit this country hard because Britain was so notoriously inefficient. Our inflation was too high and so were our prices. Strikes bedevilled many of our manufacturing industries. We failed to deliver our goods on time, or at the right price. Our traditional customers began to look elsewhere for reliability and quality.

All too often, the Government propped up the old industries instead of encouraging new ones.

We turned a blind eye to trade unions which refused to accept new machines and new techniques. We left undisturbed the hidden unemployment in many of our industries which were overmanned and riddled with restrictive practices. As a result, productivity remained abysmally low. Our young people were given training that was out-of-date or given no training at all.

WHAT WE ARE DOING

We all care about unemployment. Do you think there is any government, here or anywhere in the rest of the world, which would not seize the chance of halving unemployment if there was a magic button it could press?

X | The latest figures show that we have the same proportion of our population in work as West Germany, and a higher proportion in work than France, Italy or the Netherlands.

The problem of unemployment stretches across the industrialised world. And there is no government anywhere which is tackling that problem with more vigour, imagination and determination than this Conservative Government.

We not only care passionately about unemployment. We are also committed to the only policies that give us real hope of removing this blot on our national life.

And our policies go right to the fundamental causes. They are not window-dressing to catch the voter's eye, but serious, long-term measures.

We have brought down the rate of inflation ^{less than 5} ~~to 4~~ per cent, the lowest rate for 15 years. We have brought down interest rates. The strikes which won British industry such a dismal reputation are far fewer and mostly confined to the public sector. We have brought down tax rates for managers and workers alike. We have

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slashed the National Insurance Surcharge - Labour's tax on jobs - giving £2,000 million back to industry. Productivity has risen dramatically. There has been a rapid shift from the old, declining industries to the industries of the future. Overmanning and restrictive practices - ^{which} ~~that~~ concealed unemployment for decades - ~~has~~ visibly declined in industry after industry. All this means new business and new jobs.

We are encouraging the industries of the future. In response to the Alvey Report, we have recently announced an ambitious scheme in which Government, universities and industry would collaborate on the next generation of computers and beyond. £200 million comes from Government, and £150 million comes from private industry. That means new business and new jobs.

We have introduced more than 100 measures to help small firms - schemes to guarantee loans, schemes to find and build new premises, schemes to give them the best advice. That means new business and new jobs.

X |
We've introduced the most exciting scheme ever to train our young people in the skills of tomorrow - at the cost of £1,000 million a year - so that Britain can compete with the best in the world. That means new business and new jobs.

Mr Chairman, we have done all this - and much more. And we shall do more still.

LABOUR'S RECORD

Now let's look at Labour's record. Let them try to find a single Labour Government since the War which has left office with unemployment lower than when they came in. When Labour's present leader was Secretary of State for Employment, in 2 short years unemployment doubled from 618,000 to 1,284,000. He did not have a magic formula then, and he has not got one now.

Mr Chairman, every Labour Government has promised to reduce unemployment, and every Labour Government has in fact increased it. And if ever there were to be another Labour Government, the same thing would happen again.

No-one can be unmoved by the plight of those who see their cherished skills of half a lifetime suddenly become unwanted. No-one with any sensitivity could be indifferent to the difficulties of young school-leavers finding work.

But we will take no lectures from a party which did nothing to halt our industrial decline when they had the chance.

How can you believe the promises of industrial revival from a party which has never hesitated to burden industry with higher costs?

How can you believe in the goodwill towards business of a party which has taxed top managers at penal rates of 83 pence in the pound?

How can you believe promises of jobs from a party which put a tax on jobs?

and then increased that Tax

And can anyone seriously believe a party which talks about saving jobs and then puts millions of jobs at risk by threatening to pull out of Europe?

We will not accept the credentials to compassion of a Labour Government which panders to the most extreme of the trade union bosses - men who have destroyed more jobs over the years than the recession itself by clinging to their own obsolete privileges and restrictive practices.

And we will listen to no homilies on economics from:

- a party which has adopted inflation as a deliberate policy
- a party which would spend, spend, spend and borrow, borrow, borrow until Britain was once again as broke as when the IMF has to bail us out
- a party which would try to rescue the mess they'd make by the same kind of social contract which led straight to the chaos and bitterness of the Winter of Discontent.

THE CHOICE ON JOBS

I invite the British people to choose: which party is more likely to win the new customers for Britain and bring the new jobs with them?

Which party is more likely to reduce unemployment - a party which put a tax on jobs, or a party which slashed that tax by £2,000 million?

Which party is more likely to reduce unemployment - a party which wants to get out of the European Community and put up the shutters on the world, or a party that believes in open trade and increasing our biggest export markets by staying in Europe?

Which party is more likely to reduce unemployment - a party which believes in nationalisation and controls, and which sneers at businessmen and wealth-creators, or a party that believes in free enterprise and thriving business?

"Success will ultimately depend on the understanding and support of the community as a whole - and especially on the efforts of employers and workers in industry; for without a rising standard of industrial efficiency, we cannot achieve a high level of employment combined with a rising standard of living."

Mr Chairman, those are not my words. Those are the words of Lord Beveridge in his White Paper on Employment Policy in 1944. They were true then, and they are true today.

There are still no magic cures. We regain jobs by regaining customers. And we win new jobs by supplying new goods and new services of the right quality and at the right price.

As a Government, we shall do everything in our power to help businesses, large and small

- to deliver those goods;
- to cut costs by keeping inflation down and keeping taxes down and keeping interest rates down;
- to increase incentives and rewards for hard work for managers and staff alike; and
- to satisfy our customers across the world.

That is our kind of caring. That is how we shall bring new jobs to this country.