

24/11.



10 DOWNING STREET

Prime Minister

(2)

MB

Young Workers Wages

I think we can claim that the Young Workers Scheme has been quite successful in its primary objective - the reduction of youth wages relative to adults.

It is more difficult to trace effects on employment - but no one can seriously doubt that they are positive

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F.T. 24/1/83

Pay gap for youth widens

By John Lloyd, Industrial Editor

THE GAP between the wages of young workers and adults has widened sharply over the last year, in line with, and possibly in response to, government policy.

There is as yet no firm sign that the desired effect of this widening differential—the "pricing" of more youngsters into jobs—has taken place. However, the latest figures for the period 1975-81 show a slightly rising trend for under-18s in employment as a proportion of the labour force.

Figures recently produced by the Department of Employment, comparing the last three years with 1975, show a gentle downward trend in youngsters' wages as a proportion of the average for adults, accelerating sharply in 1983.

The average wages of male workers under 18 was 41 per cent of that of men aged over 21 in 1975. That had declined to 39 per cent in 1981 and 1982, then fell to 36 per cent in 1983.

For girls under 18, average earnings were 60 per cent of those of women over 18 in 1975. This had gone down to 55 per cent in 1981, 54 per cent in 1982 and also fell by a further three points in 1983.

Between 1975-1981, the proportion of workers under 18 in the total labour force rose from 3 per cent to 3.3 per cent, or from 650,000 to 680,000. Department of Employment officials cannot yet judge whether this trend is in response to falling relative wages, or if it has continued since 1981.

The Government has emphasised the need to reduce young workers' wages relative to those of adults as a device to create more employment. The Young Workers' Scheme, which pays a subsidy to employers who hire young workers at wages below £40 a week, is meant to have an exemplary effect on youth wage rates as well as to provide extra employment.

The 3 percentage point drop in relative wages last year will be welcomed within the Government as a sign that this policy may be working.

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