

PRIME MINISTER

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AT 17/6



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YOUNG PEOPLE'S PAY

1. At the meeting on Wednesday morning I promised to let you have copies of recent press releases which I have put out on this subject. I also mentioned that we had emphasised the point during Tuesdays debate on Young People and I enclose an extract from the Official Report. The correlation between the pay of young people and their employment prospects is one that we are continually stressing and will be taking every opportunity to do so in the future.

PETER MORRISON

14/6

June 1985

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May 31, 1985

EXTRACTS FROM A SPEECH BY PETER MORRISON, MINISTER OF STATE FOR
EMPLOYMENT, ADDRESSING THE BANBURY BUSINESS AND INDUSTRIAL GROUP IN
NORTH OXFORDSHIRE TODAY

"This summer, thousands of school leavers will once again find themselves priced out of training by trade union-negotiated rates of pay.

"We have issued this message time and time again until we have become fed up with the sound of our own voices, but there are still some who blindly refuse to believe that a link exists between pay levels and employment levels.

"The evidence speaks for itself. Since 1974, the real level of earnings in the USA actually fell by 10 per cent. Employment rose by over 20 per cent. In the same period in the UK real earnings rose by almost 20 per cent. And employment? That fell by 4 per cent. Clear evidence of the direct causal link between the two.

"And we can find plenty of specific examples here in the UK. Take the level of pay for engineering trainees. Since 1951, the rate for a 16 year old has risen from a quarter to a half of the adult rate. And the number of trainees? Down from 22,000 in 1951 to under 10,000 now.

"Now some trade union leaders are recognising this simple economic reality. When the Electricians Union (EETPU) in 1983 agreed with the Electrical Contractors Association to reduce apprentice pay from £41.63 a week to £27.88, it was not particularly surprising that the number of youngsters admitted to apprenticeships more than trebled.

"Despite this enlightened development, we still have a long way to go. In West Germany first year apprentices earn some 20-30 per cent of the adult rate, compared with an average here of about 60 per cent.

"It should surprise no one that 50 per cent of West German school leavers become apprentices compared with 5 per cent here.

"We have to make sure that this message is understood. You do not even need to be an economist to follow the argument; you just need to be able to count. If the price of apples doubles, then my 50 pence will only buy half the number. And if the cost of paying a trainee doubles, then an employer's training budget only goes half as far.

"Until this simple truth is fully accepted by trade union leaders we shall continue to deny our school leavers the opportunities they deserve, and to starve our industry of the skills they need."



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HON PETER MORRISON MP

Release Time: 12.00 hrs, Sunday 3rd March
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Extract from a speech by the Hon Peter Morrison MP (City of Chester), Minister of State for Employment, to a meeting of Chester businessmen on Sunday 3rd March 1985.

Each year tens of thousands of school-leavers are denied the chance of training. Not by the wicked Government, not by "cuts" or "monetarism", but by successive trade union leaders who have literally negotiated away their prospects.

Quite simply, the rates of pay agreed for trainees in traditional industries are so high that employers are very reluctant to take them on. Our record makes a dismal comparison with that of, for example, West Germany, one of our major competitors in this field.

There, apprentices earn between 20 and 30% of the adult rate. In the UK, they earn no less than 60%.

The consequence? In West Germany, about half of school-leavers go into some sort of apprenticeship, compared with 5% here.

There are those who assert that these phenomena are wholly unrelated. They assert it in defiance of the laws of

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economics, and the lessons of commonsense. You don't need an economics degree to know that if you have a pound to spend, and the price of doughnuts doubles, you can only afford half as many doughnuts. And those who assert that jobs are somehow exempt from this logic have generally managed to ensure that they themselves are safe from its consequences.

Anyone with a grain of commonsense can see that employers would be prepared to take on more trainees if their pay came down to realistic levels.

But we don't need to reply on theory. In 1983, the Electrical Contractors Association, in agreement with the Electricians' Union (EETPU), reduced apprentice pay from £41.63 to £27.88 per week, with subsequent increases linked to standards rather than age. The result? The numbers of apprentices trebled in one year - from 850 to 2650. We don't say that the pay reduction was the only cause - but can anyone seriously argue that it had nothing to do with it?

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Compare this with the engineering sector. In the last 30 years, the unions have systematically negotiated up apprentice wages. In 1951, an apprentice at 16 received 25% of the adult wage. Now an employer has to pay a 16 year old school leaver nearly 50% of the adult rate. The rate for a 19 year old has risen from 50% to 90% of the adult rate.

And the numbers entering apprenticeships? Yes, you've guessed it. Down from 22,000 in 1951 to fewer than 9,000 now. Again,

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there are other reasons for this, but only the wilfully blind could deny that there has been a direct trade-off between pay and numbers.

We depend for continued economic recovery on the existence of a properly trained workforce. Already some skill shortages are appearing, and we cannot afford to let the recovery falter for want of skills. But above all, there is a human tragedy in this saga of lost opportunities. A generation of youngsters have been denied the chance of training in the occupations of their choice.

Some unions have come to recognise the need to recreate these opportunities by reducing young wages to realistic levels. But others, deeply reactionary, have refused to budge an inch. Until they do, industry will be denied skills it desperately needs, and thousands of school-leavers will be denied the chance to acquire a skill.

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ENDS

within 24 hours, or explain their failure to do so. The hon. Gentleman is the official Opposition spokesman on employment, yet he makes bland statements and, after two and a half months, he cannot give me more than one example of abuse. The youngsters on the youth training scheme will note that he cannot give me more than one example. If the hon. Gentleman has concrete examples, I shall consider them immediately. I am amazed that he cannot give me one today.

The knockers of the scheme, of whom the hon. Gentleman is one, include the British Youth Council. When it gave evidence to the Select Committee, it made similar remarks, and it wrote a letter to my hon. Friend the Member for Banbury (Mr. Baldry) stating:

"In response to a request of the Select Committee on Employment held 17 April 1985 and your recent comments in the House of Commons. I am writing to inform you that the British Youth Council will be furnishing you with the names of 'Bad Schemes' at the end of June 1985."

If the council knows of bad schemes, why does it not tell us immediately? It is common ground between the hon. Gentleman and me that we should improve schemes where possible. If we know of bad schemes, we shall do so. To make such bland statements is not acceptable.

The hon. Member for Liverpool, Mossley Hill (Mr. Alton) referred to health and safety. He will recall that the hon. Member for Coventry, South-East (Mr. Nellist) introduced a Bill which dealt with health and safety. The hon. Gentleman had not taken into account the fact that the Government have covered all health and safety matters in legislation. What is just as important is that every trainee on the scheme has statutory protection against racial discrimination in the selection for and termination of training. I hope that the hon. Gentleman is satisfied that the necessary legislation is in force, as it should be.

The hon. Member for Kingston-Upon-Hull, East referred to the placement of trainees. When I first went to the Department of Employment the placement rate on the youth opportunities programme was 30 per cent. The Labour Government's youth opportunities programme was successful. Today, the placement rate is about 60 per cent., with a further 6 per cent. going into further training and education and over 5 per cent. going into another scheme. Good placements are not necessarily achieved in the areas where one expects them to be achieved. In parts of the country where there are high levels of unemployment there have been placement rates of 70, 80 and 90 per cent.

Mr. Sheerman rose—

Mr. Morrison: However, the hon. Member for Huddersfield has never addressed himself to the point that no Government have the power to ordain that a job should be provided at the end of the youth training scheme. The hon. Gentleman and all trainees know that a job exists only when a product is created at a cost and of a quality that the consumer wants to buy.

The hon. Gentleman referred to wages and the allowance. He will have talked to trainees, as I have, and the answer that I receive is, "We get by." Of course they would like more money, but when it is put to them that the more that they receive by way of an allowance the less will be spent on their training, because there is no pot of gold at the end of this rainbow, they begin to understand that the training element—the quality of the scheme—is crucial.

Mr. Geoff Lawler (Bradford, North): Will my hon. Friend comment upon the announcement by the Manpower Services Commission of its intention to employ clerical assistants as trainees at £60 a week? Does that not undermine the laudable efforts of the Government to persuade young people to take realistic training allowances? If everybody were to copy the MSC, there would be a substantial reduction in the number of young people who would be able to take advantage of the youth training scheme.

Mr. Morrison: Like my hon. Friend the Member for Bradford, North (Mr. Lawler) I read the report, and it came as a surprise to me, too. I made inquiries about it. My hon. Friend and I agree that wages or allowances are relevant in terms of prospective employment. Like my hon. Friend, I do not believe everything that I read in *The Times*.

On apprentices, the hon. Member for Kingston-upon-Hull, East, is out of step with another of his supporters. Look at what happened in the Electrical, Electronic, Telecommunications and Plumbing Union. It agreed that the pay of apprentices should be reduced from £41.63 to £27.88. The result was that the intake of apprentices trebled. But there is still a long way to go.

Mr. Sheerman: That is a most fraudulent claim. I have checked this with the EETPU and with the employers. The package for the three and four-year period provides a higher rather than a lower income over that period. There is merely a reduction in the starting rate. However, there is an overall increase. To equate low wages with more apprentices is to turn logic on its head.

Mr. Tom King: By George, he's got it.

Mr. Morrison: As my right hon. Friend the Secretary of State for Employment says, "By George, he's got it."

Despite the fact that this is an enlightened development, there is still a long way to go. The Liberal spokesman pointed to West Germany where first-year apprentices earn about 20 to 30 per cent. of the adult rate compared with the average rate of 60 per cent. in this country. The result is that about 50 per cent. of school leavers in West Germany become apprentices compared with about only 5 per cent. in this country. The Opposition fail to take that matter on board.

Mr. Prescott: Will the hon. Gentleman give way?

Mr. Morrison: No. I have given way on many occasions, and I know that many hon. Members want to take part in this debate.

During the last three years the Government have introduced a new training scheme which is universally popular and very successful. It is sad that some people are trying to encourage youngsters not to join the scheme. The Government have introduced a community programme that provides training, the technical and vocational education initiative and the enterprise allowance scheme, all of which are imaginative and relate to the 14 to 25-year-old age group. The provision of proper education and training for young people is vital both for them and for the future prosperity of this country. The measures that I have outlined represent the most wide-ranging programme of reforms that has been produced for many years.

I commend the amendment to the House.

[Mr. Fields]

the sole cause of drug use. There is also a correlation between unemployment and crime. No one condones crime, hooliganism or drug taking, but if people are treated subhumanly we cannot expect any better from some of them.

The Government have brutalised social relations. They have brought about the politics of the jungle. The rich and powerful get the lion's share, and the poor and weak get the scraps. It is little wonder that the pale shadows of the Tory Government and the alliance ask why we seek to defend ourselves, our youth, our families and our conditions. We are fighting for those people against this brutal system which you are propping up along with the Government.

Mr. Deputy Speaker: Order. I am sorry to have to interrupt the hon. Member, when he is in such fine flow, but I do not prop up anything.

Mr. Fields: I shall not go into that, Mr. Deputy Speaker.

The message from this debate is that the Tory Government have nothing to offer youth. This system has nothing to offer youth. Despite the criticisms of the faint-hearted, my appeal to youth is to get organised in the Young Socialists and the Youth Trade Union Rights Campaign and fight back against this vicious Tory Government and their attacks. We say to youth "The future can be yours, organised with a programme that can and will change society to create civilised conditions in health, education, housing, jobs and personal fulfilment." If youth hear no more during this debate than this message of hope, I for one shall be satisfied.

8.34 pm

Sir Philip Goodhart (Beckenham): I have an awful feeling that when the colleagues of the hon. Member for Liverpool, Broadgreen, (Mr. Fields) take over power they will treat the young and the old with the same delicate courtesy as the hon. Gentleman showed to those who sought to intervene during his speech.

Nearly a fortnight ago, on the day on which Liverpool football club played Juventus in Brussels, I was in Holland talking to employers, trade union leaders and Government officials about the youth unemployment problem. The latest figures for youth unemployment in Holland had come out a couple of days before, and they were excited about the trend. The April unemployment rate among those under 19 had fallen by 20 per cent. between 1984 and 1985. This had followed a decrease of 14 per cent. in the March unemployment rate for the same group between 1984 and March 1985. People were optimistic that the tide had turned.

In the recent past, the Dutch were in a bad position. In 1980 an employers' federation estimated that one manufacturing job in two was operating at a loss. When the recession came, the loss of jobs was more rapid and went further than in the United Kingdom. The Dutch unemployment rate increased to 18.5 per cent. in January 1984. Nearly half the unemployed were young people.

At the end of 1982, a Conservative coalition was elected to Government. It followed policies that are broadly in line with those of this Government. The Dutch Government gave priority to competitiveness and profitability and waged a successful battle against

inflation. They kept tight control over the money supply and sought to cut public spending. They sought also to remove themselves directly from the wage negotiation process.

The one aspect of wage negotiation from which the Dutch Government have not removed themselves is in setting wages for young people. For many years, under successive Governments, an elaborate system of minimum wage levels has operated. With the co-operation of the trade unions and employers, the Dutch Government have sought deliberately to lower the minimum wages of workers under 19. Although the minimum wage for those over 20 increased between 1980 and 1985 by 6 per cent., the minimum wage of young workers was reduced, on average, by 22 per cent.

The Dutch Government's tactics in tackling youth unemployment were set at the beginning of 1983 by the chairman of the Federation of Netherlands Industry, an employers' organisation. The proposals that he put forward bore a remarkable similarity to the programme suggested at the end of 1982 by the unemployment steering group of the CBI, under the chairmanship of Sir Richard Cave, then the chairman of Thorn EMI. The one difference was that, because the situation was rather worse in Holland than it was here, Mr. van Veen had an easier ride with his proposals and found it easier to get co-operation than have Sir Richard Cave and the unemployment steering group of the CBI in Britain.

Basically, the proposal was that the minimum wages of young workers in Holland should be reduced—as they have been there—by about 22 per cent. At the same time, a great deal of attention was paid to youth training schemes. They are not as comprehensive or as costly as those in operation here, but they are still an improvement on what has gone before. The one scheme which was adopted in Holland which we have not adopted in Britain is a shorter working week for young workers. In Holland it is impossible for any new young worker under the age of 23 to get employment in the public sector, or in a major firm covered by a collective trade union agreement, for more than 32 hours, with, of course, 32 hours' pay.

There have been some problems in introducing the scheme. The unions in the public sector showed a certain amount of reluctance, but they eventually accepted it, and I note that the 32-hour week scheme has been introduced in the public sector in a way that would certainly appeal to a Prime Minister wishing to see a reduction in public sector employment. One Civil Service department is reducing the number of posts open to recruitment from 4,500 to 4,000, yet it is taking on 5,000 new workers to fill those 4,000 jobs. Therefore, there is a reduction in the level of employment within the public sector, while at the same time more job opportunities are being given to young people.

The result has been spectacularly good in the past few months. There has been a reduction of 14 per cent. in youth unemployment in March compared with the previous year, and a reduction of 19 per cent. in April compared with a year ago. There is a real feeling that the problem of youth unemployment has been tackled successfully. If the Dutch experience continues to be as satisfactory as it has been in the recent past, I would ask the Government to look seriously at the possibility of introducing a shorter working week for young workers.

Our Government have introduced their own job-splitting programme, although not adopting it themselves.

We saw further encouragement of job-splitting for young people in the Chancellor of the Exchequer's last Budget. Perhaps this a concept that is too revolutionary at the moment. At the last count, only 1,500 posts had been split. It may well be that the Dutch approach, which is less revolutionary and much simpler to operate, offers a better and a simpler road to follow.

I hope that my hon. Friends will look very carefully at what is taking place across the Channel. As one Dutch employer said to me, "The 32 hour-week for 32 hours' pay has two great attributes: first, it is very simple; secondly, it costs almost nothing." Both attributes should appeal to our Government, and I hope that they will consider them very carefully.

8.46 pm

Mr. David Alton (Liverpool, Mossley Hill): The hon. Member for Beckenham (Sir P. Goodhart) has put forward a very sensible proposition, and I hope the Government will take due note of it. I support the idea of a shorter working week for younger workers. Anything that can be done to ensure that more of the employment opportunities are shared more evenly is well worthy of our support. It is useful to look at examples from other European countries and see how we might emulate them.

We heard earlier about the statutory apprenticeship scheme in West Germany. At present, 500,000 young people are employed in statutory apprenticeships in West Germany, and we could well copy that. A similar scheme operates in Belgium.

In the three countries which have been mentioned—Holland, West Germany and Belgium—there is one thing that they all have in common, and that is Liberals participating in the Government. One of the problems in the United Kingdom is that the people who might be advocating measures of that sort—some of them in groups such as the Conservative Centre Forward—are not listened to with sufficient seriousness.

This year, 1985, should be a time of hope. Young people should be able to look forward with confidence to making their contribution to our community, but instead it is very much a time of hopelessness and despair.

About half of the unemployed in Britain are young people. I agree with the hon. Member for Liverpool, Broadgreen (Mr. Fields)—I hope that it will not do him too much damage in the Militant Tendency—that there is an undoubted relationship between high unemployment and high rates of crime, despite the Prime Minister's regular denials of the link. Half of all the crimes are committed by young people. There is a link, too, with the escalating problem of drug abuse—a subject to which I shall like to return later in my speech.

Many of our young people face the prospect of 50 years on the dole. They face youth training schemes. They face increasing competition for university places. Many of my contemporaries, with worse A-level results than brothers and sisters who are now being turned away from universities, were able to get into higher education. It is a tragedy that those younger brothers and sisters are now denied the opportunity of going to university. What we see today is a reduction in self-esteem and self-respect.

The hon. Member for Huddersfield (Mr. Sheerman) who opened the debate for the Opposition, indulged himself in some poetry. I am glad to see him returning to his place. I think that Alfred, Lord Tennyson put it very well in a couplet that he composed when he asked:

"Ah, what shall I be at fifty,
Should Nature keep me alive,
If I find the world so bitter
When I am but twenty-five?"

The truth is that there is today a great sense of bitterness, hopelessness and despair among many of our young people.

The hon. Gentleman complained that only £250,000 had been made available for International Year of Youth. I do not intend to follow that argument because the debate is not simply about throwing money at young people and their problems. However, I agree that it should be about the Government taking International Year of Youth seriously.

The hon. Member for Broadgreen who also spoke for the Labour party, struck an interesting contrast with the Labour Front Bench. We should not laugh him off, as some hon. Members tried to do today. In Liverpool, his colleagues run the council. Indeed, his colleagues have a great say in who is to be selected for many seats throughout the country. We shall see more and more people like him in the House representing the Labour party.

Mr. Tony Banks (Newham, North-West): Good.

Mr. Alton: We know that there are great affinities between the London and Liverpool Labour parties. We should not laugh off the hon. Gentleman, but should take him seriously. When he talks, as he did today, about breaking the capitalist laws and replacing them with working-class laws, it shows how he and many of his hon. Friends regard the law of the land. When I intervened, I pointed out to him that it sets an appalling standard and example to young people to lure them from their school classes, to march them to the Pierhead in Liverpool and for speakers to harangue them at open-air rallies. The effect of that on discipline and morale in schools, and on their long-term opportunities and future, is unbelievable.

Mr. Tony Banks: Will the hon. Gentleman tell the House why he believes that explaining to young people the cause of their lost opportunities and how the system brutalises them is a disadvantage to them?

Mr. Alton: It is not a disadvantage to explain to people the causes of our problems. The way to solve those problems is through the ballot box and parliamentary democracy, not by pulling young people on to the streets, or by encouraging them to leave their classrooms. That is simply to take the first steps towards breaking the law.

As I also pointed out in my intervention, constantly to tell people that it is all right to break some laws but not others, and that they can defy the Government, whoever that Government may be, breeds contempt for parliamentary democracy. Some of us know that this is all that the members of Militant Tendency who dominate the Labour party, in many parts are concerned with. I warn the House not to laugh off those pied pipers who pull young people from their classrooms and who constantly advocate breaking the law.

I also have a criticism of the Government. They have created the breeding ground that has allowed people like the hon. Member for Broadgreen to prosper and thrive. We have witnessed the creation of a disaffected, disillusioned cynical and bitter youth. The measures which the Government have announced during the past two weeks have compounded the problem. They have announced a rise in students' grants below the rate of inflation, which