CONFIDENTIAL

Qa 05297

To: MR LANKESTER

From: J R IBBS

25 March 1981

Industrial Training/Benefits and Allowances for Young People (E(81)33 and 34)

1. The CPRS paper (E(81)36) expresses reservations about the proposal by the Secretary of State for Employment that only marginal changes should be contemplated in the present system of benefits and training allowances.

2. I should like to draw the Prime Minister's particular attention to the following points:

(a) The Employment Secretary's view that Youth Benefit (YB) is a "political loser" appears to assume that YB would be seen as taking benefits away from the young unemployed (and YOP trainees) while giving them nothing in return. This need not be the case. If YB could be presented as part of an imaginative package to improve the quantity and quality of training opportunities for the young unemployed it might, in the context of high youth unemployment, be acceptable to young people, the general public, and even to the unions.

(b) YB offers the possibility of public expenditure savings to help finance such a package. But only if YB is extended to YOP trainess (as well as to the unemployed) will those savings be substantial. (The changes in allowances and benefit which Mr Prior undertakes to consider, though useful, would offer only small savings.)

(c) Mr Prior does not seriously address the feasibility of the approach which E suggested at its last discussion - "unemployment is not an option", i.e. providing training opportunities for all 16 year olds not in education or a job, but paying no benefit to those who opted for unemployment. The idea of a training year for unemployed 16 year olds also features in the CPRS report (E(81)22 - Annex D: a voluntary approach). In view of the high level of youth unemployment I should be sorry to see these ideas dismissed without more serious consideration.

(d) In considering whether the unions could be persuaded to accept benefit reductions as part of a package, the Prime Minister should bear in mind that a package could include some of the other suggestions in the CPRS report for alleviating unemployment including skill training for young people and an expanded Community Enterprise Programme. Mr Prior is due to report back to E on these in early April. (There is also the possibility of more adult training in high unemployment areas, suggested in our recent note on Merseyside.)

3. I am sending a copy of this minute to Sir Robert Armstrong.

JR