



Prime Minister

2

to
Monday
09.00 a.m.

This is for the
meeting next Wednesday.
The CPRS will be
providing a "collective
brief" which will, I
am assured, look at
the whole issue afresh.

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*cc to Dyke
by hand
letter*

Tim Lankester Esq
Private Secretary
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7 May 1981

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8/5*

mb.

Dear Tim,

I understand that the meeting to take stock of the issues discussed by E Committee on 24 February and 26 March will take place on 13 May.

My Secretary of State thought it might be helpful to circulate a note which briefly sets out how the issues discussed are being followed up and the outlook for unemployment, particularly of young people.

I attach a note prepared by officials here, and I am sending copies to the private secretaries to the Chancellor of the Exchequer, Secretary of State for Education, Secretary of State for Social Services, Sir Robert Armstrong and Robin Ibbs.

You ever

Richard Dyke

R T B DYKES
Principal Private
Secretary

TRAINING AND YOUTH UNEMPLOYMENT

Note by the Department of EmploymentI. Follow up to the discussion in E Committeea) New Training Initiative

At E Committee on 26 March the draft consultative document on the New Training Initiative was welcomed and generally endorsed. The Secretary of State for Employment circulated a revised version to colleagues directly concerned on 1 May with a view to joint publication with the Manpower Services Commission on 21 May. Comments will be requested by the end of September.

b) Benefits and allowancesi) Youth Benefit

E Committee agreed that YB should not be introduced, for the reasons set out by the Secretary of State for Employment in E (81) 34. They recognised however that although there were severe practical objections YB was in many respects attractive in principle. It should therefore be put on ice rather than written off and could be considered again in the autumn when the outcome of the consultations on the NTI was considered. If it were then confirmed it was impracticable to introduce it, it might be possible to reconsider it at a later stage when further advances had been made towards the longer term aims of the NTI and all young people could be offered a realistic alternative to involuntary unemployment.

ii) Training Allowances

The review of MSC training allowances agreed by E has now been put in hand.

iii) YOP Allowance

As agreed, the DE will consider the possibility of lowering further the real value of the YOP allowance at the next uprating in the autumn of 1981.

c) Unemployment and Supplementary Benefit Rates for 18 year olds

The Social Services Secretary has pointed out (letter to Chancellor of 9 April) that the benefit rates for the November 1981 uprating have been announced, but he will consider the matter further when the question of youth benefit is taken up in the autumn.

d) Proposal for 1,000 trainees in Army

The Employment and Defence Secretaries will shortly put forward a proposal involving an additional bid of £2 million.

e) Other proposals in CPRS report on unemployment and young people

The Secretary of State for Employment has asked the interdepartmental Manpower Group to consider further the remaining CPRS proposals on unemployment both of young people and adults, including an appraisal of the scale and nature of unemployment problems over the next two years and the approaches (other than macro-economic) open to the Government for coping with these problems (including the possibilities of additional support for apprenticeship training, the scope for earlier retirement and further support for community work). The Secretary of State will report to E Committee in early July on what further action could be taken.

II. Prospects for youth unemployment

2. School leaver unemployment reached a peak of 282,000 in July 1980 and would exceed 300,000 in July 1981 but for 3 factors:

a) A higher proportion of 16 year olds than usual may have left at Easter because supplementary benefit will not be available to summer school leavers this year until September (DHSS have agreed to review the SB arrangements when the effects of the change this year are clear);

b) for the same reason, some summer leavers may not register for work or may delay their registration, which would affect the number counted as unemployed, although there is still an incentive to register to obtain a YOP place.

c) the expansion of YOP means that some 25,000 more young people than last year will be in YOP.

3. The combination of school leaver unemployment and seasonal factors will however push up total unemployment this summer. Annex 1 is a projection of total unemployment prepared last month for the Prime Minister's Office on the given assumption of a monthly rate of increase in the seasonally adjusted series of 60,000. Annex 2 is a projection prepared in the Department of Employment based on the expected path of output over the period (which is not dissimilar to the path based on the assumptions in the Public Expenditure White Paper). The latter projection leads to a significantly lower path of unemployment; broadly, the levels that are reached in the second half of 1981 in Annex 1 are not reached in Annex 2 until the first half of 1982.

4. The following factors could affect the level of youth unemployment:-

a) the MOD proposal for 1,000 Army places could make an impact this summer: the scheme could be operative within a month or two of approval.

b) MSC will consider in June whether YOP will need additional resources in 1981-2. MSC is capable of providing more places than at present planned, but if an early impact was required, eg by mounting additional YOP training courses in September, the decision on additional resources would have to be advanced.

c) Training for Skill

The number of young people entering apprenticeships and similar long term training for skill in industry and commerce has fallen dramatically in the last two years both absolutely and as a proportion of the age-group. An estimated 100,000 (11% of all 17 year olds) entered such training in the 1979/80 training year; a fall to 82,000 (9%) is forecast for 1981/82. This is mainly the effect of the recession, and to that extent will aggravate the likely shortage of skilled labour in the upturn.

To counter this cyclical shortfall the MSC has already made available to firms, through ITB and non-statutory industrial training bodies, grants towards the first year costs of apprenticeship and similar training to encourage additional recruitment of up to 25,000 in 1980-1 and 1981-2.

In view of the substantial worsening of the position in recent months, as regards both recruitment and redundancy, the MSC is currently preparing proposals for extending these schemes, both in scale and to meet the emerging need to continue support in

some cases into the second year. A figure of £13m additional in each of the years 1981/82 and 1982/83 has been tentatively mentioned. If this were to be approved, it would enable support in the 1981/82 training year to be increased by a further 9 or 10,000 places.

6 May 1981

Department of Employment

ANNEX 1

PATTERN OF UNEMPLOYMENT, GIVEN A 60,000 A MONTH INCREASE IN THE SEASONALLY ADJUSTED SERIES, EXCLUDING SCHOOL-LEAVERS, FROM APRIL 1981

UK, Thousands

	Unemployed excl. school-leavers seasonally adjusted	Approximate seasonal element	Unemployed excl. school-leavers	School leavers	Total unemployed
	(1)	(2)	(1) + (2) (3)	(4)	(3) + (4) (5)
1981 Apr*	2446	- 1	2445	73	2518
May	2506	-52	2454	100	2554
Jun	2566	-86	2480	185	2665
Jul	2626	+ 1	2627	295	2922
Aug	2686	+52	2738	265	3003
Sep	2746	+50	2796	205	3001
Oct	2806	+31	2837	145	2982
Nov	2866	+26	2892	110	3002
Dec	2926	+13	2939	95	3034
1982 Jan	2986	+89	3075	100	3175
Feb	3046	+69	3115	90	3205
Mar	3106	+26	3132	80	3212

*published figures.

Pattern of Unemployment 1981-2

based on expected levels of output

UK, Thousands

	Unemployed excluding school leavers seasonally adjusted	Approximate seasonal element	Unemployed excluding school leavers	School leavers	Total unemployed
1981 Jan*	2228	89	2317	102	2419
Feb*	2304	69	2373	90	2463
Mar*	2381	26	2407	78	2485
Apr*	2446	- 1	2445	73	2518
May	2485	- 24	2461	90	2551
Jun	2525	- 62	2463	185	2648
Jul	2555	- 5	2550	295	2845
Aug	2585	41	2626	265	2891
Sep	2615	48	2663	205	2868
Oct	2650	25	2675	145	2820
Nov	2685	24	2709	110	2819
Dec	2715	16	2731	95	2826
1982 Jan	2740	89	2829	105	2934
Feb	2760	69	2829	90	2919
Mar	2780	26	2806	78	2884
Apr	2800	11	2811	68	2879
May	2815	- 24	2791	90	2881
Jun	2830	- 62	2768	185	2953
Jul	2830	- 5	2825	295	3120
Aug	2835	41	2876	265	3141

* Published figures

6 May 1981