

PRIME MINISTER

Meeting on Unemployment Measures

The following have been invited:

The Chancellor of the Exchequer
The Chancellor of the Duchy
The Secretary of State for Employment
The Secretary of State for Social Services
Chief Secretary
Alan Walters
Sir Robert Armstrong.

You might like to read my internal record of your separate discussions with Mr. Pym, Treasury Ministers and Mr. Prior yesterday to remind yourself where we have got to (Flag A).

I think it is agreed that the package should include:

- (i) the cost to employers of employing young people below a certain age and wage should be reduced, possibly by exempting them from paying National Insurance contributions (NIC). ?
- (ii) Confirmation of an extra £93 million in 1981/82 and £113 million in 1982/82 so as to fulfil the existing YOP guarantee. /
- (iii) An extra £60 million in 1982/82, and more in subsequent years, for local education authorities, to enable 50,000 more young people to stay on in school or college. /
- (iv) Some indication that we are going to move to an expanded training/work experience scheme in 1983.

The issues for discussion would seem to be:

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- (i) how would the remission of NIC for young employees work? Up to what age would it apply and to what wage? Mr. Jenkin will advise that legislation will be required. He will express a preference for paying a subsidy, which would not require legislation; but that of course would mean higher public spending (though the PSBR effect would be no different). NIC remission would only mean a "subsidy" of about £5, whereas Alan Walters was suggesting a subsidy of around £15 (ie NIC remission plus £10 subsidy). It is also relevant that the old youth employment subsidy, which was phased out several years ago, was £10. It may be unrealistic to announce a figure lower than this. Also, should there be a campaign directed at the CBI and Chambers of Commerce to persuade them to take youngsters on in return for the "subsidy"? With a wage ceiling of £40 per week and with eligibility confined to school leavers in their first year, Mr. Prior says that a £15 subsidy could cost £225m in a full year. But that is if everyone took advantage of it. The actual cost would probably be closer to £100m.
- (ii) Should Mr. Prior's job release proposal be accepted? Instead of reducing the age for JRS to 63 in November and to 60 next February, we could perhaps reduce it to 63 in November and go no further. This would mean half the cost of his proposal. Other variations are of course possible. The Chancellor should have with him alternative costings.
- (iii) What form of words should be used to indicate our thinking about new training/work experience in the longer-term? This is likely to be the crucial issue. Mr. Prior will want a strong form of words, as close as possible to paragraph 7 in the draft which he circulated (Flag B). The Chancellor (and you) will want to press for as vague a formulation as possible - without commitment to numbers off the register or finance. In return for this, you will want a firm assurance from Mr. Prior that he will look constructively again at some of the hindrances to employment such as wages councils and the Employment Protection Act.

(iv) are there any other concessions which should be made - possibly as an alternative to a strong form of words on longer-term measures and/or accepting Mr. Prior's full JRS proposal? Paragraph 9 of the draft statement includes provision for an extra £4 million for the Community Enterprise Programme. Paragraph 10 says that we will be examining the scope for creating job opportunities in the review of capital programmes.

If agreement can be reached on the package, you will then have to ask us to go away and prepare a draft passage for inclusion in your speech, which will need to be cleared - preferably in the course of Friday - with other Ministers concerned. We would also need to circulate it to other Cabinet colleagues for information.

Finally, you will need to decide how further work on all this should be pursued. The ~~main~~ main outstanding issue is likely to be how the longer-term training measures can be worked up and improved. But there are also the proposals from some spending Ministers - for example Mr. Howell and Mr. Heseltine - for employing young people on their pet schemes. This work can presumably be continued in the group chaired by Mr. Pym.

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T.P. LANKESTER

23 July 1981