CONFIDENTIAL

for E folder
MCS 11/6

cc Mr. Mount
Mr. Vereker
Mr. Smith

PRIME MINISTER

E(82)50: YOUTH TRAINING SCHEME (YTS)

1. As the Secretary of State says, the critical change in the YTS proposal is that the original plan to withdraw Supplementary Benefit from 16 year olds be delayed until after the next election. I understand from David Young that the trades union representatives on MSC insisted on this as their pound of flesh. It is, of course, not out of their professed benevolence towards the young that they insisted on continuing SB; on the contrary, what they wished to do was to reduce competition by the young for what they regard as union jobs.

2. The original argument for withdrawing SB was that since parents support their children at school until 18, it is undesirable that parents should increase family income by their children quitting school early and joining the dole. Alas SB of £15.25 a week and getting out of such disciplines as remain in our schools may be attractive to a substantial fraction of our youth; casual evidence of intereviews suggest that the feckless minority will take such advantage.

3. Obviously the perpetuation of SB for 16 year olds will continue to promote some unemployment, albeit partly of a voluntary kind. Similarly it will to some extent inhibit attempts to reduce wage costs and increase employment.

4. You may well feel that the price extracted by the TUC for the YTS, the continuation of SB, is worth paying. If you do, then it may be a good idea to ensure that the MSC (TUC) support for the YTS will extend to the Secretary of State's proposal that SB be continued only for the first year. In particular when we withdraw SB in the second year, it would be quite intolerable if the TUC, through the MSC, then withdrew their support. If legislation is required, then the date of withdrawal should be specified in the Bill.

5. It would be best if we were quite unequivocal about our opposition to indexation of the allowances. There should be no room for disagreement on this score.

6. Ferdinand Mount agrees with this approach.

11 June 1982

CONFIDENTIAL

AW

ALAN WALTERS