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Prime Minister

11 October 1982

ALAN WALTERS

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PRIME MINISTER

SECRETARY OF STATE FOR EMPLOYMENT'S PROPOSALS FOR YOUNG WORKERS SCHEME

I believe that the Secretary of State's proposals are, in the circumstances, reasonable and should be supported.

In one respect the proposals are inconsistent with the views which were accepted when the Young Workers Scheme was introduced. There it was argued that we should keep the limits at £40 (and £45) and allow the scheme to die a natural death. As nominal wages increased over time there would be fewer and fewer eligible for the YWS. The subsidy would naturally decay over time.

In particular we were adamant that it would not be indexed to the price level. It would certainly give the wrong signals to all participants if we adjusted it for retail prices.

The Secretary of State's proposal is for an increase consonant with increase of wage rates and much less than the increase in prices. In that sense it is less objectionable. It is also true that when we devised the system in July 1981, we anticipated that unemployment would begin to turn (or "top-out") some time in the autumn of this year. Now it looks likely that that date is shifted forward to some time next year, and the level of unemployment is likely to be higher than we had anticipated. These arguments, then, provide a rationalisation for moving the limits up to the levels suggested by the Secretary of State.

The extension to the employment of young people in domestic households, now suggested by the Secretary of State, was part and parcel of the original proposal. It was amended by the previous Employment Ministers to exclude employees of domestic households. (Probably they had in mind the political backwash to Alec Douglas Home's rather careless remarks about the need for domestic servants.)

I believe there is very considerable potential for expansion of employment in domestic households. It will be mainly of the form of home helps for working mothers (which are, of course, not/<sup>tax</sup>deductible). It is most unlikely that there will be any substantial expansion of

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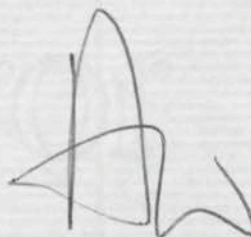
CONFIDENTIAL

- 2 -

employment in the households of the rich. This is because youth unemployment is concentrated primarily in the great conurbations and not in the diminishing number of country estates which still manage to survive. And it is most unlikely that there will be a substitution of temporarily subsidised teenagers for the old retainers.

The third element of Secretary of State's proposal is to extend the scheme to young people who complete the Youth Training Scheme. This is also a desirable move and will make a consistent package as with the old YOP programme.

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