

PRIME MINISTER

21 February 1985

MISC 107

The important part of David Young's paper is his proposal to expand the YTS. This is at the heart of the Government's "Strategy for Jobs", and Ministers have already told the press about it. We recommend that you should press for immediate agreement, so that the measure can be announced at Budget time as part of the employment package.

Removing Supplementary Benefit from Young People

Ideally, the increase in YTS places would be matched by withdrawal of SB from young people. This would induce the least energetic youngsters to take up training places, and remove them from the register.

But removing SB has serious drawbacks: many employers will strongly object to the element of quasi-compulsion. The reputation of the YTS as a serious training scheme may suffer since it may be regarded as no more than a "substitute for the dole"; and the net PSBR cost will be considerably higher because expensive training will take the place of (relatively) cheap SB.

On cost grounds, we recommend that you should opt for retaining SB for young people, as David Young suggests.

Employer Contribution to the YTS Allowance

Even if SB is kept, the expansion of YTS, as costed by MISC 107, will be very expensive. And it is by no means clear that the costs outlined by MISC 107 are a genuine maximum: they depend on highly uncertain assumptions about the choices that young people will make.

It is therefore essential to choose the scheme with the lowest possible price tag. This means pressing employers to provide 60% of the training allowance in both years. Tom King is worried that employers will refuse to accept such a burden; but we believe that many will feel bound to "play their part". And the Government can always agree to pick up more of the bill if it proves absolutely necessary. Why not begin the Government's bargaining with employers by making a hard offer?

Conclusion

We suggest that you:

- i. approve the extension of YTS to 2 years;
- ii. retain Supplementary Benefit for young people who choose not to join the scheme;
- iii. press for a 60% employer contribution to the training allowance in both the first and second years.

Oliver Letwin

OLIVER LETWIN