



Prime Minister

Content with this change?

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Plus 18/12

Yes Mr.

The Rt Hon Sir Geoffrey Howe MP QC
Chancellor of the Exchequer
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17 December 1981

D. Geoffrey

YOUNG WORKERS' SCHEME AND THE EUROPEAN COMMISSION

Under Articles 92 and 93 of the Treaty it was necessary to notify the Young Workers' Scheme to the European Commission as a state aid. My officials have had informal discussions with Commission officials and it appears very likely, but not yet absolutely certain, that the Commission will approve the Scheme, although initially for one year and subject to monitoring the Scheme closely, on the basis of quarterly statistical reports submitted by us, especially to ensure that there is no sectoral bias. We can readily agree to these points, although I ought to make it clear that the Commission officials have expressed doubts about the Scheme's compatibility with the Treaty principally on the ground that assistance to employers is not confined to the creation of new jobs, and not directly related to training. They also have fears, which we have argued are quite unjustified, that, like the Temporary Employment Subsidy, help will be unduly concentrated on textiles, clothing and footwear leading employers to replace adult with juvenile labour to an extent which would distort competition.

Commission officials were also concerned about one other point. Although payments under the Scheme do not start until 4 January 1982, young people taken on earlier would be eligible provided they were still in their first year's employment on 4 January. They have, however, accepted that as the Scheme was first announced in July it would have been difficult to rule out those taken on between the announcement and 4 January without running a serious risk that employers would delay taking on school leavers which could have



materially worsened youth unemployment in the autumn. They have however refused to accept that those taken on before 27 July should be eligible. Commission officials regard such payments as too much like an operating aid to employers rather than an encouragement to recruit young people, because employers could not have known when they took the young people that they would be eligible to the Scheme.

I am convinced that it is necessary to exclude those recruited to their present job before the Prime Minister first announced the Scheme on 27 July and Commission officials have been told we are prepared to do this. This is a relatively small change, although we had hoped that to widen the effect of the Scheme on wage levels by including such people. I am sure it is better to make the change now than to run the risk that the Commission open proceedings formally, which would be bound to delay the start of the Scheme and, even more serious, could call its basis into question. It is a small price to pay to secure approval.

It is however a change on what we had previously decided and announced, and I therefore think it necessary to announce it by an arranged Question and Answer. We have, of course, held up the issue of the Scheme's publicity leaflet while an amendment was prepared and, although this is now ready for issue, we cannot distribute it until we have formally announced the change. There is great demand for the leaflet and the present hiatus is becoming increasingly embarrassing. In any case, details of our difficulty with Brussels have already been mentioned in the press.

I propose to say simply that I have now decided, in the light of consultations with the European Commission that the Scheme will apply only to young people recruited after the Prime Minister first announced the Scheme on 27 July. I understand that Foreign and Commonwealth Office officials would prefer not to mention the European Commission. My intention is not to criticise the Commission for their views, but I cannot at this late stage justify the change simply in terms of the purposes of the Scheme, as the decision to allow those recruited before 27 July flowed from the Scheme's primary purpose - to hold down juvenile wages.

I will ensure that in presenting the change we do not give the impression that there has been, or is, a serious issue with the Commission over the matter. but to ignore the fact that this has arisen from our notification to the Commission could lead to criticism of the Government and the Commission's role might well come out from Brussels anyway.

I hope therefore that you will feel able to accept my proposal. We must announce the change very shortly and so I hope you and other recipients will let me know if you have any objections to it by tomorrow evening. I am sorry for the short notice.

I have told
Mr Tebbitt
Office that
Monday will
have to do.

MCS 18/12



There is a practical problem in that a small number of cases relating to people taken on before 27 July have already been approved. My officials are in touch with yours about the possibility of paying in these cases.

I am copying this letter to the Prime Minister, the Foreign Secretary, the Lord President, the Chancellor of the Duchy of Lancaster, the Secretary of State for Northern Ireland and Sir Robert Armstrong.

J. Norman