

PREM 19/293

Special Employment Measures.

Youth Unemployment.

CPRS Report on Education, Training and Industrial Performance. Industrial training. Long-term unemployed and the young.

Part 1

MANPOWER

Part 1

January 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PREM 19/293

● PART _____ 1 _____ ends:-

TL to HMT _____ 15.10.80

PART _____ 2 _____ begins:-

CSD to Emp _____ 21.10.80

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard
Columns 1755-1766

14/02/80

Employment Schemes

Outlook on Training
Review of the Employment and Training Act, 1973

Manpower Services Commission

1980

Education, Training and Industrial Performance
Report by the Central Policy Review Staff

HMSO

1980

Signed AWayland Date 10 June 2010

PREM Records Team



to JS
Kempner

10 DOWNING STREET

From the Private Secretary

15 October 1980

Dear Terry,

SPECIAL EMPLOYMENT MEASURES

1. We had an inconclusive discussion on the above subject in E today. I detect an intellectual and presentational problem. Can you help?

2. If it is right to spend some extra money on employment measures, why not spend more? The argument against spending extra money is that this adds to the PSBR, which increases interest rates - which reduces jobs in the private sector. But if we are deciding to spend more, we presumably think that the positive effect exceeds the negative (i.e. interest rate) effect. If this is true for fx million, why isn't it true for $\text{f}2\text{x}$ million?

3. Possible answers:

(a) the effects may not be proportional - i.e. $\text{f}2\text{x}$ million may have more than twice the effect on interest rates as fx million;

(b) "substitution" effects increase disproportionately: i.e. more and more jobs 'created' are substitutes for jobs that would have been there anyway;

(c) we don't want - for anti-inflation reasons - to get unemployment down further.

Alternatively

(d) the effect of fx million on unemployment nationally may be negative, but it improves the regional distribution of employment.

4. Whatever the correct answer, not easy to explain.

I am sending copies of this letter to John Pattison and John Wiggins (HM Treasury) and to Andrew Duguid here at No. 10.

[Handwritten signature]

T. Burns, Esq.,
HM Treasury.

[Handwritten mark]

PRIME MINISTERINDUSTRIAL TRAINING: E COMMITTEE, WEDNESDAY, 15 OCTOBER
*Handwritten: (in brief + backup)*1. PRIORITIES
Handwritten: Original returned to J. Hoskyns

1.1 The inadequacies of our training 'system' lie close to the heart of our poor economic performance since the War. We agree with the first three of the CPRS recommendations in E(80)117 - particularly the priorities for spending in paragraph 8.

2. FLEXIBILITY

2.1 CPRS are right to say (paragraph 12) that our changes will not help much unless unions and employers become more flexible. Everything hinges on removing union-imposed rigidities. But we do not believe that a public campaign can make enough difference. CPRS say that "confrontation may be counter-productive". But do the alternatives, raised in our section 2.5 below, really amount to "confrontation"?

2.2 Jim Prior suggests (paragraph 3 of E(80)111) that "two of the fundamental weaknesses of the present system - restrictions on apprenticeship and the high wage costs of apprentices and other trainees - are ultimately matters to be remedied in industry through collective bargaining". He goes on to admit that the Government must "give a lead" in improving these matters. But successive Governments have said this and achieved very little.

2.3 In the brief discussion of the proper role of trade unions (page 12 of the officials' report) the following quotation appears:

"The Government's approach will depend on its approach to restrictive labour practices generally, which is under consideration elsewhere. Direct legislation, eg to outlaw age restrictions on training opportunities, would bear on the employer in the first instance, would involve considerable complexities, eg to allow legitimate restrictions, and might well be evaded in practice. . . . The Government's basic role is, as in collective bargaining generally, to maintain an economic climate which encourages employers to take the initiative, and puts pressure on unions to respond constructively."

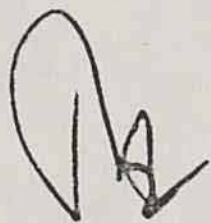
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- 2.4 It goes on to say that the TUC have a realistic stance on many training issues, but have failed to make much impact on individual unions and still less on local officials and members.
- 2.5 With so many years of failure in changing the outdated, union-imposed rules on apprenticeships, we should either:
- (a) Think seriously about outlawing restrictions. (This begins to make more sense if unions' immunities are removed. Perhaps where unions insist on trying to block - on grounds of sex or age - the progress of individuals who want to acquire skills, they could seek a legal remedy.) We would not tolerate collusion by companies to exclude certain age groups or to fix prices. Why should unions be able to do this? Or:
 - (b) At least consider striking a bargain with the unions in which they relax these rules in return for continued spending on training - or in return for the continuation of ITBs, or some other union-favoured objective.

3. PROMOTING SKILLED WORKERS

- 3.1 It is not immediately clear what it is proposed to do about the problem - identified on page 5 of the official report - of the lack of opportunities for skilled workers to train for promotion to managerial positions. This is of much wider importance for good industrial relations; there are many obstructive shop stewards who should become managers. Of course there are powerful cultural obstacles, but we should be working hard at overcoming these. We suggest this problem should be given further concentrated thought - preferably by CPRS who have done a good deal of work already in this crucially important area.

I am copying this to Geoffrey Howe, Jim Prior, Robin Ibbs and Sir Robert Armstrong.



JOHN HOSKYNS

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Ref. A03221

PRIME MINISTER

Industrial Training
(E(80) 111 and E(80) 117)

BACKGROUND

In E(80) 111 the Secretary of State for Employment puts forward an interim report and invites the Committee to endorse his broad approach. He will then report further in November with firm proposals which will take account of the Committee's discussion and of the outcome of the consultations, still in progress, on the Manpower Services Commission's report in August on the Employment and Training Act 1973 (the RETA Report).

2. In E(80) 117 the CPRS agree in general with the proposals in E(80) 111 but raise some further questions.

3. The Secretary of State's proposals do not call for additional public expenditure. Present plans already assume that the Department of Employment will save £40 million a year by withdrawing funding of the operating costs of the Industrial Training Boards. Other training measures will be accommodated within their present programme, apart from the increases in the Youth Opportunities Programme and the Unified Vocational Preparation programme which are discussed in the paper on special employment measures, E(80) 110.

4. The Secretary of State wishes to announce his proposals in the Debate on the Address. Once they have been approved he can get ahead with his training Bill which will have to be enacted by next spring if the full savings on ITB costs are to be realised in 1981-82. He will also issue a further consultative document setting out the Government's views on the development of industrial training.

5. His broad approach is summarised in paragraph 3 of his paper. He argues that it is primarily for the employers to finance and provide industrial training and to remedy the present deficiencies in the apprentice system. He sees however a continuing role for Government in helping to secure improvements,

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and in spending some money to that end. Much of the discussion centres on the role of the ITBs - this is summarised in section (vi) on pages 7 and 8 of the report by officials annexed to E(80) 111, and in paragraph 3 of E(80) 117.

6. The report by officials discusses four approaches:-

- (i) to strengthen the MSC and the ITBs, as recommended in the RETA report;
- (ii) to abolish the ITBs and confine public expenditure to vocational education and training for the disadvantaged. The Secretary of State and the CPRS (their paragraph 7) both reject this as excessively disruptive in the short term.
- (iii) To abolish the ITBs but to maintain public expenditure at planned levels. Rejected as inviting pressure for additional public expenditure to make up for the ITBs.
- (iv) To keep a few ITBs and to maintain other public expenditure on training. This is the course which the Secretary of State recommends and which the CPRS endorse subject to a reservation, in their paragraph 6, on the method of imposing sanctions on ITBs which do not co-operate in implementing training policies.

HANDLING

7. After the Secretary of State for Employment has introduced his paper the Chancellor of the Exchequer and the Secretaries of State for Industry, Trade, Education, Scotland and Wales and Mr. Ibbs will each wish to comment.

8. In discussion you will wish to establish whether the Committee accepts the broad objectives proposed by the Secretary of State for Employment, and whether they agree to the adoption of the fourth option in the report by officials.

9. In looking at the options you will wish to consider in particular the question of sanctions on those ITBs which fail to contribute to national training objectives. The Secretary of State for Employment proposes that the Government should withhold approval of levy proposals by any such ITBs. The CPRS suggest, in their paragraph 6, that it would be more effective for the MSC or the Department to take over the levy raising power in the event of non-co-operation.



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10. You will then wish to turn to the three other proposals in the CPRS's paper, namely:-

- (i) that priority should be given to public expenditure on the training targets summarised in their paragraph 8.
- (ii) That officials should examine ways of improving information on local labour market opportunities and on the updating of skills - their paragraphs 10 and 11.
- (iii) That there should be a public campaign on the need for more flexibility in training and in particular on the apprenticeship arrangements.

CONCLUSIONS

11. In the light of the discussion you will wish to record conclusions:-
 1. On the general approach recommended by the Secretary of State for Employment in E(80) 111 and in particular whether the fourth option should be adopted and how any system of sanctions on ITBs should operate.
 2. On the three further proposals by the CPRS summarised in paragraph 13 (ii)-(iv) of E(80) 117.
 3. Inviting the Secretary of State for Employment to report further in November with firm proposals.

REA

(Robert Armstrong)

13th October, 1980

Manpower

Ref: A03213

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PRIME MINISTER

Special Employment Measures
(E(80) 110 and E(80) 116)

BACKGROUND

In E(80) 110 the Secretary of State for Employment proposes substantial additional public expenditure on employment measures. His aim is to enable sixteen and seventeen year olds and long-term adult unemployed to acquire and preserve skills during the recession which they can later use when employment picks up.

2. The greater part of the additional expenditure is necessary if existing measures are to be continued through to 1983-84 and if, with rising unemployment, they are to cater for more people than assumed hitherto. There are also a number of proposals for improvements. In summary the additional public expenditure proposed is:-

	£ million 1980 prices		
	1981-82	1982-83	1983-84
Continuing	218	260	244
Improving	92	150	133
Total additional	310	410	377

A considerable number of additional staff, mainly in the Department of Employment group, will be required to deal with these programmes (paragraphs 17 and 18).

3. The Secretary of State argues that the net PSBR costs might be half these gross amounts if allowance is made for the consequences of taking people off the unemployment register. Treasury Ministers are likely to point out however that this expenditure could well be at the expense of other job creating programmes; and that, in any event, the proposals must be considered on the basis of their gross costs as are all other public expenditure programmes.

4. You will wish to postpone a final decision on these proposals until they can be considered in the context of the Cabinet's discussion, beginning on 30th October, of the public expenditure programme as a whole. It is clear

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however that unless other programmes are to be cut back substantially there are formidable difficulties in accommodating additional bids of this order within the ceiling agreed by Cabinet in July. The Chief Secretary in his letter of 7th October has therefore asked the Secretary of State for Employment to look at the possibilities for reducing the costs of his proposals - mainly by foregoing improvements - and for finding offsetting savings from elsewhere within his programmes.

5. The CPRS in E(80) 116 take a similar line and suggest that proposals should be ranked according to priority with, in their view, measures to help the young unemployed at the top of the list.

6. The costs of the seven measures under discussion are listed in Table I annexed to E(80) 110. The details of some of the smaller items are described in the Annex to the paper. In summary the proposals are as follows:

The Young Unemployed

7. A good deal of the additional expenditure will be required to maintain existing undertakings under the Youth Opportunities Programme (YOP) and to provide for 400,000 places rather than the 250,000 previously assumed. The Secretary of State further proposes (his paragraph 6) that YOP should be improved by:-

- (i) Guaranteeing places to school leavers by Christmas, rather than Easter as now, following the academic year in which they leave, and to all other 16-17 year olds unemployed for more than three months, rather than 12 months as now.
- (ii) Increasing the weekly allowance from £23.50 to £25 in order to maintain a differential over supplementary benefit.

The Chief Secretary questions the need for both these improvements.

8. Grants to finance 200 further posts in the LEA Careers Service would be necessary to deal with the expanded YOP (paragraph 7 of the Annex).

9. It is proposed that 1,000 additional places should be made available under the Community Industry Scheme, which is similar in objectives to YOP though under a separate organisation (paragraph 8 of the Annex). The Chief Secretary questions the case for this at a time when the scheme is under review.

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10. The programme of Unified Vocational Preparation (UVP) for employed young people in jobs without systematic training or further education should be continued into the two years following 1981-82 and expanded (paragraph 8).

11. There would be a public undertaking - though no specific provision at this stage - to further improve the YOP (paragraph 7) and to extend the coverage of UVP (paragraph 8). The CPRS advise against giving such commitments until further work has been done on the strategy for financial support for 16-18 year olds. (An official group will be putting a report on this to H Committee in November.)

The Adult Unemployed

12. The Secretary of State proposes (paragraphs 10 and 11) to replace the regionally based Special Temporary Employment Programme by a new nationwide Community Enterprise Programme (CEP). The aim would be to increase the present 10,000 places to 25,000 and to provide work for the long-term unemployed on environmental projects. The Chief Secretary questions whether the scheme should not remain limited to development areas.

13. The Secretary of State proposes (paragraph 12) to continue the Job Release Scheme (JRS) through the PES period. In 1981-82 only it would be available to men aged 62 and 63 as well as 64. The Chief Secretary points out that, if it proved impossible to hold this reduction to one year only, there could be additional costs of £40 million in 1982-83 and £100 million in 1983-84.

14. Finally the Secretary of State proposes to continue the Temporary Short-time Working Compensation Scheme (TSTWCS) which helps firms avoid redundancies by giving support for up to six months. The Chief Secretary proposes savings on this scheme by reducing support from 75 per cent of normal pay to 50 per cent.

HANDLING

15. After the Secretary of State for Employment has introduced his paper, you might ask the Chancellor of the Exchequer to set the proposals in the context of the overall public expenditure position as he now sees it. You might yourself point out that the Committee faces a dilemma. The proposals are politically and socially attractive, and to a considerable extent the additional expenditure seems necessary to meet present commitments. It seems highly unlikely, however, that

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they can be accommodated in full unless other Ministers are prepared to see further cuts in their programmes - some of which might also have implications for employment. It will be for the Cabinet to take the final decisions on the proposals in the context of the public expenditure discussions. In the meantime, until the Chief Secretary is ready to come forward with his proposals, it is not clear how much can be accommodated. In looking at the proposals the Committee should therefore consider how they might be ranked in terms of priorities and what might be the scope for cutting down the costs of some of them.

16. The Secretaries of State for Industry, the Environment, Scotland and Wales all have a strong interest. The proposals do not apply to Northern Ireland but the Secretary of State for Northern Ireland will want to consider comparable measures (by convention he would expect provision of 2.75 per cent of anything extra agreed for Great Britain). The Lord President may wish to comment on the additional staff requirements and the implications of that for Civil Service manpower cuts which the Cabinet will discuss on 23rd October. The Secretary of State for Social Services has an interest in some of the details of the proposals.

17. In discussion you will wish to cover the main measures proposed, and summarised above, with a view to identifying priorities and options:-

The main questions are -

- (i) Given the cost of maintaining existing undertakings under the YOP, should these be improved and should the weekly allowance be increased?
- (ii) Should the places under the Community Industry Programme be increased by 1,000?
- (iii) Should the regional STEP be replaced by a new nationwide Community Enterprise Programme?
- (iv) Should the Job Release Scheme be continued and, if so, should the age limit be reduced in 1981-82, with the risk it could not be increased in later years?
- (v) Should the Temporary Short-time Working Compensation Scheme be continued and, if so, cannot some of the costs be saved by reducing payments?

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- (vi) If only some new improvements were possible how should they be ranked? - the CPRS propose YOP; CEP and JRS; and TSTWCS last.
- (vii) Should the longer-term commitments on YOP and UVP be deferred pending further work?

CONCLUSION

18. The Committee is not being invited to take final decisions on these proposals but, in the light of the discussion, you will wish to give the Secretary of State for Employment a broad provisional view on the acceptability of his proposals and to invite him to re-examine them in the light of the discussion so that he can advise the Chief Secretary on the possibilities and options for reductions and his ranking of the priorities.

19. You will wish to invite the Chief Secretary to take account of the Committee's discussion, and the Secretary of State's further consideration of the proposals, in putting forward his public expenditure proposals for discussion by Cabinet on 30th October.



(Robert Armstrong)

13th October 1980

cc Ind Support, Ind Pol, Aug 80,
Ind Training, May 80,
June 80

cc A. Duguid

CONFIDENTIAL



From the Secretary of State

Tim Lankester Esq
Private Secretary
10 Downing Street
Whitehall
SW1

13 October 1980

Dear Tim

E COMMITTEE - WEDNESDAY 15 OCTOBER

You are aware that my Secretary of State is currently on an official visit overseas and will not be present at the meeting of E Committee on Wednesday. Before departing he asked me to pass on the following comments on the three papers for discussion.

SPECIAL EMPLOYMENT MEASURES AND INDUSTRIAL TRAINING

My Secretary of State endorses the approach in E(80)111 on Industrial Training, especially as it cuts out some of the bureaucracy of the existing Training Boards. He particularly is in favour of more vocational training, but he feels this must mean a widening of training in genuine skills - i.e. apprenticeships - and not job release to study sociology for two days a week at the local technical college.

On the paper E(80)110, Special Employment Measures, my Secretary of State accepts that some measures may be politically and socially necessary, but he is concerned that Mr Prior's proposals to mop up youth unemployment require finance on a scale out of all proportion to those contained in the paper on Industrial Support. The proposals will inhibit the creation of real jobs by adding large sums to public expenditure - money which will once more have to come out of the pockets of growing firms and which will therefore create the unemployment of tomorrow.

INDUSTRIAL SUPPORT

My Secretary of State has noted that amongst the seed-corn measures which the Chancellor has described would be an improvement in our export arrangements and assistance towards development contracts for new products or processes which might strengthen a firm's capacity to gain overseas contracts.



Already the objectives of this Department and the Department of Industry coincide, as growth in exports will obviously bring considerable benefits and much needed relief to British industry during the recession. The industrialists of the British Overseas Trade Board effectively decide on the Secretary of State's behalf on the allocation of his overall export promotion budget. Moreover, organisational changes have been made to cement the link between the two Departments through the new Projects and Export Policy Division which reports to both Secretaries of State. The new EX Committee which has been created is a further practical step - with no direct financial cost - towards making sure that the needs of exporting industry are given due prominence.

The machinery in EX, BOTB and PEP must ensure that export considerations are fully reflected in decisions on using this new industrial support money.

In addition to export promotion my Secretary of State wonders whether sufficient help is being given towards import substitution; he therefore welcomes the scope provided within the other seed-corn measures for protecting the future competitiveness of new firms. In our efforts to help our companies sell their goods overseas, we should not overlook the need for them to sell their goods at home against foreign competition.

I am copying this letter to the Private Secretaries to other members of E Committee, to Godfrey Robson (Scottish Office), Martin Rolph (Welsh Office), Michael Hopkins (Northern Ireland Office), Don Brereton (Health and Social Security) and Peter Shaw (Education and Science) and to David Wright (Cabinet Office).

Yours sincerely,

Stuart Hampson

S HAMPSON
Private Secretary

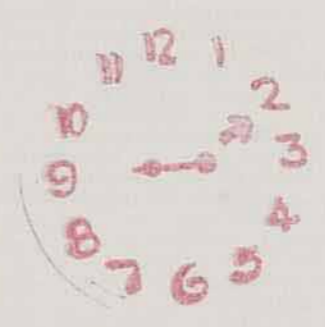


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14 OCT 1980



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jm

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Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6620
Switchboard 01-213 3000

Parliamentary Under Secretary
of State

Tim Lankester Esq
Private Secretary
10 Downing Street
Whitehall
LONDON SW1

MT

Prime Minister

The point about the
suggestion at x is that

13 October 1980

the money would not be
sufficient to provide the
necessary jobs, and we would
still be left paying out
unemployment benefit.

Dear Mr Lankester

You will recall that Mr Lester met a delegation
from Sheffield City Council in Brighton last
Friday. Mr Lester undertook to pass on to the
Prime Minister the points made during the meeting
...and I am attaching a note of the meeting for that
purpose

R

Yours sincerely

17/10

K C G White

K C G WHITE
Private Secretary

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NOTE FOR THE RECORD OF A MEETING BETWEEN JIM LESTER MP AND A DELEGATION FROM SHEFFIELD CITY COUNCIL HELD IN THE GRAND HOTEL BRIGHTON ON 10 OCTOBER

Those Present:

Jim Lester MP

Councillor Michie (Sheffield City Council)

Council Bower (Sheffield City Council)

Ten Unemployed Sheffield Youngsters

Mr Cottingham DE

Mr White DE

1 Mr Lester explained that the Prime Minister had asked him to see the delegation and that he was glad to do so. He invited Councillors Michie and Bower to put their case. Councillors Michie and Bower said that they had been prompted to bring a delegation to Brighton because of the seriousness of the unemployment position in Sheffield generally and particularly for school leavers. They said that about half of the 16-18 year old age groups in Sheffield (almost 5,500 people) was currently unemployed. On the date that this count was made there were 37 vacancies at Careers offices in the city.

2 Generally the meeting was not very productive. The Councillors had brought with them into the meeting ten unemployed youngsters from Sheffield and repeatedly asked Mr Lester what he could do for them. They were essentially, or so it seemed, seeking to make political capital out of that fact that Mr Lester could not tell them when they were going to get jobs. Much of the meeting was, therefore, given over to general and inconclusive argument about the Government's economic and financial policies and the effect this was having on the United Kingdom's manufacturing base - generally and in Sheffield in particular. The Councillors did, however, make two points which may require following up:-

X

1 They repeatedly returned to a suggestion they had made in writing to the Secretary of State in July and to which they had only received what they called "an acknowledgement" from Lord Gowrie. This suggestion was that the Government should pay to the City Council the money which was currently being paid as unemployment benefit to young people in Sheffield. The Council would use this to provide real jobs for them (such as environmental improvement and support for the social services). They argued that this would be a much more efficient use of that money and would be very much better for the youngsters concerned than either being on the unemployment register or taking part in Youth Opportunities Programmes. They could not see what stood in the way of this suggestion. We had not had prior warning that they intended to raise this question. Mr Lester explained that under its special programmes (which were currently under review) the MSC was in effect providing such a service. The Councillors argued however that the YOP programme did not provide real jobs as their scheme would and that with the lower placement rate it simply deferred the moment when the youngster would be on the unemployment register. Mr Lester said that he would look into the correspondence and see if there was anything that could be done;

2 There was some discussion about the placement rate from the work experience element of YOP. The Councillors said that the current rate was about 30% whereas they agreed that it had been up to 70%. They said they would write to Mr Lester with details of this.

3 In conclusion, Mr Lester thanked them for putting their case to him and said that he would look into the scheme they had outlined for use of unemployment benefits in the City and that he would, of course, pass on the points they had made at the meeting to the Prime Minister.

cc

Mr Dykes
 Mr Fraser
 Mr Waring
 Mr Wye
 Mr Derx Mr Bower
 Mr Brand Mrs Andrews
 Mr Hodgkins Mr Lankester No 10
 Mr West

K C G WHITE
 October 1980



010
at the Director

Treasury Chambers, Parliament Street, SW1P 3AG

ARMY

Rt Hon James Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1

R

7 October 1980

sh

Dear Jim,

SPECIAL EMPLOYMENT MEASURES

Following our meeting on 1 October I have been thinking further about the package of special employment measures which you will be putting forward for discussion at E Committee on 15 October.

At our meeting I referred to the great difficulties which Cabinet will face in securing sufficient savings to hold to the Command 7841 totals, revalued and adjusted for the EC contribution, to which we agreed in July. The situation in the nationalised industries has deteriorated and there are additional expenditure commitments arising from the changing economic prospects. I have no doubt that there will be support for a substantial package on the lines you have in mind, but it will be useful to consider in E Committee what scope there might be for modifying your employment package and reducing expenditure on other activities within your programmes in the event that Cabinet finds itself unable to find sufficiently large cuts elsewhere to accommodate the whole of it.

This is a matter for you, but the sort of thing that we should question is the desirability of increasing the geographical spread and duration of certain of the existing measures at a time when even maintaining our existing programme is becoming rapidly more expensive in real terms because of the recession. By way of illustration:-

- (i) Youth Opportunity Programme (YOP): Need we make published undertakings for this programme more onerous? This seems of limited political value and potentially expensive. Sticking to the existing guarantees would cut the cost of expansion by £15 million in each year; holding the allowances at their present level until November 1981 would save £10 million in each year; and would still give a lead of more than £8 over supplementary benefit. The size of increase in this programme which you are considering raises the question whether it is realistic. Do we not risk a return to the situation which we attacked when we took over the government of a very "fat" MSC?

Officials are already looking at the whole question of financial support for 16 - 18 year olds. One option which we must consider is the replacement of supplementary benefit and unemployment benefit by child benefit for this age group. This would allow further savings on the rate of allowances.

- (ii) Community Industry: Is it wise to expand this scheme so much while it is under review and there are problems of financial control? Surely we should implement the Rayner recommendation to change from payment of wages to allowances.
- (iii) Special Temporary Employment Programme (STEP): It is debatable whether STEP should be expanded to cover the whole country rather than being limited to development areas as at present.
- (iv) Job Release Scheme (JRS): This is an attractive way of reducing the register of unemployed, but has a high cost. If it proves impossible to hold the line at reducing JRS from 64 years to 62 years for one year only, the cost would increase substantially. The extra cost of keeping the limit at 62 until 1984 would be perhaps £40 million in 1982-83 and £100 million in 1983-84.

In addition, what about the level of allowances for Temporary Short Time Working Scheme (TSTWS)? A reduction in the rate of support from 75 per cent of normal pay to 50 per cent, which would still leave a man on a three-day week with 80 per cent of normal weekly pay, would save, say, £25 million in 1981-82, £27 million in 1982-83 and £16 million in 1983-84.

In July, I asked for offsetting savings from your programme of £45 million in 1981-82 and £55 million in later years. The massive increase in the Special Employment Measures you now propose makes it even more important to find savings from the rest of your programmes. At our meeting you mentioned the possibility of cutting the level of TOPS allowances. (An increase of, for example, only 6.5 per cent this year would save perhaps £6 million a year). Other possibilities might be to cut the MSC's Jobcentre programme, to abandon the plan to install a sophisticated computer system (CAPITAL) for matching job seekers and vacancies in London (saving perhaps £4 million in 1981-82, £7 million in 1982-83 and £6 million in 1983-84); to reduce the support for training in the commercial sector, and to make staff savings throughout the DE group.

At E we will also, I understand, be considering your paper on training. We have already taken credit for the savings from transferring the operating costs of the Industrial Training Boards (ITB) from the MSC to Industry. I assume that this report will also cover the possibility of expanding unified vocational preparation (UVP). I am prepared to see UVP go ahead in 1981-82, provided that the PES cover can be found within the totals agreed in this Survey. But it would be preferable to look at any expansion of the provision in later years during the next Survey; so the announcement of the 1981-82 programme should not make commitments for later years.

I am sending copies of this letter to members of E Committee, Patrick Jenkin, George Younger, Nicholas Edwards, Mark Carlisle, Sir Robert Armstrong and Robin Ibbs.

John Biffen

10861 130 8 -
8 OCT 1980



Jim

Are there any
other pps?

if not PA?

J-

CF?

Yes. There is a

report (with Am.)

not put to pm.

15.18 DER

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THE PRIME MINISTER
10 DOWNING STREET
LONDON
SW1

Passed to CAW,
Brighton. TPL suggests
Jim Lester see the
deputation . 8.10.80

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NO 10

FILE

A DEPUTATION FROM THE CITY COUNCIL WILL TRAVEL TO BRIGHTON DURING THE NIGHT OF THURSDAY NEXT AND THE COUNCIL WOULD BE GRATEFUL IF YOU OR ONE OF YOUR MINISTERS WOULD AGREE TO MEET THE DEPUTATION DURING THE LUNCH PERIOD ON FRIDAY 10 OCTOBER TO HEAR THEIR REPRESENTATIONS ON THE PRESENT ECONOMIC SITUATION AND THE UNEMPLOYMENT PROBLEM IN THE CITY.

THE CHIEF EXECUTIVE
SHEFFIELD CITY COUNCIL

(RL)

27582 CABOFF G

54243 SHFLIB G

~~total~~ *sample to*

RL

9/10

Mr. K.C.H. White (D. of Emp)
informed of PM's wish
that Jim Lester should
handle meeting.

9.10.80

(PP T.L.)

Maupont

cc 80



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Jim Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Square
London SW1

22 September 1980

Dear Jim,

R
28/9

INDUSTRIAL TRAINING

In the Chancellor's absence abroad, I am writing to comment on the suggestion arising out of the correspondence relating to industrial training that we should agree to the proposal of the MSC review body to put the Scottish and Welsh Committees of the MSC onto a statutory basis and provide for appointments by the respective Secretaries of State.

I, like Paul Channon, have reservations about this proposal. I would question whether it is necessary or desirable for the Committees to be statutory in order to perform their present advisory role. As they advise the MSC it seems appropriate that they should be appointed by the MSC, although no doubt the Secretaries of State for Scotland and Wales should be consulted.

If no effective change of role for the Committees is envisaged it seems unnecessary to introduce clauses which seem likely to inspire amendments from those who would like to see separate Scottish and Welsh MSCs. The blocking of such amendments would be very controversial. The proposal would place the Committees within the Pliatzky definition of non-departmental bodies, and I see great objections to the creation of two new such bodies.

I would therefore support Paul's suggestion that officials should re-examine this proposal before the time comes to take final decisions on the content of the Bill, and that in the meantime we should avoid committing ourselves to this change.

I am sending copies of this letter to the Prime Minister, members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, Wales and Education and Science, and to Sir Robert Armstrong and Mr J R Ibbs.

Yours
John Biffen

JOHN BIFFEN



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

Rt Hon Michael Heseltine MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON SW1

15 September 1980

Michael Heseltine

MSM

12

149

Thank you for your letter of 14 August recalling the discussion in Cabinet on 3 July of additional training and employment schemes for the young unemployed, and suggesting a new initiative to give trainees in the construction industry a basic knowledge of vocationally-related skills below full craftsmen level. In particular you felt that such a scheme would help overcome the recurrent problem of skill shortages in the construction industry, and give the industry a lead in taking a more flexible view of its training arrangements.

Although on the face of it your suggestion is attractive I am afraid there are a number of difficulties that would restrict the extent to which the Manpower Services Commission could become involved.

As you point out, generally speaking industrial relations problems do not loom large in the construction industry but I understand from the MSC that there are fears of real trouble if a scheme of this sort were attempted without the fullest possible consultation with all sides of industry. This problem came to light when consideration was previously given to multi-skilled training in building crafts. Informal soundings of some of the joint industry bodies and the employers federations suggest there would still be no chance of trade union agreement.

A much lesser problem arises from the fact that skill shortages in construction industry are not always attributable to failures in training and so it is arguable whether this sort of scheme would significantly help. Skill shortages can arise when workers leave the industry altogether or use their skills in other fields because of the fluctuating workload of the industry or the often unfavourable working conditions. A multi-skilled man would be even better placed to make use of outlets such as self-employment or "moonlighting".



These problems apart I accept that there may be scope here for an extension of training supported by the MSC, mainly under the Youth Opportunities Programme, although if it is to be cost effective some consideration will need to be given in planning the courses to employment prospects in the localities concerned. As you will appreciate it is not fair to young people or to the tax payer if training is provided unless there is a reasonable expectation of a job, or possibly further training, being available afterwards. Newly acquired skills are quickly forgotten if not put to use.

Under the Youth Opportunities Programme, the MSC already makes substantial use of spare training capacity within industry to provide opportunities for unemployed young people. Within the construction industry for example, some use is made of such facilities to run general construction courses, usually about 13 weeks in length, which have proved successful in preparing trainees for employment as operators. I understand that the MSC are currently reviewing the scope for further development in the use of any spare capacity which may become available in a variety of industries in different parts of the country.

It is envisaged that any opportunities created would be based on a realistic appraisal of the local labour market and should provide basic or pre-apprenticeship training offering a real prospect of progression to further training, or a range of available jobs. The aim would not however be to offer training in job-specific or firm-specific apprenticeships or craft level training.

Separately from this I understand the CITB would be pleased to fit some additional people, fully funded by MSC, into the 12 week courses for general construction operations at their national training centres. If the schemes are successful and there is a definite commitment by MSC to this form of training for perhaps two or three years, the CITB would be prepared to plan for further courses.

As you know, I am presently considering with colleagues in this Department and the MSC what more can be done to help the unemployed, and especially the young unemployed. A major factor in our thinking is the success of the present YOP, but this can be developed in a number of ways especially through improving the quality of courses and training. I have drawn your suggestions to the attention of the MSC for inclusion in their deliberations, and I am assured that any offers of spare training capacity made by either CITB training centres or private employers will be looked at sympathetically in the light of these considerations.

I am copying this to Wyn Roberts who also wrote to me commending your proposals, to other members of the Cabinet, and to Sir Robert Armstrong.

1166 SEP 1980

11 12 1 2 3 4 5 6 7 8 9 10

Manpower



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

11 September 1980

Deo Richard.

I have seen a copy of your letter of ~~14~~ August to Jim Prior about the possibility of using spare capacity in private training facilities in the construction industry to provide training opportunities for unemployed young people. This seems to me an admirable idea in principle both as a means of helping some unemployed young people directly and more generally as a small but significant opening up of opportunities for this kind of training in an industry which appears to be dominated still by a rigid apprenticeship system.

I am copying this to members of the Cabinet and Sir Robert Armstrong.

Yours ever

Mark

MARK CARLISLE

11 SEP 1980





Minister of State

The Rt Hon Jim Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

10 September 1980

Dear Jim,

INDUSTRIAL TRAINING

I have seen a copy of your letter of 30 July to Geoffrey Howe in which you sought approval to the drafting of legislation on a contingency basis pending firm decisions on the review of the ITB system. I have also seen Nicholas Edwards' letter of 12 August, welcoming the proposal in item 10 of Annex B which would place the Scottish and Welsh Committees of the MSC on a statutory basis and provide for appointments by the Secretary of State rather than MSC.

Although I take Nicholas Edwards' point about the Select Committee, I wonder whether this proposal is altogether desirable. It is, after all, not clearly necessary for the Committees to be statutory in order to perform their present advisory role. To place them on a statutory footing would be to create two new 'quangos' and reduce our room for manoeuvre in future. All this runs counter to our general policy on 'quangos' and you will recall that, at Cabinet on 7 August the Prime Minister referred to the whole question of new non-departmental bodies. I understand that the provision was originally drafted in 1977 in the context of devolution, and it seems to me that we need to look at it afresh in the light of current policies. I therefore hope that you, George Younger and Nicholas Edwards will agree that our officials should re-examine this proposal before the time comes to take final decisions on the content of the Bill, and that in the meantime we should avoid committing ourselves to this change.

I am copying this letter to the Prime Minister, other members of E Committee, The Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, Wales and Education and Science, and to Sir Robert Armstrong and Mr J R Ibbs.

PAUL CHANNON

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 7448 (Linell Union)

Oddi wrth yr Is-Ysgrifennydd Seneddol



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)
01-233 7448 (Direct Line)

From The Parliamentary Under-Secretary

28 August 1930

VMS

Dear Jim,

CONSTRUCTION INDUSTRY TRAINING: THE YOUNG UNEMPLOYED

In Nicholas Edwards' absence I have seen a copy of Michael Heseltine's letter of 14 August to you in which he advocates the development of training courses, for the unemployed, designed to give trainees a basic knowledge of general construction skills. There is here an idea worth pursuing. Could it be followed up as part of the efforts the MSC now have in hand to upgrade the provision they make under the Youth Opportunities Programme?

I was particularly interested in the proposal to try out such a scheme at a private training centre run by the Brick Development Association at Kirkby. It might be sensible to think of having more than one pilot project. If so, there is capacity at the Wimpey Training School at Cardiff. The MSC has well established links with this centre having used it already for short courses under the YOP.

I am sending copies to those who received the 14 August letter.

Yours sincerely

Wyn

WYN ROBERTS

Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NA



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11/16/1980

11/16/1980

PRIME MINISTER

A Leicestershire manufacturer wrote to you earlier in the month about press reports of a possible Government scheme to encourage the creation of job vacancies for unemployed youngsters. The proposal was that if an employer took on a school leaver who had no other job prospect, the employer might receive from Government the equivalent of the employment benefit which would otherwise have gone to the school leaver. Your correspondent felt that a clear Government statement was required to end uncertainty, as employers might hold back from taking on further youngsters pending clarification.

Here is Mr. Prior's response to your enquiry about the time scale of considering this and other ideas.




26 August 1980



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

M Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

21 August 1980

Don Mills

On 11 August you sent me a copy of the Prime Minister's letter to Mr John Brabbs about the possibility of paying employers who recruit unemployed young people an amount equivalent to the social security benefits which would have to be paid if the young people remained unemployed.

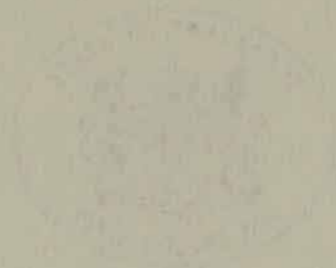
In your letter you asked whether employers might exploit such a scheme by recruiting only young people who qualified for the subsidy. The one piece of experience we have might suggest that the effectiveness of the scheme would be reduced in a rather different way. The effect of Mr Brabb's proposed payments would be similar to that of the Youth Employment Subsidy which the last Government introduced but discontinued in favour of the Youth Opportunities Programme, to which Mr Brabbs was referred. Most of the employers covered by a survey of the YES said they would have recruited unemployed young people even without the subsidy, which therefore had been paid without influencing their choice of recruit.

You also asked about the timing of decisions on further help for unemployed young people. The Secretary of State has asked officials to explore a range of possibilities for increasing the help available to the unemployed and plans to put proposals to his colleagues in the early autumn - possibly at the beginning of October.

John Sibley
AL

ANDREW HARDMAN
Private Secretary

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22 AUG 1980

Office of the Director, National Bureau of Standards

Department of Commerce

Washington, D.C. 20548



Margaret
NBFM at this stage

2 MARSHAM STREET MS
LONDON SW1P 3EB 15/8

My ref:

Your ref:

14 AUG 80

Dear Secretary of State

CONSTRUCTION INDUSTRY TRAINING: THE YOUNG UNEMPLOYED

In Cabinet on 3 July we discussed the problem of growing unemployment among young people and the need for additional training and youth employment schemes. One area in which I believe such measures could usefully be deployed is construction where, as you know, there is a recurrent problem of skill shortages arising from cyclical changes in the industry's workload. At present, these changes take place faster than the training programme can cope with them; the CITB does its best to provide for counter-cyclical training, but the need to plan three years ahead (the length of apprenticeships) makes this an uphill struggle.

An initiative in this area would thus not only help the young unemployed but also give a lead to the industry in taking a more flexible view of its training requirements. There have recently been signs that the employers at least would now be willing to follow a lead of this kind. The unions, for their part, might find it difficult to oppose new measures specifically designed to help the young unemployed which did not adversely affect the interests of their members; and construction is less unionised than many other industries. It is also a relatively labour-intensive, low technology industry in which new measures could be introduced fairly quickly.

A new initiative might have other advantages. At present, construction training is closely linked to the traditional craft structure. But a new scheme need not follow this pattern; it could be designed to give trainees a basic knowledge of general construction skills without seeking to reach full craftsman level. This would help to open the trainees' options for future employment and/or further training; it would distinguish the new scheme from all existing schemes; and it should help to provide a new dimension for the construction workforce, particularly in areas like repair and maintenance where all-round proficiency can be as important as a high degree of skill in a single specialist trade.

A new scheme could be tried out in the first instance at one of the private training centres run by bodies within the industry, notably the Brick Development Association and the Cement and Concrete Association. The BDA, for instance, has some spare capacity at its centre in Kirkby on Merseyside, which I am sure it would be glad to make available. I would be happy to pursue this with the bodies concerned. But facilities like the BDA's are few, and for anything beyond a very small-scale scheme the MSC would clearly have to act as sponsor. This would mean breaking away from its usual rule that training should only be undertaken when permanent jobs are in prospect. But if that rule is to be applied in present circumstances, there will be little training in the construction industry, and once again the next upturn will produce shortages of trained men and overheating.

I hope that the concept of a new training scheme for general construction skills, making use of private training centres provided by the industry, could be included in our measures to help the young unemployed.

I have one further suggestion to make. I hope it will be possible, in seeking ways of helping the young unemployed, to use some of them, possibly through the Job Creation Scheme, to clear up waste and the simpler forms of dereliction in our towns and cities.

I am copying this to members of the Cabinet and Sir Robert Armstrong.

Yours sincerely
Paul Bonis
(Private Secretary)

MICHAEL HESELTINE
(agreed by the Secretary of
State and signed in his absence)

The Rt Hon James Prior MP



175 AUG 1980

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



The Rt Hon Nicholas Edwards MP

Manpower VMS

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

August 1980

De J. Prior

INDUSTRIAL TRAINING

I have now seen a copy of your letter of 30 July to Geoffrey Howe. I am writing to say that I share the view that we need to launch a major initiative going well beyond changes in the ITB system and to do so quickly.

My officials will be participating in the work of the Manpower Group and in the meantime it seems sensible and prudent to put in hand the drafting of legislation on a contingency basis. I particularly welcome some of the items listed in Annex B to your letter including item 10 which will be helpful to me in responding to the recommendations and observations made by the Select Committee on Welsh Affairs in its first Report. My officials will be in touch with yours separately on this aspect.

/ I am sending copies of this letter to The Prime Minister, other members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland and for Education and Science, and to Sir Robert Armstrong and Mr J R Ibbs.

J. Prior

The Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NA

13 AUG 1980





10 DOWNING STREET

BF 26.8.80

From the Private Secretary

11 August 1980

Thank you for your letter of 7 August, with which you enclosed a draft reply for the Prime Minister to send to Mr. John Brabbs, about possible Government schemes to assist employers taking young people from the unemployment register.

The Prime Minister has now written to Mr. Brabbs and I enclose a copy of her letter.

She has commented that there seems to be a lot of sense in the idea of making funds available to employers, matching the amount of unemployment benefit which would otherwise have to be paid to school-leavers who might be found jobs through such arrangements. She would like to know how long decisions on this possibility will take, and whether your Ministers fear that, if such a scheme is introduced, few employers will take on youngsters of their own volition, but most will wait to take them from the unemployment register in order to benefit from such a scheme.

M. A. PATTISON

Andrew Hardman, Esq.,
Department of Employment.

ds



CF. to note

EH
cc D/M

10 DOWNING STREET

THE PRIME MINISTER

11 August 1980

Dear Mr. Bratts,

Thank you for your letter of 29 July asking for clarification of reports that the Government is considering a scheme under which employers could be paid a sum equal to unemployment benefit if they take on young people who are registered unemployed.

May I say, first of all, that your willingness to participate in a scheme to help young unemployed is much appreciated. Mr Prior and his colleagues at the Department of Employment are indeed considering what more can be done to help these young people, but I am afraid that no announcement is likely before the autumn. I am sure you will understand that there is a great deal of work to be done. Options need to be considered not least in terms of what they offer young participants in basic vocational skills that will be useful to them when they re-enter the world of permanent employment.

I appreciate that this reply leaves you with the problem you describe in your letter. But if your firm is able to provide unemployed young people with a variety of work experience that will stand them in good stead later, then there is no need to wait for the announcement of any new schemes. The current Youth Opportunities Programme, which is run by the Manpower Services Commission, provides unemployed young people with a variety of work experience and training courses designed to give them basic vocational skills and the self confidence necessary to help them into work. This year the Government expanded the programme to provide over a quarter of a million training opportunities. One of the elements in YOP is work experience on employers' premises, where the sponsor firm finds the

/trainee

JS

trainee a variety of jobs to do and the MSC pays his/her allowance of £23.50 a week.

From your letter, it may be that your firm could take on 4 or 5 such trainees right away. I enclose a booklet about the Youth Opportunities Programme and suggest that if you feel you can help, you get in touch with the MSC Special Programmes Area Manager, Mr A J Brown, Coventry Area Office, Bankfield House, 163 New Union Street, Coventry CV1 2QQ, who will be able to advise you further.

MSC relies heavily on the sponsorship of employers like yourself, and I am sure you will be able to help them help the young unemployed. Many thanks for your good wishes.

Yours sincerely
Raymond D. White

John Brabbs, Esq

Back to MHP
after dispatch

PRIME MINISTER

A Leicestershire furniture company wrote to you about jobs for youngsters. The company was preparing to take on a few when the press reported that the Government was contemplating passing on the equivalent of unemployment benefit to employers who took school leavers who would otherwise be jobless. They feel that they and others are inhibited from offering jobs to school leavers until there is a clear statement about this possibility.

I attach a draft reply suggested by Mr. Prior's office. This acknowledges the possibility of such a scheme, but encourages the company to go ahead on the basis of MSC schemes offering some financial support.

[Handwritten initials]

But that seems the sensible thing to do.
How long is it going to take to decide?
Or is the objection that few employers
will then take on youngsters if their
own solution - they will wait to take
them from the unemployment register on
the "subsidised scheme"? not

8 August 1980

CS



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Mike Pattison Esq
Private Secretary
10 Downing Street
London SW1

7 August 1980

Dear Mike,

Thank you for your letter of 1 August, with which you enclosed a letter to the Prime Minister from John E Brabbs.

I enclose a draft reply for the Prime Minister to consider.

Yours truly

ANDREW HARDMAN
Private Secretary

DRAFT REPLY FOR THE PRIME MINISTER TO SEND

PO 8364/1980

John Brabbs Esq
John Brabbs of Leicester
27 Bede Street
Braunstone Gate
LEICESTER

Thank you for your letter of 29 July asking for clarification ~~about~~ ^{of} ~~reports of that~~ whether the Government is considering a scheme ~~whereby~~ ^{under which} employers ~~may~~ ^{to could} be paid a sum equal to unemployment benefit if they take on young people who are registered unemployed.

May I say, first of all, that your willingness to participate in ~~the~~ ^a scheme to help the young unemployed is much appreciated. ~~However,~~ ~~although~~ Mr Prior and his colleagues at the Department of Employment are indeed considering what more can be done to help these young people, ~~but~~ I am afraid that no announcement is likely before the autumn. ~~As~~ ^{I am sure} you will ~~appreciate~~ ^{understand that} there is a great deal of work to be done, and Options need to be considered not least in terms of what they offer young participants in basic vocational skills that will be useful to them when they re-enter the world of permanent employment.

~~However, turning to your difficulty, I would suggest that if your firm is able to provide unemployed young people with a variety of work experience that will stand them in good stead later, then there is no need to wait for the announcement of any new schemes. The current Youth Opportunities Programme, which is run by the Manpower Services Commission, provides unemployed young people with a variety of work experience and training courses designed to give them basic vocational skills and the self confidence necessary to help them into work. This~~

I appreciate that this reply leaves you with the problem you describe in your letter. But

year the Government expanded the programme to provide over a quarter of a million training opportunities. One of the elements in YOP is work experience on employers' premises, where the sponsor firm finds the trainee a variety of jobs to do and the MSC pays his/her allowance of £23.50 a week.

From your letter, it may be that your firm could take on 4 or 5 such trainees right away. I enclose a booklet about the Youth Opportunities Programme and suggest that if you feel you can help, you get in touch with the MSC Special Programmes Area Manager, Mr A J Brown, Coventry Area Office, Bankfield House, 163 New Union Street, Coventry CV1 2QQ, who will be able to advise you further.

MSC relies heavily on the sponsorship of employers like yourself, and I am sure you will be able to help them help the young unemployed. Many thanks for your good wishes



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NA.

R
8/8

7 August 1980

Dear Secretary of State,

INDUSTRIAL TRAINING

Thank you for sending me a copy of your letter to the Chancellor of 30 July.

I must say that having received a copy of the report of the Review Body set up by the Manpower Services Commission (MSC) to examine industrial training arrangements I strongly endorse its analysis both of the achievements and the defects of the present arrangements, stemming from the Employment and Training Act 1973, but I am extremely disappointed by their conclusions which fail, to my mind, to tackle the major inadequacies of the present system. In particular, I am concerned about the lack of any firm proposals to tackle the identified problems of cross-sector skill shortages or to meet the needs of local labour markets more effectively.

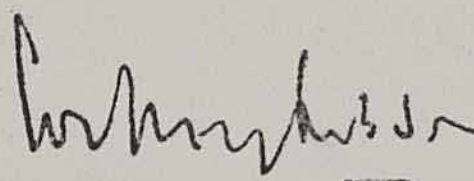
I believe that improved arrangements for industrial training, which would give greater encouragement to the acquisition of appropriate skills and expertise by the workforce, is an essential element in securing a better economic future for the country. I strongly support, therefore, your view that we need a major initiative on industrial training in the autumn, going well beyond the changes proposed in the report of the MSC Review Body. I hope therefore that the officials' group which is looking into this matter will examine the subject comprehensively and in reporting back will tackle a wider range of options for change in the light of which we can take our decisions.

Having said that, if we are to keep open the option of early legislation Parliamentary Counsel will certainly need to begin drafting on a contingency basis on the lines set out in Annex B to your letter; and the Prime Minister has now agreed to this. I should like to say that I

particularly welcome the proposal to take the opportunity of early legislation to put the Scottish (and Welsh) Committees of the MSC onto a statutory basis and to provide for appointments by the Secretary of State. I consider that this relatively short and non-controversial provision is nevertheless highly desirable both in the interest of consolidating the position and standing of the Committees and in order to give the Secretary of State a formal and statutory role in making appointments.

I am copying this letter to other members of E Committee, the Chancellor of the Duchy, the Secretaries of State for Wales and for Education and Science and to Sir Robert Armstrong and Mr J R Ibbs.

Yours sincerely,



Approved by the Secretary of State
and signed in his absence

18 AUG 1907

18 AUG 1907



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

4 August 1980

De Jure

*R
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INDUSTRIAL TRAINING

Thank you for sending me a copy of your letter of 30 July to Geoffrey Howe about the future of industrial training policy. I agree that we should continue to give this high priority and I am happy to give drafting authority for the necessary legislation on the points set out in Annex B of your letter. I note that in some cases firm policy decisions have not yet been taken, and I am sure that you will, as far as possible, arrange your instructions to Counsel so as to minimise the amount of drafting which he has to undertake on a provisional basis.

I am copying this letter to the recipients of yours and (with a copy of your Annex B) to First Parliamentary Counsel.

James Prior

The Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment
Caxton House



5 AUG 1981



CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

1 August 1980

The Prime Minister was grateful for the Chancellor's minute of 23 July on youth unemployment and industrial training. She also saw Sir Keith Joseph's minute of 25 July. She agrees with both of them that we need a major initiative in this area and urgently, and I have today written to the Department of Employment saying that she supports the Chancellor's view that we ought at least to have some preliminary ideas for Ministers to consider well before the MSC meeting on 30 October.

I am sending a copy of this letter to Ian Ellison (Department of Industry).

J. P. LANKESTER

A.J. Wiggins, Esq.,
H.M. Treasury.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

1 August 1980

Dear Andrew

I enclose a letter to the Prime Minister from a small businessman, who is concerned about press reports of a scheme to give financial support to employers who take on young unemployed people. Mr. Brabbs argues that some firm public announcement is required to end the inevitable uncertainty for employers who have been contemplating finding vacancies for young people.

Could you please let me have a draft reply for the Prime Minister to consider. It would be most helpful if this could reach me by 8 August.

Yours ever

Mike Pittman

Andrew Hardman, Esq.,
Department of Employment.

S

CONFIDENTIAL

vb



10 DOWNING STREET

c. HO
FCO DES
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TRADE
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CDL
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1 August 1980

From the Private Secretary

Dear Richard,

Industrial Training

The Prime Minister has seen the Chancellor of the Exchequer's letter of 28 July and your Secretary of State's reply of 30 July.

The Prime Minister very much agrees with the Chancellor that substantial proposals in the industrial training field need to be prepared urgently. She appreciates that consultations on MSC's report will not be completed until late September/early October and that MSC will not be meeting to discuss the outcome of these consultations until 30 October. However, while she recognises that Ministers will have to wait until after the MSC meeting before final decisions can be taken, she nonetheless believes that it would expedite matters if officials could prepare proposals on a preliminary basis by the end of September or the first week in October so that Ministers can have a first discussion then.

I am sending copies of this letter to the Private Secretaries to members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, Wales and Education and Science and to David Wright (Cabinet Office).

Richard

Tim Laker

Richard Dykes, Esq.,
Department of Employment.

CONFIDENTIAL

↳

File

288

1 August 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 29 July about your plans to take on several additional young employees.

This is receiving attention and a reply will be sent to you as soon as possible.

M. A. PATTISON

J. E. Brabbs, Esq.

MS

Review book
to look at
in detail
not.

PRIME MINISTER
Worth a glance, at
least

MS
1/8

Industrial Training

(31 July)

The report of the body set up by the Manpower Services Commission to review the operation of industrial training arrangements in Great Britain was published by the Commission today. In a written reply today the Secretary of State for Employment said that he welcomed the report as a basis for public discussion of the whole future of industrial training policy for the next decade.

Speculative training to help unemployed

The Manpower Services Commission's recent decision to rationalise their network of skillcentres was aimed at producing a better utilised and more cost effective training provision more in line with demands from industry. One result of this will be a slight shifting of provision from areas of high unemployment.

Why cut MSC Expenditure?

The Commission could not be exempt from our reductions, especially in the light of the rapid expansion of expenditure on its main programmes in recent years, and its history of underspending. The previous administration envisaged the MSC grant-in-aid as being £654 million in 1979-80 rising to £673 million in 1980-81 (at 1978 survey prices). We have taken action to reduce this expenditure. The original cash limit for 1979-80 of £693 million (in the supply estimates of 16 March 1979) was reduced to £623 million (in the revised supply estimates of 6 July 1979) and the latest forecast of actual expenditure is £609 million. The grant-in-aid for the current year was envisaged as being £580 million (at 1979 survey prices). Following revaluation to out-turn prices has resulted in a cash limit of £722 million (supply estimates of 26 March 1980) although this will be raised, probably by about

£20 million, to take account of pay awards. Taking account of the effect of inflation, very real savings in planned expenditure have been made. Moreover, the financial provisions for the DE Group as a whole is being reduced in real terms from £1123 million in 1980-81 to £870 million in 1983-84 (at 1979 survey prices) and the MSC will be making a major contribution to these savings.

Numeracy and literacy training

Preparatory courses make a valuable contribution towards improving the prospects of unemployed adults who require language, literacy or numeracy skills to assist their search for employment or vocational training. For this reason, the MSC is broadly maintaining the national level of its provision of preparatory courses under the Training Opportunities Programmes at a time when reductions are being made in other parts of MSC training programmes in order to meet the Government's economy requirements. However within the overall level there will be some shifting of provision between the regions which is accounted for by various factors, including regional proportions of the working population and of ethnic minorities, and the effectiveness of existing provision. This has meant that in three of the nine regions, provision has been reduced. However the main responsibility for adult basic education rests firmly with the education service. The role of TOPS is to supplement the provision made by local authorities in areas where the unmet demand is greatest.

Under the Youth Opportunities Programme, work introduction courses help less able young people who require work related instruction in numeracy and communication before they can enter employment or take part in other schemes under the Programme. Training in work skills forms the core of the course and provides the motivation for instruction in both life and social skills and remedial number and communication.

SupplementariesIncrease industrial training for redundant workers on a speculative basis

It is not fair to the redundant worker, or to the taxpayer to provide additional training facilities unless there is a reasonable expectation that a job will be available after training. Skills which are not used rapidly decay and may require expensive refresher training. The overall outcome is a waste of resources - both of the trainers and the trained.

Why cut industrial training provision?

Industry is mainly responsible for filling its own training needs but we are continuing to give support particularly where it is important to our economic recovery. I am aware that the Manpower Services Commission today published a report of their review of the operation of industrial training arrangements and the Government will be considering the recommendation of the report in the light of comment by interested parties and the considered views of the Commission.

Why cut MSC expenditure?

There will be a modest increase in real terms in the volume of expenditure by MSC between the last financial year and this. The cuts we made were mainly on planned expansion and it is not clear that programmes could have been expanded on a scale requiring expenditure of this order. By cutting out the fat we hope that a fitter organisation will result, better able to concentrate on the key priorities.

Help with literacy and numeracy training

There is a need to help unemployed people who have literacy and numeracy problems. This year we are broadly sustaining the level of our provision for such adults under the Training Opportunities Programme and significantly increasing the provision for young people under the Youth Opportunities Programme.

Caxton House Tothill Street London SW1H 9NA
Telephone : Direct Line 01-213 7439 (24 hour answering service)
Exchange 01-213 3000 Telex 915564 DEPEMP

July 31, 1980

GOVERNMENT REACTION TO TRAINING REVIEW REPORT

A report from the Manpower Services Commission on industrial training arrangements was welcomed today by Mr James Prior as a basis for public discussion of industrial training policy for the next decade.

Mr Prior, Employment Secretary, announced this today in answer to a Parliamentary question from Mr David Madel MP (South Bedfordshire).

The full text of the question and answer is as follows:

QUESTION: To ask the Secretary of State for Employment whether he has received the report on the Manpower Services Commission Review Body on industrial training arrangements, what action he proposes to take on it, and whether he will make a statement.

ANSWER: The report of the body set up by the Manpower Services Commission to review the operation of industrial training arrangements in Great Britain was published by the Commission today. I welcome the report as a basis for public discussion of the whole future of industrial training policy for the next decade.

The Government will study the report's recommendations in the light of comment by interested parties and the considered views which the Manpower Services Commission have undertaken to submit to me by the end of October. The Government will place its proposals before Parliament as soon as possible thereafter.



Caxton House Tothill Street London SW1H 9NA

6400

Telephone Direct Line 01-213

Switchboard 01-213 3000

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

3 pp
1
Am. Sh. 2/2

*Attached report
(summary at Play A)*

30 July 1980

to be published

at noon tomorrow.
*See also Draft Written Answer
at Play B. *DL**

INDUSTRIAL TRAINING

Thank you for your letter of 28 July.

The Manpower Services Commission (MSC) have now received, and are to publish on Thursday 31 July, the report of the Review Body they set up last year to examine industrial training arrangements, including both the operation of the Industrial Training Boards (ITBs) and the MSC's own Training for Skills programme (TSPA).

... I enclose an advance copy of the report and, at Annex A, the holding statement I propose to issue as an arranged Written Answer on publication.

As you know I very much share your view that we need to launch a major initiative on industrial training this autumn, going well beyond the recommended changes in the ITB system. I agree we need a reassessment by officials of a wider range of options. In fact the inter-departmental Manpower Group already has this in hand in pursuance of the remit to me from the Ministerial Steering Group on Government Strategy (MISC 14(80)4th meeting, Item 2, conclusion 2).

The Review Body report (together with the recent CPRS study of education, training and industrial performance) provides a starting point for this, but account will also need to be taken of the reactions to it of industry and others concerned which will not emerge until late September/early October, meaning a report to us in the latter half of October.

I do not think it would really expedite matters to ask officials to report earlier than this so that we could express a view before the MSC meeting on 30 October. Rather I would suggest we reserve our position until early November when we can take our decisions in the light of views of the MSC and, alongside that, the assessment by officials of wider options.

However, I agree that if we are to keep open the option of early legislation - which would be needed, for example, to secure abolition of ITBs other than on an MSC recommendation, as well as to transfer any remaining



ITB operating costs back to the industries concerned - it is essential that drafting be put in hand on a contingent basis.

I therefore hope that the Chancellor of the Duchy, to whom I am copying this letter and yours, will agree to the employment of Parliamentary Counsel on the drafting of legislation on the points set out in Annex B, to the extent that may be necessary in advance of firm decisions to enable introduction before Christmas as provisionally planned. These points include (item 7) the special provision for Enterprise Zones which we have already agreed should be included in this Bill (I am writing separately to those concerned about the details of this) and certain non-controversial items which could conveniently be dealt with at the same time (items 8-10). (In the interests of keeping the legislation short I would not propose to include other items mentioned in the Annex to C(80)27).

I am copying this letter and enclosures to the Prime Minister, other members of E Committee, the Chancellor of the Duchy, the Secretaries of State for Scotland, for Wales and for Education and Science, and to Sir Robert Armstrong and Mr J R Ibbs.

G. H. C.
T. H.

DRAFT WRITTEN QUESTION AND ANSWER

QUESTION: To ask the Secretary of State for Employment whether he has received the report on the Manpower Services Commission Review Body on industrial training arrangements, what action he proposes to take on it, and whether he will make a statement.

ANSWER: The report of the body set up by the Manpower Services Commission to review the operation of industrial training arrangements in Great Britain was published by the Commission today. I welcome the report as a basis for public discussion of the whole future of industrial training policy for the next decade. The Government will study the report's recommendations in the light of comment by interested parties and the considered views which the Manpower Services Commission have undertaken to submit to me by the end of October. The Government will place its proposals before Parliament as soon as possible thereafter.

POSSIBLE REQUIREMENTS FOR LEGISLATION IN 1980/81 SESSION

- | | |
|--|---|
| 1. Replace requirement that the Secretary of State can establish, abolish, or change the scope of an Industrial Training Board only if the Manpower Services Commission so recommends by requirement merely to consult Commission before so doing. | Not a Review Body recommendation but desirable to improve government's freedom of action so as to facilitate reduction in the number of Boards. |
| 2. Enable administrative expenses of Industrial Training Boards to be paid from levy on employers. | Review Body recommendation. Subject to Ministerial consideration in November. |
| 3. Repeal requirement that terms and conditions of employment of training board staff should be subject to the consent of the Secretary of State, and of the Minister for the Civil Service. | CSD agree consequential on 2. |
| 4. Repeal requirement that a levy of over 1% required affirmative resolution of each House. | Review Body recommendation. Subject to Ministerial consideration in November. |
| 5. Industrial Training Boards to be empowered to exempt from all or part of a levy an establishment in respect of which criteria relating to the quality and quantity of its training are satisfied. | Review Body recommendation, to replace existing mandatory exemptions. Subject to Ministerial consideration in November. |
| 6. The Secretary of State to have power to specify in a statutory instrument, after consulting MSC, the information which ITBs should publish, particularly in their annual report. | Review Body recommendation. Subject to consideration in November. |
| 7. Provision to relieve establishments in Enterprise Zones from liability to ITB levies. | Details the subject of separate correspondence. |
| 8. Abolition of the statutory requirement for separate Employment Service and Training Service Agencies (in practice now operated as administrative Divisions of the MSC). | Non-controversial. Desirable administrative tidying up. |
| 9. Provide statutory authority for the Manpower Services Commission, Advisory Conciliation and Arbitration Service, and Health and Safety Commission and Executive to retain their receipts. | Non-controversial. Present practice fails to comply with Civil List Act 1952. Chief Secretary's letter of 21 April 1980 refers. |
| 10. To put the Scottish and Welsh Committees of the MSC onto a statutory basis and provide for appointments by the Secretary of State rather than MSC. | Non-controversial and desirable. |

John Brabbs of Leicester
Mattresses, Divans, Upholstery, Convertibles

27 Bede Street Braunstone Gate Leicester

The Right Honourable Mrs. Thatcher M.P.
Prime Minister,
Downing Street,
London.

R 30/7

29th. July 1980

Dear Madame Prime Minister,

I sincerely hope that the contents of this letter are brought to your notice.

I am one of the thousands of small businessmen, who in spite of the utterances of "professional gloomsters", manages to keep my order books full and my workforce of 22 in full-time employment.

I make beds of quality and special sizes which large makers are reluctant to do and sell through my own show-rooms and to local authorities.

I am now busy enough to take on and train a few more young people.

Having seen last Sunday's headlines in two national newspapers that the Government may be considering a scheme whereby employers may be paid a sum equal to unemployment benefit if they take people from the register of unemployed, I find myself in a dilemma. If I engage people now and should the scheme be implemented, I would probably not qualify for benefit, having taken workers on before a starting date.

May I respectfully suggest that the Minister concerned be urged to make an early announcement.

Should the scheme be brought into being, I would engage four or five youngsters instead of two or three as originally planned.

Multiply my case by the hundreds of similar placed businessmen, and the result could be dramatic.

Finally, may I wish your policies every success; it is hard work running a manufacturing business in the present climate but that same climate is making we in the private sector work and manage harder than ever before and success will come.

Your loyal servant,



John E. Brabbs

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

28 July 1980

The Rt. Hon. James Prior MP
Secretary of State for Employment

A handwritten signature in dark ink, appearing to read 'J. Prior'.

INDUSTRIAL TRAINING

Following our recent meeting at MISC 14, I have been considering further the issues raised by the MSC's review of industrial training which I understand is to be published on 31 July. I am convinced that this is a field in which we should mount a major initiative as promptly as possible. The MCS's report with its analysis of the failings of our current arrangements, provides a useful starting point. In particular it highlights the inadequacy of the current arrangements for dealing with skill shortages in cross sector occupations which typically arise in local labour markets as a result of developments in several industries, the lack of opportunities for adults to retrain or enhance their skills, the inefficiency and rigidity of much traditional apprenticeship training, and the need for qualification to be based on the attainment of standards not the serving of time.

It seems most unlikely that the modest institutional changes that the report goes on to recommend are adequate to deal with these problems and I am sure officials should be asked to consider urgently whether a more radical reform is needed. We cannot afford to increase public expenditure but we are already spending a great deal on training and on programmes to help the young unemployed and we need to consider whether this could not be better spent not only to deal with the immediate problems of the recession but to achieve lasting improvements in our training arrangements. I understand the MSC intend to hold consultations on their report over the summer and to reconsider the options at a meeting at the end of October. While we clearly need to know the views of industry before finalising our plans,

/this timetable

CONFIDENTIAL



this timetable may make it very difficult for us to reach decisions and to introduce legislation before the end of the year. I would suggest, therefore, that we might ask officials to report to us as soon as possible, and certainly by the end of September. You will then be able to let the MSC know our views before their meeting and at the least make a further round of consultations unnecessary. I know you agree with me about the need to press ahead with this subject as energetically as possible.

On a narrower point, I understand from my officials that if we are to keep open the option of early legislation to transfer the operating costs of the ITBs from the MSC to industry, Parliamentary Counsel needs to start work immediately. You will remember that we referred to this at a meeting of MISC 14. We will need to return to the subject in the light of the officials' report in the autumn and consider the implications for industry most carefully. However I am sure we should keep the option open by putting Counsel to work on a contingent basis.

I am sending copies of this to the Prime Minister and other members of E Committee.

GEOFFREY HOWE



CONFIDENTIAL

Ann Smith



PRIME MINISTER

*Yes please
not*

*Shah 1 Commission
proposals as suggested
at x ?*

Flas A

1 I have seen Geoffrey Howe's minute to you of 23 July on the Anglo-German Foundation booklet on youth employment. You may remember that I gave you my copy of this booklet last Tuesday.

*R
3/7*

2 I very much agree with Geoffrey's emphasis on the relevance of the analysis. Some of its implications could fit in to a "crash" programme: some involve a longer time scale. But I support Geoffrey's recommendation of seeking substantial proposals urgently.

x |

3 I am copying to Geoffrey and to John Hoskyns.

I. Ellison

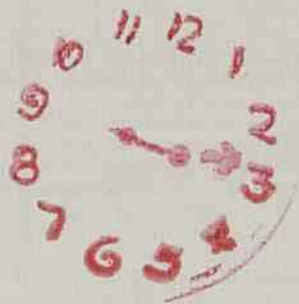
KEITH JOSEPH

25 July 1980

(Drafted by the Secretary of State and signed in his absence)

CONFIDENTIAL

28 JUL 1980



Confidential



Manpower A

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

.....
.....
We spoke yesterday about youth unemployment and the lessons we might learn from Germany. I have now received the attached brief comments on the Report which I mentioned (see also the attached summary).

2. This entirely confirms my view that this is a field in which we need - and certainly not just for political reasons - to mount a major initiative, as promptly as possible. The recent CPRS Report on Education, Training and Industrial Performance (which was published with our authority a few weeks ago) underlines the same case.

3. It is particularly distressing to see that a year has been taken up in the production by the MSC of a report which apparently contemplates little more than marginal changes, and altogether fails to confront the urgent need for radical reform. Should we not consider the issue with much greater urgency, perhaps with a view to putting one (well chosen) junior Minister in charge of a "crash" programme? It seems to me essential that we should be ready with really substantial proposals for action before the next session of Parliament gets under way.

4. The subject has one other advantage; it enables us, very directly and on good ground, to challenge some traditional union attitudes, by inviting positive co-operation from the TUC.



5. I am copying this to Keith Joseph and John Hoskyns, since I know they have both been following the Anglo-German Report, but at this stage to nobody else.

Wiggins

for (G.H.)

23 July 1980

Approved by the
Chancellor & signed in his absence.

CHANCELLOR

cc: Chief Secretary
Financial Secretary
Mr. Dixon
Miss Forsyth
Mr. Patterson
Mr. Ridley
Mr. Cardona

YOUTH UNEMPLOYMENT AND THE BRIDGE FROM SCHOOL TO WORK
(Pamphlet published by Anglo-German Foundation)

Main Conclusions

The main conclusion of this study is that Britain should adopt the German apprenticeship system as a means of dealing with youth unemployment and improving the transition from school to work. It argues that this would be more effective and little more costly to the State than the current combination of the Youth Opportunities Programme, grants for apprentices, etc. It notes that this would involve a sea change in the current arrangements and identifies two main steps - the extension of apprenticeships to a much greater range of occupations and the introduction of a flat-rate allowance (at the current level of the YOP allowance) for all 16-18 year olds in employment. Apprentices' allowance would be paid by their employers. /

Comment

2. The arguments in the report are germane to the review of the ITBs and the MSC on which Ministers are to take decisions in the autumn. The difficulties (and costs) involved in trying to transplant the German system into Britain are greatly understated and, for example, links between the German apprenticeship system and their education system are not brought out. However, there is no denying that the German system is a much more effective way of providing vocational training and employment for young people than our own apprenticeship scheme supplemented by special employment measures. In Germany 94 per cent of those leaving full-time education at 15 or 16 go into apprenticeships which provide formal programmes of study and examination on and off the job in all sorts of occupations, not just craft trades.

/There are

There are three times as many apprentices as in the UK and, in addition, Germany has many more pupils in full-time vocational courses at skilled worker or technician level. The system is closely controlled by Government who publish training regulations for all young recruits in 450 listed occupations and which has powers under a 1976 Act to impose a levy on companies in order to create more training places whenever the supply of such places fails to exceed demand by 12½ per cent (the surplus is needed to deal with mismatch). At the same time the surveillance and approval of employers' training arrangements and the holding of examinations is left to the Chambers of Employers, in which membership is obligatory. The Chambers have in fact seen to it that enough places have been offered so the 1976 powers have not been used.

3. This contrasts starkly with the British position under which a quarter of all school leavers go into jobs with no vocational training or education and where apprenticeships are confined to traditional trades (almost exclusively for boys) and are based on time serving not the achievement of standards. Although the MSC has given grants to maintain apprenticeship intake in the last few years it is difficult to judge how successful this has been (many grants may have gone to firms who would have done the training anyway) and their main assault on youth unemployment has been through the YOP offering work on projects, very short training courses or work experience with employers.

4. The study points out also that young people in Germany are paid less as a proportion of adult rates than they are in Britain and there is no differential, as there is here, in favour of unskilled work.

5. Any attempt to impose a flat-rate wage on all 16-18 year olds would meet with great resistance and the difficulties of extending the occupational range of apprenticeships would be enormous. However we should learn from the German example and you might like to take up with Mr. Prior the following points:

/ - the lack

- the lack of proper vocational training for young people outside craft apprenticeships.
- the need for reforming apprenticeship to lead to qualification by standards not time serving.
- the possibility of giving a more rigorous 'training' bias to the YOP, especially to the work experience on employers' premises.
- the possibility of combining a strong central role on setting standards with control by employers collectively of the provision of training.

All these are points that officials will need to look at before they report to Ministers on the ITB review.

JW
for (J. GIEVE)
22nd July, 1980

Anglo-German Foundation for the Study of Industrial Society

YOUTH UNEMPLOYMENT AND THE BRIDGE FROM SCHOOL TO WORK

INTRODUCTION

The most effective way for Britain to ease the twin problems of high youth unemployment and the difficult transition from school to work would be for it dramatically to increase the scope and availability of industrial and commercial apprenticeships for school-leavers.

Britain should also introduce a much broader system of youth training allowances based on those already paid to participants in the Manpower Service Commission's main youth programmes.

These are the two main proposals of a new study for the Anglo-German Foundation by a working party under the auspices of the Acton Society. Its other proposals for reform include changes in school attendance requirements, either by allowing some pupils to leave at the age of 15, or by permitting them a "year in the world of work" between 14 and 16, before returning to the educational system.

Entitled "Youth Unemployment and the Bridge from School to Work", the study suggests that only three member countries of the Organisation for Economic Co-operation and Development - West Germany, Austria and Switzerland - have introduced really effective measures to reduce the high rates of youth unemployment that have developed in the last decade. Their main response has been to enlarge their already extensive apprenticeship arrangements.

By contrast, the other countries, including Britain, "have been reduced to cobbling together programmes which are essentially short-term second- (or third or fourth-) class", under such titles as 'work experience' and 'vocational training'.

These schemes, the study argues, are designed to fulfil exactly the same two objectives as the apprenticeship schemes of Germany, Austria and Switzerland: bridging the school-to-work gap - often a real difficulty for young people whatever the state of the labour market - and passing on skills. But they are far less effective than the apprenticeship approach, in terms both of their cost and their practical results.

Among the reasons the study cites to explain why the German approach, for example, helps more young people find jobs than their British counterparts, two closely associated ones stand out as radically different from British practice.

First, the German system of paying apprentices only "subsistence plus pocket money" operates in a national context where young people - whether they are apprentices or unskilled workers - are paid significantly less, relative to adults, than their British counterparts. (Germany's apprentices are not normally paid less than young people in unskilled occupations, again in contrast with British practice).

A second key difference is that apprentice rates of pay are not the result of 'free collective bargaining' in Germany, though trade unions are involved in fixing the rates.

Combined with the apprentice contract system, which provides some security against labour turnover among the young, German apprentice wage rates represent a powerful attraction for employers to take on young people, the study suggests.

One by-product of a radical extension of apprenticeships would be a stimulus to the formation and growth of small and medium-sized businesses in Britain, argue the authors. An appendix to the study pays particular attention to the relative strengths of small and medium-sized enterprises in the UK and the Federal Republic and their relevance to youth unemployment. A very high percentage of young West Germans start their working lives in such enterprises, often employing 50 people, or even fewer.

THE APPRENTICESHIP SYSTEM

By 1978 over half Germany's schoolleavers were going into apprenticeship, the study reports, a proportion reached in Austria and Switzerland by 1976. In stark contrast, Britain, France, Denmark and Ireland for example, all had ratios of well under 20 per cent.

Apart from the question of rates of pay, the three leading countries' systems differ from Britain's in another key respect. For them, apprenticeship is not confined to traditional craft and/or traditionally male industries. In Germany, more than 400 activities are apprenticeable - for example, occupations in the sales, clerical and other office fields, as well as in such traditional areas as the building, engineering and printing industries.

Assessing the two essential criteria by which the effectiveness of the three countries' systems can be judged - cost to the community and benefit to the young people concerned - the study points to two key cost characteristics in addition to those already mentioned:

- a. They combine training for skill and learning with actual work leading to the production of invoiceable goods (or services) for the market.
- b. They are largely run by "practical men (and often by people in small businesses who must make ends meet if they are to survive in the market), and not by bureaucrats or trade union officials whose personal financial responsibility is much less direct".

From the point of view of young people themselves, the study cites three main benefits of the three countries' programmes:

- a. They provide a protected bridge by which to make the transition from school to work.
- b. They lead to the acquisition of a recognised occupational skill on the part of the great majority of those who experience them (in Germany the pass rate at the completion of apprenticeships is over 80 per cent).
- c. Though each individual apprentice will work towards the acquisition of a particular skill, the programmes include components of more general and diversified skill and knowledge acquisition. The latter may be of special value in a world of more rapidly changing technology, and of increasing leisure time and do-it-yourself activities.

Essentially then, the study argues that the apprenticeship system in Germany, Austria and Switzerland is the main bridge by which each successive age year moves from the world of school to the world of work. It is also the leading institution through which the bulk of the new generation acquires its technical and vocational knowledge and skill.

By fulfilling these functions it also, to some extent, protects young people when there is increased competition for jobs in the labour market. "It is thus not in the least surprising that when the German authorities were faced in 1974 and 1975 with much tougher competitive conditions in the labour market, their key response in relation to young people was to engineer a rapid and significant expansion in apprenticeship recruitment".

CONCLUSION

For Britain to move from its present position among the low-apprenticeship countries to a new place among the high ones will require a "sea change", consisting of a series of steps, the study argues.

One necessary change would involve a substantial increase in the number of occupations covered by apprenticeships. Another would be that the remuneration of those entering upon such schemes should no longer be mainly the concern of trade unions.

There is already a British precedent for this, argues the study, in the shape of the "allowances" paid to those who participate in the main youth programmes of the Manpower Services Commission.

The authors say their chief policy recommendation would simply be the extension of this system of allowances across-the-board. They would prefer an arrangement under which the allowance was payable to everyone in the 16 - 18 age group, including those still at school, but they "would settle for allowances which those staying on in school would forgo".

The net cost of this proposal to the taxpayer would be quite modest, claim the authors. For, as in Germany, the bulk of the new apprentices would be taken in by the private sector and would thus essentially pay their own way.

"If and where it could be shown that their work was contributing excessively to private corporate profits then levies could always be imposed".

Such a scheme might well result quite quickly in a net reduction, compared with the current position, in the cost to the public of official programmes and support for this age group. The study estimates that in 1978/79 the cost was of the order of £250m, with the MSC's programmes accounting for roughly £170m and the balance in unemployment and social security benefits,

"We think it reasonable to suppose that the producers of invoiceable goods and services would rapidly expand their employment of 16 - 18 year-olds if they were required to pay no more than training allowances", the study concludes.

Spoke P. Harvor.

na

MAP 15/1 v.

PRIME MINISTER

Mr. Carlisle proposes a review of the various existing arrangements for supporting 16-18 year olds who are still in full-time education. (Flag A).

He acknowledges the difficulty of timing given public expenditure constraints, and therefore proposes to limit the exercises strictly to internal Government arrangements, and to leave it unannounced.

Whilst current arrangements in this field may well be messy, inconsistent, and inadequate, the chances of such a review staying out of the public eye seem slight.

Would you like a report of H Committee's conclusions before any review is put in hand?

MAP

7 May 1980

Mr Biffen has now challenged the whole approach - Flag B.

I agree with C.D.

Caxton House Tothill Street London SW1H 9NA
Telephone : Direct Line 01-213 7439 (24 hour answering service)
Exchange 01-213 3000 Telex 915564 DEPEMP

12.

February 14, 1980

SPECIAL EMPLOYMENT MEASURES IN 1980-81

Expansion of Youth Opportunities Programme

Measures announced today by Mr James Prior, Secretary of State for Employment, will make an important contribution in 1980-81 towards reducing unemployment and helping particularly hard-hit groups within a level of expenditure the country can afford.

The main changes in the special employment measures programme, which were announced in a House of Commons statement, include:

- Expansion of the Manpower Services Commission Youth Opportunities Programme - which provides work experience and training opportunities for unemployed young people - from 210,000 entrants in 1979-80 to between 250,000 and 260,000 in 1980-81.
- The Special Temporary Employment Programme for long-term unemployed adults is being maintained at 12,000 to 14,000 filled places concentrated in Special Development Areas, Development Areas and designated inner city areas.
- Community Industry for socially disadvantaged unemployed young people is being maintained at 6,000 filled places.
- The Temporary Short-Time Working Compensation Scheme continues on the present basis.

- Job Release continues for women aged 59, but for men the age of eligibility will revert from 62 to 64. Disabled men will be able to leave their jobs from the age of 60 as at present. The allowances are increased, details of which are given in the **statement**.

The Small Firms Employment Subsidy closes for applications on March 31, 1980.

The changes to the Job Release Scheme take effect from April 6, 1980.

NOTES TO EDITORS

1 Youth Opportunities Programme

The Youth Opportunities Programme (YOP) provides a range of opportunities for unemployed young people in training courses and work experience schemes. It includes:

- (a) courses to prepare young people for work, through employment induction courses, short industrial courses, and remedial and preparatory courses; and
- (b) work experience schemes of various kinds - on employers' premises, training workshops, community service and other special projects.

The weekly tax-free allowance is £23.50 for 16-18 year olds and £19.50 for 15 year olds.

2 Special Temporary Employment Programme

The Special Temporary Employment Programme (STEP) provides unemployed people aged 19 and over with full time temporary employment on projects which benefit the community. Priority is given to people aged 19 to 24 who have been unemployed for at least 6 months and to people aged 25 and over who have been unemployed for at least 12 months.

3 Community Industry

Community Industry is a permanent scheme run by the National Association of Youth Clubs to provide employment for disadvantaged young people. Under the special measures additional funds have been made available to provide extra places.

4 Job Release Scheme

The Job Release Scheme (JRS) enables people approaching statutory pensionable age to give up their jobs and make way for unemployed people and receive a weekly allowance.

The employer must undertake to recruit a replacement from the unemployed register, though not necessarily in exactly the same job. An employer releasing a disabled person will be required to recruit an unemployed disabled person as a replacement wherever possible.

5 Temporary Short Time Working Compensation Scheme (TSTWCS)

This scheme is designed to encourage employers to adopt short time working instead of making people redundant. Compensation is paid for a maximum of 6 months. Employers are reimbursed 75 per cent of normal wages paid to those staff working short-time in order to avoid redundancy plus the total of National Insurance contributions for the work-less days. The scheme is not intended to finance lay-offs; there must be at least one normal day's work after a period of seven consecutive days without work. The scheme is open to most sectors of commerce and industry in Great Britain.

6. Small Firms Employment Subsidy

The Small Firms Employment Subsidy (SFES) offered certain firms in the private sector with less than 200 employees a subsidy of £20 per week for up to 26 weeks for each extra full-time job over and above the number of jobs provided on a given base date. From July 1, 1979 the subsidy was limited to small manufacturing firms in the Special Development Areas and Development Areas only.

7. The text of a statement in the House of Commons is attached.

SPECIAL EMPLOYMENT MEASURES 1980-81:

STATEMENT

We announced on 12 June last year some changes in the programme of special employment measures for 1979-80 which were designed to focus them more sharply on areas and groups with special employment needs and to reduce public expenditure. The current programme of measures expires on 31 March and we have been reviewing the measures, again taking account of their cost-effectiveness, the particular groups most in need of assistance and what we can afford. We have reached the following decisions on the programme to operate in the year from 1 April 1980.

We have agreed to a proposal from the Manpower Services Commission to increase the size of the Youth Opportunities Programme from 210,000 entrants this year to 250-260,000 entrants in 1980-81, with the number of filled places increasing to 100-105,000. This expansion will provide further work experience and training opportunities for unemployed young people designed to improve their prospects of finding permanent jobs, and will enable the Commission to continue to operate under the programme their present under-takings for unemployed school-leavers and young people unemployed for 12 months or more.

We have also agreed to MSC proposals to maintain the Community Industry scheme for personally or socially disadvantaged unemployed young people at the current level of 6,000 filled places, and to maintain the

Special Temporary Employment Programme for long-term unemployed adults at 12-14,000 filled places, concentrated on Special Development Areas, Development Areas and designated inner city areas.

We have decided that the Small Firms Employment Subsidy, which is the least cost-effective of the special employment measures, should close for applications on 31 March 1980. The Temporary Short-Time Working Compensation Scheme, which re-imburses employers for up to six months for payments made to employees on short-time as an alternative to redundancy, will continue to operate throughout the country on the present basis.

We are extending for a further year the Job Release Scheme, which opens up vacancies for unemployed workers by enabling older workers to leave their jobs early. The scheme will continue to be open to women aged 59, but for men who are not disabled, the age of eligibility under the scheme will revert from 62 to 64. With this change it will not now be necessary to tax the allowance from April 1980 as the previous Government had planned; this also applies to all those who enter the scheme by 31 March this year. The allowance will, however, be increased to £45.50 for a married person with a dependent spouse with income of £10 or less a week and to £36 for all other applicants.

There will also be a special Job Release Scheme to enable disabled men to leave their jobs from the age of 60 as at present and to be replaced, wherever possible, by an unemployed disabled person. As the allowances for disabled men will be payable for more than one year they will be taxed, but will be further increased to maintain on average their value net of tax. The allowances will be £53 for a married man with a dependent spouse with income of £10 or less a week and £43 for other applicants.

All these changes to the Job Release Scheme will take effect from 6 April 1980 - the beginning of the next financial year.

We consider that this programme of measures will make an important contribution towards reducing unemployment and helping particularly hard-hit groups within a level of expenditure which we can afford. The impact of the measures on unemployment has increased during the present financial year and the new programme should maintain that increased impact over the year from 1 April.

THURSDAY 14 FEBRUARY 1980

STATEMENT BY RT HON JAMES PRIOR THE SECRETARY OF STATE FOR EMPLOYMENT
ON SPECIAL EMPLOYMENT MEASURES 1980-81

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Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Nick Sanders Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

14 February 1980

See Nick

Dictated 3-30 pm

SPECIAL EMPLOYMENT MEASURES 1980-81: ANNOUNCEMENT

The Secretary of State has decided on a new first paragraph to the statement, and I enclose a copy of the final version. The statement will be made today.

I am sending copies of this letter and enclosure to John Wiggins (Treasury), John Stevens (Chancellor of the Duchy of Lancaster's Office) Richard Prescott (Paymaster General's Office) Murdo Maclean (Chief Whip's Office) Godfrey Robson (Scottish Office), George Craig (Welsh Office) and Bernard Ingham (No 10).

*Yours sincerely
John Anderson.*

J ANDERSON
Private Secretary

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SPECIAL EMPLOYMENT MEASURES 1980-81:

STATEMENT

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We consider that this programme of measures will make an important contribution towards reducing unemployment and helping particularly hard-hit groups within a level of expenditure which we can afford. The impact of the measures on unemployment has increased during the present financial year and the new programme should maintain that increased impact over the year from 1 April.

14 FEB 1960



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Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Nick Sanders Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

PA 2
PRIME MINISTER
Mr Prier's statement

for tomorrow

MS
13/2

12 February 1980

Dear Nick

SPECIAL EMPLOYMENT MEASURES 1980-81: ANNOUNCEMENT

In your letter of 6 February, in reply to mine of 4 February to Tim Lankester, you asked to see the final draft of the Secretary of State's statement, which it has now been agreed should be made ...orally. This is enclosed. It is the same as that I circulated on 4 February. There were no comments then, and unless I hear to the contrary by noon tomorrow I will assume all is well on this score.

My Secretary of State is anxious to make the statement this week but we have not as yet managed to finalize a date with the Chancellor of the Duchy of Lancaster's office. We shall confirm the date as soon as we are able.

I am sending copies of this letter and enclosure to John Wiggins (Chancellor of the Exchequer's office), John Stevens (Chancellor of the Duchy's office), Richard Prescott (Paymaster General's Office), Murdo MacLean (Chief Whip's Office), Godfrey Robson (Scottish Office), George Craig (Welsh Office) and Bernard Ingham (No 10).

Yours sincerely
I A W Fair

I A W FAIR
Principal Private Secretary

Casey, Robert (John) [unclear]

[unclear]

[unclear]

[unclear]

[unclear]

11 FEB 1960



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SPECIAL EMPLOYMENT MEASURES 1980-81:
STATEMENT

We have completed the annual review of the special employment measures operated by my Department and the Manpower Services Commission and have reached the following decisions on the programme to operate in the year from 1 April 1980.

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the least cost-effective of the special employment measures, should close for applications on 31 March 1980. The Temporary Short-Time Working Compensation Scheme, which re-imburses employers for up to six months for payments made to employees on short-time as an alternative to redundancy, will continue to operate throughout the country on the present basis.

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File Maypower

SK

10 DOWNING STREET

From the Private Secretary

B/F 11 280

6 February 1980

**Special Employment Measures 1980-81:
Announcement**

The Prime Minister has seen your letter to Tim Lankester dated 4 February. She would be entirely content for your Secretary of State to make an oral statement on this subject. In due course we shall be glad to see the final draft of that statement, and to have confirmation of its date.

I am copying this letter to John Wiggins (HM Treasury), John Stevens (Chancellor of the Duchy of Lancaster's Office), Richard Prescott (Paymaster General's Office), Godfrey Robson (Scottish Office) and George Craig (Welsh Office).

N. J. SANDERS

Ian Fair, Esq.,
Department of Employment

CONFIDENTIAL

SP

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PRIME MINISTER

Mr Prior now wants to make this an oral statement on Thursday, since the announcement on the Bill is to be

~~ST JAMES'S SQUARE LONDON SW1A 1ER~~

~~Telephone Direct Line 01 213 6400~~

~~Switchboard 01 213 3000~~

CAXTON HOUSE
TOTHILL STREET
LONDON SW1H 9NA

Telephone: 01 213 6400

Switchboard: 01 213 3000

delayed. It is certainly oral statement material, and the Chancellor of the Duchy is in favour of an oral statement. Notwithstanding the difficulties of exposing Mr Prior to the opposition on Thursday, are you contact for him to make an

4 February 1980 oral statement on this subject then?

MS
5/2

Ahead out.

Tim Lankester Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

Dear Tim

SPECIAL EMPLOYMENT MEASURES 1980-81: ANNOUNCEMENT

Following Cabinet's discussion last Thursday on public expenditure (CC (80) 4th meeting) the Secretary of State proposes to make an announcement on special employment measures for 1980-81 by means of a written answer to a Parliamentary Question on Wednesday 6 February. I attach a draft of the question and answer.

The Secretary of State would be grateful for the agreement of the Prime Minister, the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster to the proposed course of action.

I am copying this letter to John Wiggins (Treasury), John Stevens (Chancellor of the Duchy of Lancaster's Office) and to Richard Prescott (Paymaster General's Office), Bernard Ingham (No 10), Godfrey Robson (Scottish Office) and George Craig (Welsh Office).

Yours sincerely
Ian Fair

I A W FAIR
Principal Private Secretary

SPECIAL EMPLOYMENT MEASURES 1980-81

PROPOSED ARRANGED PQ

- Q. To ask the Secretary of State for Employment whether he has completed the review of special employment measures for 1980 and whether he will make a statement.
- A. We have completed the annual review of the special employment measures operated by my Department and the Manpower Services Commission and have reached the following decisions on the programme to operate in the year from 1 April 1980.

We have agreed to a proposal from the Manpower Services Commission to increase the size of the Youth Opportunities Programme from 210,000 entrants this year to 250-260,000 entrants in 1980-81, with the number of filled places increasing to 100-¹⁰⁵~~150~~,000. This expansion will provide further work experience and training opportunities for unemployed young people designed to improve their prospects of finding permanent jobs, and will enable the Commission to continue to operate under the programme their present under-takings for unemployed school-leavers and young people unemployed for 12 months or more.

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FEB 5 1960



Note for file



10 DOWNING STREET

C(80)5 was
taken at Cabinet on

24-1-80 — see

L.C.A. on Econ Pol —

Public Expenditure Pt 7