

PREM 19/1569

PART pt 12 ends:-

CST to Lord President 30.7.85

PART 13 begins:-

S/S MAFF to S/S Employment 5.8.85

Cabinet / Cabinet Committee Documents

[illegible]

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed J. Gray

Date 27/2/2014

PREM Records Team

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.

Cmnd. 9482 – Education and Training for Young People.
Presented to Parliament by the Secretary of State for Education
and Science, Secretary of State Employment and the Minister
without Portfolio by Command of Her Majesty April 1985.
Published by HMSO. ISBN 0 10 194820 4

Signed J. Gray Date 27/2/2014

PREM Records Team



NBPM

AT 31/7

20

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
London
SW1A 2AT

30 July 1985

Stan Wilkie

INDUSTRIAL TRAINING BOARDS AND OVERSEAS TRAINING

I have seen Tom King's letter of 23 July seeking colleagues' views on the introduction of a short Bill to amend the 1982 Industrial Training Act in relation to certain activities of Industrial Training Boards involving the provision of training services to overseas customers. *will reg. if reg.*

Since no financial or manpower implications for the public sector are involved I am content with the proposed legislation.

Copies of this letter go to members of H, other Ministers in charge of Departments, the Prime Minister and Sir Robert Armstrong.

Yours man Peter

PETER REES





RA NOPA AT 30/7

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

30 July 1985

Dear Tom,

INDUSTRIAL TRAINING BOARDS

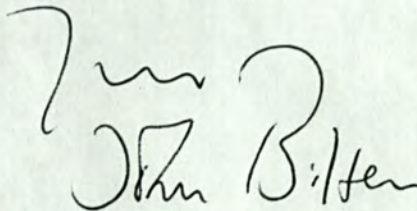
Thank you for sending me a copy of your letter of 23 July seeking agreement to legislation to restore the Board's power to provide training services to overseas customers.

Particularly in the light of the known views of the Opposition, I would be content to add this one to the list of handout Bills to be offered to Members successful in the ballot early next session. Instructions on the short and long titles should be sent to Parliamentary Counsel as soon as possible, and those on the full text should be ready before the Ballot.

As regards policy clearance, I understand that Willie Whitelaw would be content for you to proceed on the basis that you have H Committee clearance if no colleagues have raised objections by your deadline of 6 August.

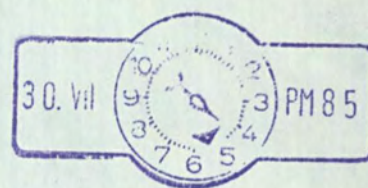
I am copying this letter to the Prime Minister, Willie Whitelaw, other members of H Committee, other Ministers in charge of Departments, First Parliamentary Counsel and Sir Robert Armstrong.

with AT/KF?



JOHN BIFFEN

Rt Hon Tom King MP
Secretary of State for Employment



NBPM
of 30/7



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

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

The Rt Hon Nicholas Edwards MP

30th July 1985

Don Udrie

INDUSTRIAL TRAINING BOARDS AND OVERSEAS TRAINING

I have seen Tom King's letter to you of 23 July about his proposal that ITBs should have powers restored to them to provide training for overseas customers.

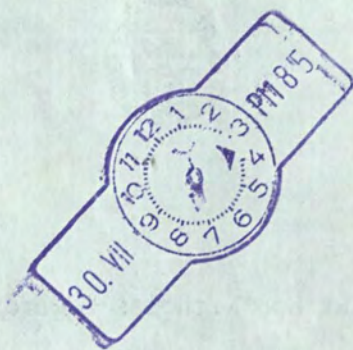
Con request if required

I have no objection to what is proposed.

/ I am copying this to Members of H Committee, other Ministers in charge of Departments, the Prime Minister and Sir Robert Armstrong.

John
Nick

The Rt Hon Viscount Whitelaw PC CH MC
Lord President of the Council





NDPM

ST 2317

CENTO

Caxton House Tothill Street London SW1H 9NF

6460

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1

23 July 1985

ENTERPRISE ALLOWANCE SCHEME

I have naturally always welcomed your support for EAS and its recent expansion, and like you I believe there is scope for further development.

As you say, one idea put forward in the annual review of employment measures was the intensive marketing of EAS on a pilot basis in a few areas in order to determine more clearly what potential there is for further expansion if the scheme were better known. I think this is a sensible idea and in the light of your letter, I am ready to ask MSC, who administer the scheme, to press ahead quickly with pilot schemes. We will not be able to get full results of these tests by September, but I hope we can get some feel for how things are going by then.

I certainly would not propose at this time any change in the level of the allowance, which I am sure we should keep at its present level for the time being. However I am sure that we should take this opportunity to reduce the qualifying period for the scheme from 13 to 8 weeks unemployment before we try out the more intensive marketing of the scheme proposed. Not only is such a change overdue in my view given the regular complaints of unemployed people kept idle waiting to become eligible, but it would provide an obvious focus for any marketing effort. I very much hope you will feel able to agree to the change.

CONFIDENTIAL



Obviously I will have to think very carefully about how the resources to fund an expansion of EAS might be found. I would not wish to expand EAS at the expense of places on other employment or training schemes. In particular, a cut back on the size of the Community Programme would be most undesirable in the light of the commitment we both gave to the figure of 100,000 for expansion in the last Budget. However, there may be scope for making the necessary adjustments and, if you agree, this might be considered with Treasury in our bilateral discussions in the early autumn.

One final point. If we are to succeed in stimulating demand for the scheme through increased marketing, we need to ensure that it retains a favourable public image. On this score we face one problem on which I hope you could help. The present tax treatment of EAS participants has led to complaints, which have some substance, that they can in effect be taxed three times over on the allowance. These complaints have begun to surface again, notably in a recent Sunday Times "Memo to Maggie". Alan Clark did raise the issue with John Moore last year. We appreciate it is a tricky one, but some easement would help ensure the scheme continues to receive a good press.

I am sending copies of this letter to the Prime Minister and to David Young.

2
—
K



PRIME MINISTER

Long-Term Unemployment

E(A)(85)49

BACKGROUND

1. You chaired a meeting of Ministers on 11 June to discuss ways in which Long-Term Unemployment could be reduced following concern in Cabinet about the co-existence of a high level of unemployment with a substantial number of job vacancies. The meeting concluded that:

(a) there should be no expansion of the Community Programme before the impact of the measures introduced in the Budget could be assessed, but that there should be further work to develop schemes to help the long-term unemployed under the aegis of charities and voluntary bodies;

(b) ways of providing incentives to the long term unemployed to seek jobs actively should be researched, including the idea of providing jobs on a "Benefit Plus" basis as a way of testing whether they are genuinely available for work;

(c) The Department of Health and Social Security (DHSS), the Department of Employment (DE) and the Treasury should develop schemes to combat fraud and to ensure that those receiving benefit were genuinely unemployed (including a re-examination of the manpower devoted to this); and

(d) research was to be commissioned into the nature of the black economy.

The Memorandum by the Secretary of State for Employment
FLAG.A. (E(A)(85)49) reports back on this remit.



CONFIDENTIAL

MAIN ISSUE

2. The main issue is whether the package of measures proposed by the Employment Secretary are an adequate response to the problem, and if so how are the manpower resources required to be found.

Measures to Help the Unemployed

3. In the Budget the Chancellor of the Exchequer announced:

(i) a substantial expansion of the Youth Training Scheme (YTS) offering places lasting two years;

(ii) an extra 100,000 Community Programme places for 18-24 year olds who had been unemployed for six months. In addition, there are new pilot schemes involving more projects sponsored by charities and the private sector.

These plus other related training measures will add £300 million to public expenditure in 1986/87 and £400 million in 1987/88.

Incentives to encourage the take-up of jobs

4. Measures to tackle long-term employment will be directed at three types of people:

(i) those who are prepared to accept work, but need encouragement to apply themselves to finding a job;

(ii) those who are content to live on supplementary benefit and are not actively seeking work - those "resting on the register";

(iii) those who are not genuinely available for work but are registered unemployed and claiming benefit fraudulently.



CONFIDENTIAL

5. The present arrangements for testing claimants' availability for work are not comprehensive. Following a Rayner scrutiny in 1981, the requirement that claimants must register with a job centre was removed, and they need only apply to DHSS fortnightly. This produced substantial staff savings. It was envisaged that all claimants between 18 and 50 who reached six months unemployment would be interviewed by an Unemployment Review Officer (URO), but with a rising case load and fall in the resources devoted to this activity, claimants are now seen only on a selective basis. It has been estimated that UROs achieved savings of £24 million in benefits, at a staff cost of £9.9 million. Mr King's first recommendation is therefore that a further 300 UROs should be employed in DHSS. When discussing Public Expenditure on 11 July the Cabinet recognised that there was a case for relaxing the policy on manpower constraints where the benefits of additional employment could be shown to exceed the costs involved, though Treasury Ministers are likely to argue that the case for this bid should be explored in the bilateral discussions. Even within existing resources - 556 man years - there may be scope for improving cost effectiveness by concentrating on areas where there are jobs available, particularly the south-east.

6. Mr King sets out in paragraph 7 a number of more minor proposals which might be implemented by the Manpower Services Commission (MSC): these are likely to be uncontroversial.

Drive Against Fraud

7. At present 3,000 staff in DHSS and DE are engaged in combating fraud. They save between 2 and 4 times the cost of employing them. A recent intensive anti-fraud drive by specialist teams indicated that there is a strong justification for expanding the present regional fraud teams. Mr King therefore proposes that 100 extra staff should be engaged on this work, at a cost of £1.7 million but likely to produce savings of £6½ million with 6,000 people removed from the unemployment count. Again Treasury Ministers will wish to consider this proposal during the bilateral discussions.

1,000



CONFIDENTIAL

A Benefit-Plus Programme

8. Mr King rejects the suggestion that the long term unemployed should be offered a financial incentive to find work through either an allowance or tax credit: this would not be cost effective because of the "deadweight" (ie many of the recipients would have found a job anyway). But under a "Benefit Plus" scheme the unemployed would be offered places on temporary work programmes, and would receive their benefit entitlement plus an additional cash sum - perhaps £20. Conversely, anyone who unreasonably refused a place would lose all or part of his or her benefit. The scheme would therefore test in a practical way whether claimants are genuinely available for work, as well as removing a number of people from the unemployment count.

9. Such a scheme would involve a change of approach from that which has been followed in relation to benefit entitlement in the past and there may be problems introducing it alongside the existing Community Programme. The Sub-Committee will therefore need to consider whether it is prepared to accept the principle of requiring the long term unemployed to accept places on a temporary work scheme. But if it is acceptable in principle, a Benefit-Plus scheme could well be more cost effective than the present community programme. If so, it is important that a scheme should be available to the Government as soon as possible, and certainly in time for the 1986 Budget so that if further action on long-term unemployment is necessary the most cost effective route can be adopted. You will therefore want to ask the Employment Secretary whether his approach, involving first a study by the University of Buckingham, would enable a pilot study to be mounted and assessed in time?



HANDLING

10. You will wish to invite the Employment Secretary to introduce his paper. The Social Services Secretary will wish to comment on DHSS aspects, including the proposals to increase manpower on URO. The Chancellor of the Exchequer will have views generally, on the potential advantages of a benefit plus scheme, and on Civil Service Manpower Constraints. The Minister without Portfolio and other members of the Committee will also have views.

CONCLUSIONS

11. You will wish to reach decisions on:

(i) what guidance should be given to the Chief Secretary in considering the bids for additional Unemployment Review Officers and staff for fraud detection;

(ii) what further work should be done on the possibility of introducing a benefit plus scheme;

(iii) whether the other elements of the package, including steps to be taken by the Manpower Services Commission and further studies of the black economy, should be approved.

J B UNWIN

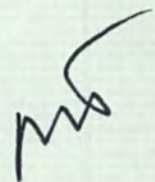
Cabinet Office

22 July 1985

19 July 1985

LONG-TERM UNEMPLOYMENT

Tom King's proposals are sensible:

- 
1. Increases in the number of Unemployment Review Officers and Department of Employment fraud staff will almost certainly produce net exchequer savings as well as lower unemployment figures. All the evidence from DHSS and Department of Employment points in this direction.
 2. The MSC should certainly co-operate more closely with the Unemployment Review Officers: this may slightly tarnish the MSC's reputation in some "progressive" quarters; but it should not do any serious damage, and there may well be a significant effect on the register.
 3. Mark Blaug may well come up with clever ideas about 'benefit-plus' and 'workfare'. But a time limit should be set for his report. You may want to press Tom King on this point.
 4. Other research commissioned by Department of Employment is unlikely to do any harm, though it may be inconclusive. But it should be made clear that this will be within Tom's present budget: willingness to pay is a good measure of the value of research.

Research into the black economy must attempt to establish what is happening on the ground. Purely statistical exercises such as those conducted by Patrick Minford's associates provide no guide for policy.

We recommend that you should endorse Tom's paper, but insist on a sensible time limit for Mark Blaug's study, and remind the Department of Employment that all research has to come out of their own budget.

Ol Letwin

OLIVER LETWIN

SP



MR M
15
11/7

Cemo

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

Rt Hon Tom King MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NF

11 July 1985

Dear Tom,

2-YEAR YTS

Because of the urgency, my Private Office conveyed by telephone my agreement with the announcement you made in the House on 1 July.

2. As Bryan Nicholson and you recognise, important features of the scheme remain to be settled, while the practical implications of what has been decided are unclear. We do not yet, for example, know whether sufficient of the programmes currently described as Mode B1 - training workshops and community programmes - will survive to meet geographical and social needs. I have read with interest Nicholas Edward's letter of 1 July and would simply add that our commitment to the voluntary sector in general and my own responsibility for the Youth Service in particular could be challenged if things went wrong. I note from separate correspondence that special arrangements are having to be considered for the valuable but very expensive ITECs.

3. More generally I would wish to emphasise the crucial importance of achieving recognised qualifications. This is not a matter of whether provision is made by FE Colleges, specialised training organisations such as Sight and Sound or companies producing normal goods and services; it is a matter of the existence of and above all the recognition by parents, trainees and employees that the YTS offers "real qualifications". We have in education experience of conceptually valid programmes, notably the Certificate of Secondary Education, failing to achieve widespread credibility. The Commission's report attached to Bryan Nicholson's letter of 27 June shows that while the one-year YTS already represents a significant advance on what went before, a great deal remains to be done.

4. My particular concern is with the relationship between what is done for the 2-year YTS and the Review of Vocational Qualifications

Continued.....

chaired by Oscar de Ville. I recognise that the 2-year YTS has to be launched before the Review can complete its work, but it is crucial to avoid necessary arrangements for the early stages of the 2-year YTS pre-empting vital decisions affecting the national structure of vocational qualifications. I understand that at present the relationship between proposals made for the certification of the 2-year YTS and the work of the Review of Vocational Qualifications are less than clear. Urgent discussions are being undertaken by officials, and I am sure that an appropriate solution will be found. Its major ingredient is likely to be entirely consistent with the approach of the Commission's report: that there will have to be a fairly lengthy process of moving towards the complete "model" of high quality 2-year YTS. From the very beginning young people will be able to work towards qualifications, but substantive arrangements will depend on the outcome of the Review of Vocational Qualifications.

5. I am sending copies of this letter to the Prime Minister, other members of (E)A, the Lord President, the Home Secretary, the Secretary of State for Social Services, the Paymaster General, the Chief Whip and the Cabinet Secretary.

Com. con.

Kear



NDPM

AT 817

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

5 July 1985

The Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1

A handwritten signature in dark ink, appearing to read 'Tom King'.

ENTERPRISE ALLOWANCE SCHEME

As you know I have been a supporter of the Enterprise Allowance scheme since its inception and agreed to a doubling of the scheme for 1985-86 compared with the original plans for 1984-85. I gather that take-up for the scheme has now increased to the planned level for 1985-86 with only limited marketing and I see from recent press reports that you have been drawing attention to its value.

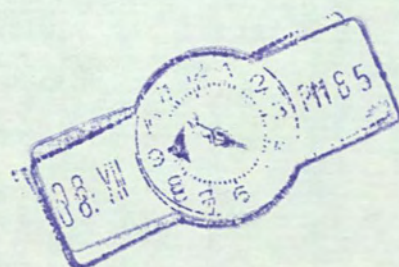
In view of the scheme's success and its emphasis on encouraging enterprise, I think it would be well worth considering the possibility of further promoting it. I understand the Manpower Group have discussed the possibility of setting up a limited number of pilot schemes to establish what form of marketing is most effective and what increase in take up would result from greater marketing. I hope these pilot schemes can be set up quickly to produce results by mid-September. We would then be in a position to decide whether to announce a new campaign to promote the Enterprise Allowance scheme at the Party Conference. What I have in mind is an increase in the scheme's cash limit, to meet the increased demand the campaign stimulated, of say £20m-£30m on a full year basis. This would, of course, be on the understanding that we kept the allowance at its present level and retained the scheme's existing rules. I do not detect any signs that it is currently failing to provide a sufficient incentive; simply that its existence is not widely enough known.

However, in view of the very difficult problems we face on public expenditure, I am afraid I can only agree to an expansion if you can find offsetting savings from policy changes within the Community Programme or from elsewhere within your programme. Nevertheless, bearing in mind the significant fall in the net cost per job under the Enterprise Allowance scheme taken over a two year period and given the importance we both attach to encouraging enterprise, I very much hope it will be possible to divert the limited resources necessary to allow for a further expansion.

Copies of this letter go to the Prime Minister and to David Young.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON



Jeremy Corbyn]

the High Court decision and the fate of the other Tamil asylum seekers at present living in Britain and who have some concern about their future?

Mr. Speaker: I have had no notification of a statement, but I do know that there are to be Home Office questions on Thursday.

Youth Training Scheme

3.37 pm

The Secretary of State for Employment (Mr. Tom King): With permission, Mr. Speaker, I would like to make a statement on youth training.

My right hon. Friend the Chancellor of the Exchequer announced in his Budget statement that he was making extra resources available which could fund a two-year youth training scheme. On the same day I asked the Manpower Services Commission to consult and develop proposals for such a scheme to start from 1 April next year and to report to me in three months.

On 27 June the commission, which includes representatives from the CBI, local authorities, education interests and the TUC, unanimously approved proposals for the two-year scheme. The chairman immediately submitted these to me and asked for the earliest possible approval.

I am pleased to inform the House that I have now approved the broad framework of these proposals and I have today authorised the commission to proceed with implementation, within the resource levels previously announced and on the planned date of 1 April.

The proposals represent a major step forward in improving the opportunities for young people both in training, and work experience. The scheme will give broad-based training in the first year, with a greater emphasis on more specific training in the second year, with the opportunity for all to obtain a vocational qualification. This will be building on the foundations laid by the current youth training scheme, which more than three quarters of a million young people have entered so far. The youth training scheme has opened new horizons for young people and employers and has brought home to many the contribution which training can make to improving employability and productivity. I pay tribute to the work of all the individuals and organisations who have played their part in the development of the one-year youth training scheme.

The main features of the new scheme will be as follows:

There will be a quality training programme leading to vocational qualifications and there will be at least 20 weeks off-the-job training over two years. In addition to a planned programme of on-the-job training and work experience. There will be two years' training for 16-year-old school leavers and one year for 17-year-old school leavers.

There will be a training agreement between the trainee and those responsible for his training setting out their respective rights and responsibilities, including the detail of each young person's training programme.

From April 1987, only approved training organisations will be able to take part, after they have satisfied criteria drawn up by the Manpower Services Commission, and a new training standards advisory service will be set up to monitor the quality of the training provided. Trainees will be paid an allowance of £27.30 per week in the first year and £35 per week in the second year.

A basic grant of £160 per month will be payable in respect of each trainee to his training provider. There will be a managing agent's fee of £110 per annum.

We recognise the special needs of some areas and some young people who may find it difficult to find employer-based training places and it is proposed that a premium payment of £110 per month per trainee will be paid in such cases to those providing alternative training.

In approving that broad framework I have approved an increase in the existing trainee allowance to £27.30 with effect from the beginning of September this year, as recommended by the commission.

Under the new scheme, up to 200,000 more young people will be in training than under the existing youth training scheme, bringing the total to over half a million in training at any one time. This will mean a major improvement in the opportunities for training and work experience for our young people and one that will become a permanent and essential feature of vocational education and training provision in this country.

Mr. John Evans (St. Helens, North): Will the Secretary of State acknowledge that there is no mention of a new training inspectorate in the version of the statement that I have received, and that it is unfair to make such an announcement when the Opposition spokesman has not been notified of it?

Will the right hon. Gentleman acknowledge that the backdrop to his announcement is that there are almost 1.25 million unemployed under-25-year-olds and that about 300,000 people under the age of 25 have not had a job since leaving school, that young people have borne the brunt of the Tory Government's social security cuts—including the loss of board and lodging allowance after a few weeks in one town—and that there is a near certainty that young people are about to have the flimsy protection of the wages councils removed? In other words, young people are facing a crisis as a result of the Government's actions.

Will the Secretary of State acknowledge that, despite the Government's massive propaganda exercise, the customers of the YTS—the youngsters—do not believe that they will receive that which they most desire, which is full-time permanent employment, at the end of the scheme? Does he further acknowledge that YTS is no longer about providing a permanent bridge between school and work, to use the fine words that were used when the scheme was launched four years ago, but is more a gangway to the dole queue for about one third of the youngsters, who fail to obtain a job when they complete their scheme?

Will the Secretary of State confirm that, despite all his assurances about no job substitution, one undesirable spin-off from the YTS has been a dramatic reduction in apprenticeships, and that a one-year or even a two-year scheme is not a proper replacement for a well planned three or four-year apprenticeship scheme as organised by the engineering industry training board? The collapse of apprenticeships over the past five years has resulted in the skill shortages about which the Secretary of State now complains. Will he confirm that many employers are showing a marked reluctance to become involved in a two-year scheme unless there is a substantial increase in Government money for them.

Is the right hon. Gentleman aware that parents, trade unionists and the Labour party are not satisfied that enough effort has been put into health and safety cover for youngsters on YTS? Far too many youngsters are suffering unnecessary accidents. Will he try to improve the involvement in YTS of the Health and Safety Executive?

Does the right hon. Gentleman agree that the allowances that he has announced are a scandal and that the Labour Government paid an allowance which would be £37 a week at today's prices? That should be compared with the Government's proposed £27.30 for the first year and £35 for the second. Do the Government have any plans ever to pay young trainees a fair allowance?

Is the right hon. Gentleman aware that the Labour party would welcome a comprehensive two-year training scheme for young people which included an education allowance which allowed academically gifted youngsters from poorer homes to remain in higher education, which would guarantee employment for the vast majority of youngsters at the scheme's end? It is obvious that the nation will have to wait for a Labour Government, who will expand the economy and get the country moving again, before such a scheme can be put into operation.

Mr. King: I do not think that I am the only hon. Member who regarded that as an extraordinarily sour response to an announcement which is extremely good news for all youngsters coming out of school, as it will improve their prospects. It is especially sour as it comes from the spokesman of a party which considered introducing such a scheme and then refused to approve it and was not prepared to put forward the necessary funds. Instead, Labour introduced the youth opportunities programme, which had no training content and offered nothing like the prospects for the future that our scheme offers.

When I listen to the sour attempts of the hon. Member for St. Helens, North (Mr. Evans) and some of his colleagues to score party political points, I am much more impressed with the attitude of the TUC, which has unanimously supported these proposals. I take comfort not from the hon. Gentleman's statement but from the comments of young people on YTS. All the evidence shows that there is increasing support for the scheme and increasing recognition of what it does. As from next year, every 16-year-old school leaver will be assured of two years of good training and work experience. Every parent should know that too. The country has never previously been able to offer that assurance, but we are determined to achieve it.

Mr. Andrew Rowe (Mid-Kent): Is my right hon. Friend aware that this development is widely welcomed? In view of the extraordinary farrago of nonsense that we have just heard from the hon. Member for St. Helens, North (Mr. Evans), it is worth observing that, when the engineering industry training board came to see some of us the other day it said that it wanted to shorten apprenticeships, not to four years, but to about two and a half years. It is nonsense for the Opposition to claim that the earlier scheme offered by that training board is better than what is now proposed.

Mr. King: I think that the hon. Member for St. Helens, North is involved in the engineering industry, and his comments about apprenticeships were those of the old world, which offered that type of training. We do not want a limited number of people attending schemes on a time-serving basis, or access for only one age group. We want to open training, if possible to all ages, but certainly to widen opportunities for young people. We want training that is based on the achievement of standards, rather than on time serving. That is the modern approach, and what the TUC supports. I am delighted to have that support.

Mr. Ron Leighton (Newham, North-East): Is the Secretary of State aware that he has a great responsibility to get this right, as many trainees already do not stay the whole of the first year, and therefore the second year must be a big improvement on the first? Many employers are

[Mr. Ron Leighton]

not sure that they can keep trainees interested for two years, so schemes must be improved and more must be put into them. The Government are not putting in enough money. They are trying to get the scheme on the cheap. The Government are trying to get two years for the price of one. If they are really concerned, they should be willing to put in the money.

Is the right hon. Gentleman aware that the level of allowances that he has announced is not high enough, and that part of maturing to adulthood is having one's own money and using it? Is he further aware that what we need is a proper inquiry into the funding of a proper scheme?

Mr. King: I appreciate the hon. Gentleman's more moderate and constructive approach, in relative terms. I know of his interest, as Chairman of the Select Committee, which also has taken an interest in the YTS. The hon. Gentleman will recognise that we are looking to employers for a major contribution in the launching of the new scheme. In looking at the finances required, it is not sufficient to look just at the Government's contribution. The scheme is based very much on employers, who recognise its value, making their contribution as well. The hon. Gentleman said that he was looking for improvement. I pay tribute to my predecessors who launched the scheme. It is a remarkable achievement, but we are continually looking for improvement. We shall certainly look to the second year to make a greater improvement in the quality of the scheme.

Mr. Michael Howard (Folkestone and Hythe): Will my right hon. Friend confirm that, contrary to the assertions of the hon. Member for St. Helens, North (Mr. Evans), the scheme has in fact proved an effective route to long-term employment for young people? Can my right hon. Friend give the House the latest figures for the percentage of those who, on leaving the scheme, continue in employment or further education?

Mr. Evans: The figure is 48 per cent.

Mr. King: I am glad to have that piece of heckling from the hon. Gentleman, so that I can correct the totally erroneous figure that he has given. He quoted a figure of 48 per cent., which happens to be a small sample of a few trainees in October. In response to my hon. and learned Friend the Member for Folkestone and Hythe (Mr. Howard), the overall figure for those going on to full-time jobs or going back to further education or training is about 70 per cent.

Mr. David Alton (Liverpool, Mossley Hill): I give the Secretary of State's announcement a qualified welcome. Will he also tell the House the number of people who are dropping out of the scheme in any given month? One figure that was suggested was 56 per cent. for one month. Will the right hon. Gentleman do anything to implement the proposals of the Manpower Services Commission for improving the quality of some of the schemes concerned? Has he repudiated entirely the suggestion made by the Secretary of State for Trade and Industry that people who are involved in these schemes might lose their supplementary benefit?

Mr. King: The position has been made absolutely clear by myself, by the Prime Minister and by everybody else concerned. We have no proposals on that matter. The hon.

Gentleman sought to discuss the number dropping out of the scheme. I hope he will recognise that a number of the so-called drop-outs go off into full-time employment and take jobs elsewhere. I do not regard that in any way as a failure. We intend the scheme to give youngsters a good start in life. Some respond more quickly than others. Some find that they can go out and get other jobs that may reward them better. I do not regard that as disappointment. We want to give all the youngsters a better start in life. In considering these matters the House should recognise the real achievement that has been made. I pay tribute to the commission and the work that it has done in putting forward the proposals. It is a challenge. It will not be easy to meet it. I am grateful for all the work that has been done by the commission and by all the staff in bringing forward the proposals.

Mr. James Couchman (Gillingham): Is my right hon. Friend aware that today's announcement will be much welcomed in my constituency which has high unemployment for the south-east of England and where there has been a dramatic loss of apprenticeships over recent years? Is he further aware that I have one of the excellent ITECs in my constituency? Can he offer any hope that he will extend the courses provided by these excellent colleges for youngsters who are similarly qualified to those going on YTS? Will there be any hope of a vocational qualification at the end of a possible two-year ITEC course?

Mr. King: As my hon. Friend said, ITECs have been a considerable success. Indeed, I visited two schemes—one in Glasgow and the other in Cumbernauld, which are both areas of significant unemployment. The managers reported that they were placing more than 90 per cent. of the youngsters in full-time jobs at the end of their ITEC courses. We are studying ITECs in particular, because this announcement does not cover them. Further study is being made to ensure that ITECs can continue effectively under the two-year scheme.

Mr. Andrew F. Bennett (Denton and Reddish): Does the Secretary of State want to attract people from full-time education to YTS courses? Is he aware that during the past two years the number of youngsters staying on in education has declined, almost certainly because of the attractions of the YTS training allowance? Would it not be a good idea to treat those who remain in education and those who attend YTS in the same way for the purpose of allowances?

Mr. King: I notice that the hon. Gentleman and his hon. Friends are making bizarre proposals, which will be fairly expensive, if allowances are paid to those in full-time education and to those in YTS. We believe that it is right and fair to pay a training allowance. We have also made it clear that we are determined to ensure that it remains a high quality training scheme and to improve its quality. Therefore, I make no apologies if we moderate the training allowance in the interests of maintaining the quality of training on the scheme. That is overwhelmingly in the long-term interests of all youngsters on the scheme.

Mr. David Madel (Bedfordshire, South-West): As more people will be needed to train young people in this scheme, can my right hon. Friend confirm that a big effort will be made by the Manpower Services Commission and employers to recruit people from among the skilled

unemployed to help with training in the scheme, which, among other things, would reduce the level of unemployment?

Mr. King: I am grateful to my hon. Friend for his comment. Perhaps I should emphasise that to launch a two-year YTS is a major challenge. It will be a major challenge to ensure that we have the places available and the staff to man the scheme. The role of employers will be significant, but, in view of their tremendous support for the one-year training scheme, I am confident that they will recognise both the challenge and the opportunity that this expansion of training will bring.

Mr. Eric Deakins (Walthamstow): Is not the DHSS policy on board and lodging allowances completely at odds with the policy which the Secretary of State has announced today? If young people cannot get a job locally now, unlike previously, they will not be able to get a job anywhere.

Mr. King: I do not follow the logic of that argument. We are determined to ensure both that training is available and that opportunities exist locally. I am not, therefore, sure what the hon. Gentleman's point is.

Mr. Robin Squire (Hornchurch): I congratulate my right hon. Friend unreservedly on his announcement today. In the light of the sustained and co-ordinated Marxist-led campaign against YTS, which this afternoon has unfortunately found an echo on the Labour party Front Bench, will my right hon. Friend redouble his efforts to ensure that the picture that is accurately projected is that of the vast majority of YTS trainees, who have found employment and also enjoyed the experience?

Mr. King: I am grateful to my hon. Friend for his comment. It is a little depressing that the Labour party, which used to criticise the one-year training scheme and say that it should be a two-year training scheme, still cannot find it in its heart to make anything other than sour and grudging comments when we produce fully costed proposals, make the resources available and give the scheme the priority that it needs. I would have thought that this was one issue on which the House could have united.

Mr. Derek Foster (Bishop Auckland): Will the Secretary of State admit that the numbers leaving YTS to go into work vary substantially throughout the country? In the north of England, for example, the figure can be as low as 30 per cent., and not 70 per cent. as is claimed. What will the Secretary of State do about that? What will he do in county Durham, where we cannot find sufficient employers to provide the scheme that he wishes?

Mr. King: The hon. Gentleman will notice that in my statement I referred to the way in which we shall fund schemes where there is a shortage of employer-based schemes. I recognise that the percentage of those who go into full-time employment varies up and down the country. That does not happen in the construction industry training board scheme. I saw some people from Durham and the north-east on an extremely successful course there, after which more than 90 per cent. find full time jobs. That variation does not occur with other training board schemes, either. We are determined to improve the chances of youngsters finding full-time work. The hon. Gentleman would be the first to say that YTS does that for youngsters. Those who have been on a scheme are much more likely to have the chance of a job.

Several Hon. Members rose—

Mr. Speaker: Order. I have to bear in mind that today is an important private Members' day, but I will allow questions to continue for a further 10 minutes, making a full half hour for Back Benchers.

Mr. Tony Baldry (Banbury): Will my right hon. Friend confirm that a two-year YTS has nothing to do with fiddling the figures, exploitation or any of the usual destructive criticisms made by the Opposition, and has everything to do with ensuring a constructive vocational and voluntary training scheme which will lead to high quality qualifications? Does he agree that the Treasury support of £3,800 per trainee bears interesting comparison with the £3,600 in West Germany, the only difference being that in West Germany every penny is paid by the employers? Is it not time that all employers in this country began to look on training, not as an on cost, but as a valuable investment in their future?

Mr. King: As my hon. Friend has said, our financial commitment to the scheme is substantial. This development of the scheme certainly puts greater responsibility on employers, but I am confident that they will respond to the challenge. Everyone who has worked with the scheme recognises that although there may be variations in the terms and arrangements the scheme is here to stay. It is a major and fundamental improvement to the opportunities for young people in this country and we are determined to make it work.

Mr. Robert MacLennan (Caithness and Sutherland): I wholly welcome any expansion of the youth training scheme, which cannot guarantee employment, but which makes the prospect of a job much more likely. What steps is the Minister taking to ensure that in areas of high unemployment, especially the sparsely populated areas of Scotland, where employers are most hard-pressed to find places, the Government will do their utmost to ensure that the approved training organisations are not handicapped by a lack of response from employers?

Mr. King: As I have said, I have agreed with my right hon. Friend the Chancellor the amount of Government resources to be made available for the scheme, but the scheme depends on a partnership with employers and other providers of training. The record so far is good. There was the great success of ensuring that we met the guarantee that every 16-year-old leaving school and wanting a place on the scheme could be offered a place. We intend to carry that forward to try to meet the needs and aspirations of all young people in this respect.

Mr. Michael Colvin (Romsey and Waterside): In the recent defence debate anxiety was expressed about the difficulty of finding British crews to man ships flagged out and manned by foreign crews when requisitioned in case of hostilities. Will my right hon. Friend use his good offices to try to persuade ship owners to be more constructive and to offer more YTS places? Does he agree that a year ashore and a year at sea could begin to establish a Merchant Navy reserve which could serve this country well in times of hostilities? As this will require instructors, will my right hon. Friend consider extending job release arrangements so that men with lifelong experience and skills in industry and the armed forces taking early retirement will be available to become instructors in the youth training scheme?

Mr. King: I have consulted the greatest living authority on the youth training scheme, my hon. Friend the Minister of State, who is sitting beside me, but neither of us can answer off the cuff in relation to merchant shipping. I shall look into the matter and write to my hon. Friend.

Mr. Harry Cohen (Leyton): Does the Minister agree that 4 per cent. is a miserly increase and that the original £25 allowance was too low in the first place? How can youngsters be expected to build an independent life on £27.30? Would Conservative Members expect their children to be able to do so? Is it not true that there are no real jobs for young people at the end of the scheme?

Mr. King: The hon. Gentleman's last comment was a characteristic piece of rubbish and shows that he had not been listening to the earlier exchanges. The resources that we have made available and to which we have given priority are limited. It is our responsibility to determine the balance between the funds going into the value of the training and those going into the training allowance. Given that many of these youngsters' contemporaries are still in full-time education and receiving no resources at all, the balance that we have struck does not seem unfair. In the past two years we have sought to raise the allowance a little, but I think that we have struck a fair balance and that the resources that we have made available will be widely welcomed by young people.

Mr. Gerald Malone (Aberdeen, South): Does my right hon. Friend agree that it is important that the schemes concentrate on practical, technical skills? Is he aware that the Tullis training centre in my constituency, which does just that, achieved a 93 per cent. success rate in finding employment for the young people last year and hopes to better that record this year? As for providing incentives to improve take-up, could not the incentive scheme be extended to the Opposition? Perhaps more of them would then turn up to debate these matters.

Mr. King: I was most interested to hear of my hon. Friend's experience of the scheme in his area when I was there last Saturday. There is no doubt that there are now some outstanding schemes with exceptional records, going as high as 100 per cent., in placing young people in full-time jobs. The average, however, is still not as high as we should like. The challenge that we face is to bring all the schemes up to the standard of the best.

Mr. Gordon Brown (Dunfermline, East): Given that the credibility of the scheme rests on the proportion of young people who go into real jobs afterwards, will the Minister stop quoting anecdotes and minor surveys and give reliable figures about how many young people actually find jobs? As the outstanding feature in West Germany is that 10 times as many young people gain recognised qualifications, will he tell us how many young people in this country will gain recognised qualifications as a result of the scheme, and how many employers will be involved?

Mr. King: I am surprised at the hon. Gentleman, as I thought that he took a reasonably close and intelligent interest in these matters. We are continuing to monitor the outcome of the scheme. Figures are published every month and they are available in the Library if the hon. Gentleman wishes to consult them. We are anxious to get the fullest possible picture. As for anecdotes, I referred to the construction training board, which had about 17,000

trainees last year and a success rate of more than 90 per cent. in placing those youngsters in jobs. I do not regard that as an anecdote. It is a very significant sample.

Mr. Roger Gale (Thanet, North): Does my right hon. Friend agree that the qualifications available through the YTS are likely to be of greater value than the sweat shirts, teacups and other gimmickry offered by the Labour party last week? Will he do all in his power to market the value of the qualifications, so that young people are not discouraged by the utterly negative attitude of the Labour party?

Mr. King: One of the most exciting aspects of the scheme, on which I am not yet able to advise the House further, is the work being done to integrate the qualifications available at the end of the scheme. As I said in my statement, we aim to give all young people in the scheme the opportunity to achieve a qualification. Intensive work is being done to try to integrate the qualifications with those of the City and Guilds, the Royal Society of Arts, the Business and Technician Education Council and other qualification-granting bodies, to ensure that young people achieve the first step on the ladder which can take them on to further qualifications.

Mr. Kenneth Carlisle (Lincoln): Is my right hon. Friend aware that in Lincolnshire 88 per cent. of those who were on the scheme in the first year have now found work or further training? He mentioned the quality of training in the second year. That is a good aim, but we must work extremely hard to achieve it. How will we make sure that the quality of that training really is up to a second year?

Mr. King: Having given my approval today to the broad framework, the detailed work will now proceed following an intensive round of discussions with all those concerned — educationists, training providers and employers — to ensure that the second year of YTS meets all our expectations.

Mr. Hugh Dykes (Harrow, East): Will my right hon. Friend dismiss, ignore and forget the disgruntled and bitter comments of the Opposition and their supporters on the extent of the scheme, which is widely welcomed by all parts of society? Does he agree that in certain sectors, such as retail, there are still substantial anxieties about the validity, content and depth of the second year? Will he ask the MSC to have discussions with the retail industry to see what will go into the second year content?

Mr. King: I recognise that concern has been expressed about the retail sector. A colleague commented that while in this country I can be asked whether we can justify a second year of training, if I were a German Minister I would be asked why we have fewer than three years training. One of our greatest ambitions is to get a better understanding of the value of training and to make it applicable to every activity and occupation.

Mr. Evans: The Secretary of State injected into his announcement a comment about a new training inspectorate. What will the role of that body be? Can he assure us that it will be adequately funded and staffed to monitor the approved training organisations? May I make clear to the right hon. Gentleman and all of his hon. Friends that the Labour party would welcome a fully comprehensive two-year scheme to train young people, which is not what we have had today. What has been

announced today has more to do with massaging the unemployment figures prior to the next general election than with training young people.

Mr. King: It is difficult to choose between the hon. Gentleman's first and second contributions. That attempt somehow to retrieve some of the ground achieved by his pathetically sour initial intervention was not worth the effort. The training standards advisory service will in many ways be analogous, although not at all comparable, with Her Majesty's inspectorate in the schools. In other words, it will examine and monitor the performance of the training providers to ensure that training standards are kept up to scratch. I am sure that the hon. Gentleman will support that. If the new service is to do that, we are determined to give it the resources to do a proper job.

BUSINESS OF THE HOUSE

Ordered,

That in respect of the Further Education Bill [*Lords*], if the Bill be committed to a Committee of the whole House, further proceedings on the Bill shall stand postponed and that as soon as the proceedings on any Money Resolution come to by the House in relation to the Bill have been concluded, this House will immediately resolve itself into a Committee on the Bill.—
[*Mr. Neubert.*]

Housing

4.12 pm

Mr. David Winnick (Walsall, North): I beg to move,

That this House deplores the Government's very substantial reduction in housing public expenditure which has occurred in the past five years, and which has resulted in considerable hardship and indeed misery for so many unable to be offered rented accommodation; also recognises that much essential improvement and major repair work cannot be undertaken by local authorities, or owner-occupiers on limited means because of the cuts; and calls on the Government to reverse its disastrous housing financial policies and to allow local authorities and the voluntary sector the means to build the necessary accommodation as well as allowing urgent improvement work to be carried out in both the public and private sectors.

This debate takes place against the background of an acute housing crisis. A large number of families and single people are now without adequate and secure accommodation, and many are forced to live in substandard housing and often overcrowded conditions. Homelessness is continually increasing.

In London alone, bed and breakfast accommodation is costing the boroughs £1 million a month—a sum that would be sufficient to pay off loan charges on 3,000 new council dwellings. In England and Wales, 1.25 million homes are now unfit for human habitation, and 1 million homes lack one or more basic amenities such as an inside toilet, bath or hot water. Across the country 2.5 million homes are seriously affected by damp, and 3 million homes each require immediate repairs that will cost £2,500 or more.

Between 1979-80 and 1985-86—the current financial year—there has been a 68 per cent. reduction in real terms in housing public expenditure, from £4,522 million to £1,431 million. The figures for central Government subsidies to local authority housing show that in 1980-81—a year after this Administration came into office—the amount spent was £1,423 million. In the current financial year, it is just £400 million, a reduction of more than £1,000 million. Those figures explain why there is now a housing crisis and so much housing hardship and misery, so much of which stems from the lack of rented accommodation.

Ministers are fond of saying—we shall no doubt hear the same today—that cuts took place under the previous Labour Government. I do not deny that. There were cuts, of some of which I would not approve. It is unfortunate that the housing programme was adversely affected during the last two or three years of the previous Administration, but when one should compare those cuts with the cuts made under the present Government, there can be no doubt that the present cuts go much much deeper. Moreover, they are part of the philosophy adopted by the Government towards public sector housing.

I have accepted that there were cuts under the previous Labour Government, but it is interesting to note that in 1978—the last full year of that Government—the number of new public sector starts was more than 107,000.

Mr. Terry Dicks (Hayes and Harlington): Will the hon. Gentleman give way?

Mr. Winnick: Not yet. Perhaps the hon. Gentleman will allow me to continue for a while longer, especially as a number of hon. Members wish to take part. I shall give way, but not at the moment.

The number of new council dwellings started last year was the lowest in peacetime—39,500. However, the

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel: 01-233 3000 (Switsfwrdd)
01-233 3300 (Llinell Union)

Oddi wrth y Gweinidog Gwladol

CT/7576/85



N 180m
cc 10
AT 3/7
WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel: 01-233 3000 (Switchboard)
01-233 3300 (Direct Line)

From The Minister of State

| July 1985

Dear Tom,

TWO YEAR YTS

I refer to your letter of 27 June.

In broad terms the proposals from the MSC look good and I accept the case for an early announcement. I am therefore content with the terms of what you propose to say subject, however, to one important point.

Nowhere in the documentation produced by the MSC (or anyone else) are there any exemplifications or other means of assessing the effects of the proposed arrangements or different types of existing sponsors.

My own concern is with Mode B1 type schemes without which, in certain parts of Wales (and, I suspect, parts of England too) the existing YTS could not be delivered let alone an expanded scheme. I note that the Commission report indicates that they share this concern. The new financial regime proposes a level of funding (£270 per month maximum) which is close to the current average Mode B1 cost and does not make allowance for the costs of empty or vacated places. We do not, I understand, know what the range of Mode B1 costs is and so may find ourselves with some of the more expensive schemes in danger. We do not know how many of these schemes there are nor whether they are good and efficient schemes whose costs are, or are not, reasonable. I do know, however, that if good schemes, possibly for very needy youngsters in areas where adequate alternatives simply do not exist, are unable to survive the new regime, we and the new YTS will be in trouble.

To put balance into the picture, I do not, on the other hand, know how many (if any) Mode B1 providers might make a profit at £270 per month.

/I note that

Rt Hon Tom King MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON

Manpower SEM A12.



I note that ITeCs are to be looked at separately and welcome that. I also note that whatever we do has to be accommodated within the available and agreed public expenditure envelope. I note and welcome the fact that we acknowledge the need for further detailed work on a number of aspects of the proposal. I would ask, however, that we give high priority in this work to the task of establishing whether we do indeed have a problem over Mode B1 type schemes and whether action is needed - be it a change in the proposed arrangements or simply some transitional provision as the report suggests. My own preference would be for flexibility and local discretion - within an overall limit. If the terms of our response to the Commission's proposals can be constructed in such a way as to allow us to do that at a later stage if necessary, I think we could insure ourselves against potentially serious difficulties.

Subject to that point however I welcome and endorse all the other principles around which the new scheme is designed.

I am copying this to the Prime Minister, other members of E(A), Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

Yours ever,
John.

JOHN STRADLING THOMAS

DA



10 DOWNING STREET

From the Private Secretary

1 July 1985

bc OL

Dear David,

2 YEAR YTS

The Prime Minister has seen your Secretary of State's letter of 27 June to the Chancellor of the Exchequer. Subject to the views of colleagues she is content with the scheme which the MSC have negotiated. She has commented that the draft statement makes no reference to the fact that employers are meeting part of the costs of expanding the scheme.

I am copying this letter to Private Secretaries to members of E(A), and to Joan MacNaughton (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

(Andrew Turnbull)

David Normington, Esq.,
Department of Employment.

dh

FILE	CC	MWP	LPSO	CO
		HMT	DTI	CWO
		NIO	CAL	AGO
		D/N	MAFF	DHSS
		SO	CDO	DES
		WO	DOT	HO
		DOE	AGO	WFO

010

N B/M

AT 1/2



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London SW1H 9NF

30 June 1985

2 YEAR YTS

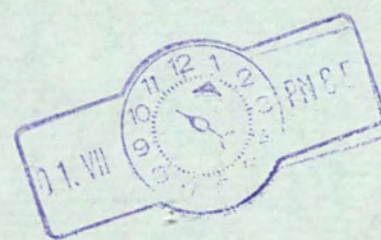
will request if required

Thank you for sending me a copy of your letter of 27 June to Nigel Lawson seeking clearance for your proposed statement.

My interest, of course, spans the agriculture and fisheries industries and the food manufacturing and distribution sectors. I have only two points to make neither of which affects the text of the statement. The first is that my Department is looking actively at the possibility for tailoring arrangements to the special needs and circumstances of rural communities. The second is that I assume among the interests consulted are those of the retailers grouped under the Retail Consortium, which is not a member of the CBI. This sector, and especially the multiple food retailers, should offer a significant number of training places under the scheme.

Copies of this letter go to the Prime Minister, other members of E(A), and to the Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

MICHAEL JOPLING





NBPM

AT

1/7

CCMO

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

28 June 1985

The Rt. Hon. Tom King MP
Secretary of State for Employment

Dear Secretary of State,

TWO YEAR YTS

will revert if req.

Thank you for your letter of 27 June.

I am very pleased that the Manpower Services Commission has been able to put forward proposals which have the unanimous agreement of the different interests on the Commission. I welcome your assurance that the proposals are deliverable and will be contained within the resources made available in the Budget.

As to deliverability, we will clearly need a major campaign to persuade employers to provide the necessary number of places. I imagine you are already thinking how this can be done most effectively. As to cost, there can of course be no question of providing additional resources.

On that basis, I am content that you should make a statement on Monday saying that you are agreeing to the broad framework of the proposals.

As far as guarantees are concerned, I agree that it is essential not to go beyond the line set out in the White Paper on Education and Training for Young People. Given the inevitable uncertainties, I would prefer to avoid any reference to the number of places in your statement, though you may well want to reiterate our general aim of providing in due course an offer of a two year place for all unemployed 16 year olds and a 1 year place for all unemployed 17 year olds. I recognise that you may have to provide the estimate of up to 600,000 places, in answer to questions.

Finally, I am prepared to accept an increase in the YTS allowance to £27.30 from September this year on the clear understanding that savings are found from elsewhere within your existing provision if expenditure on the YTS should exceed the provision for 1985-86.

I am sending a copy of this letter to the Prime Minister, other members of EA and to the Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

*Yours sincerely
Nigel Lawson*

NIGEL LAWSON

(Approved by the Chancellor and signed in his absence)



The Rt Hon Tom King MP
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NF

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU
TELEPHONE: 01-233 3000

28 June 1985

Dear Tom,

2 YEAR YTS

Thank you for sending George Younger a copy of your letter to Nigel Lawson of yesterday.

George and I are content with the terms of your proposed statement. In particular we agree with you that it is vital to say both in your statement and in any further instructions to the Commission that the public expenditure resources already allocated represent the limit to which the Government can go in funding the Scheme.

We are glad to note too the well deserved tribute you will be paying to the Commission and its staff in producing so comprehensive and detailed a scheme within the tight specification they were given.

The Commission indicates in its report that it intends to give further consideration to the off-the-job training requirement of 17 year old entrants to the Scheme. It will be particularly important in doing so for account to be taken of the position of Scottish youngsters who enter the Scheme at that age in possession of SCE Higher grades or Action Plan qualifications. Because these qualifications can be gained in but one year after compulsory education, there are unlikely to be counterparts in England and Wales. We would not wish attention to be drawn to the point in the statement - on its own or as part of any more general comment about the further work necessary to cover 17 year old entrants - but would wish it to be recorded in any further communication to the Commission.

Copies of this letter go to the Prime Minister, Nigel Lawson, other members of E(A), and to the Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

Yours ever,
Allan

ALLAN STEWART

mt.
Yes mt
PRIME MINISTER

28 June 1985

Agree. subject to colleague?

At 28/6

2 YEAR YOUTH TRAINING SCHEME

MSC officials have done well to construct a deal with the CBI and the TUC.

The training allowance of £35 in the second year seems tolerable; and £27.30 in the first year is better than we hoped for.

Although 600,000 places will be needed to ensure that nobody is turned away, many of these will be empty at any given time, since people do not all join or leave the scheme at the same time of year, and many drop out during the course.

Allowing for fluctuations in the numbers, the MSC computer suggests that the D/Emp should spend roughly £900 million out of the £925 million allocated for 1986/7, and roughly £1,050 million out of the £1,100 million allocated for 1987/8.

Because the margins are so tight, it will clearly be necessary to insert some protective phrases about 'meeting cash limits' into Tom King's statement. We understand that the Treasury are already seeing to this.

We recommend that you should warmly accept the proposals, and agree to Tom King's proposed statement, subject to Treasury amendments.

OL
OLIVER LETWIN

Agreed mt

cc OK



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213...6460.....

Switchboard 01-213 3000

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW1P 3AG

27 June 1985

*Dear Chancellor***2 YEAR YTS**

1. I have today received proposals from the Manpower Services Commission for the new 2 Year Youth Training Scheme that you announced in the Budget. Our officials have already been discussing the details. It is clearly excellent news that the Commission have been able to reach unanimous agreement, and the establishment of the new Scheme will be a most important and welcome new development. There are clearly advantages in an early statement to the House, as was suggested in Cabinet today. As you know, I proposed a statement on Wednesday, but the general feeling was in favour of Monday. I am therefore sending this letter summarising the proposals, together with a draft statement, to all colleagues concerned.
2. You announced in the Budget statement that £925 and £1100 million would be available in 1986/87 and 1987/88 respectively for the introduction of a 2 Year Youth Training Scheme subject to satisfactory proposals being developed. Simultaneously I asked the Manpower Services Commission to consult and bring forward proposals to the Government for such a Scheme by the end of June. They have been working extremely hard to reconcile the various interests and to bring forward within the very tight timetable a package which the CBI, TUC, and other interests represented on the Commission support and which is within the resources we have made available.
3. The details of the proposed Scheme are outlined in the attached Annex, but the key features are that it will mean providing up to 600,000 training places a year; the Scheme will take some time to build up but there will be some second year places for youngsters joining YTS this year; there will be a minimum of 20 weeks off the job training over 2 years; allowances will be £27.30 in the first and £35 in the second year; trainees rights and responsibilities will be spelled out in a training agreement; and all will have a chance to gain a vocational qualification or a credit towards one.



In addition there are some other general points which occur to me.

4. The first is that although I believe the Commission's proposals to be soundly based on both the experience of running a 1 year YTS and the views expressed during the consultation period, there are inevitably still a number of questions remaining which cannot be resolved until the Scheme actually gets going. The three major issues are whether employers will come forward with a sufficient number of places to meet the extra demands of the 2 Year Scheme; how attractive the Scheme will prove to be to young people and how long they will stay on it; and whether the proposed new funding regime will be sufficiently flexible to cater for the needs of disadvantaged young people and those in areas where there are not sufficient suitable employers to provide the required number of places. We cannot and never could be totally certain on any of these three points until the Scheme has started, but the fact that the package has been agreed unanimously by all the members of the Commission is clearly a major help to us in securing wide-spread commitment to the Scheme.

5. The Commission have prepared their proposals on a reasonable set of assumptions to stay within the overall financing limits we have set them. The key assumptions are the number of young people coming on to the Scheme and their average length of stay; if there is less take up than expected we will underspend, if more join the Scheme or stay longer than at present seems likely there are steps we can take to prevent an overspend. But these are factors we have to live with already with one year YTS. I believe the proposed package, after account is taken of points made in this para and para 4 above, is deliverable within the resources provided, and I will make it clear to the Commission that the costs of the Scheme must be contained within the resources already allocated.

6. The Commission's report to me recommends that the Commission's objective would be to "provide from 1st April 1987 a guarantee of an offer of a suitable 2 year place for all 16 year olds who would otherwise be unemployed and a 1 year place for all 17 year olds who would otherwise be unemployed". Given the inevitable uncertainties I think at this stage we should maintain our existing guarantee arrangements as confirmed in our White Paper "Education and Training for Young People" which said (paragraph 29d) that there would

"initially be a continuation of the existing guarantee of an offer of a 1 year place to all unemployed 16 year olds -- with the target of guaranteeing in due course an offer of a 2 year place for all unemployed 16 year olds and a 1 year place for all unemployed 17 year olds".



7. We can reconsider our position when we see how successful we have been in generating places to meet demand. An extension to the guarantee would in any case be a useful card to keep up our sleeve and would be better played later next year.

8. I cannot emphasise strongly enough that the MSC proposals have to be seen as a negotiated package. In the negotiations between the interests on the Commission - particularly the CBI and TUC - the various interests have had to compromise on their positions. For example, the TUC would prefer the 1st year allowance to be a good deal higher but they are prepared to accept it, particularly if an increase to £27.30 is implemented from September this year (there is already financial provision for such an increase). Against that, the 2nd year allowance is a little higher than the CBI would ideally have liked - but for us to tinker with the main elements of the proposals could wreck the deal which has been struck. So, I hope colleagues will agree that we should accept the package as a whole in the knowledge that on the best estimates we have it can be contained within the resources available, will be supported by all the parties concerned and will enable us to take substantial credit for a major step forward in vocational training for young people.

9. I would be most grateful for confirmation that you and colleagues are content that I should announce that we accept the broad shape of the package including the proposed levels of grants and allowances - whilst making it clear that there is a need for further consultations on some points.

10. It would be most helpful to have any comments by close of play tomorrow if possible, and certainly not later than 10.00 am Monday morning.

11. I am sending a copy of this letter to the Prime Minister, other members of E(A), and to the Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

Your sincerely,

Approved by the Secretary of State
and signed in his absence

1. Number of entrants and lengths of stay - assumptions
 - a. About 360,000 in each of 1986/87 and 1987/88.
 - b. Average length of stay for 2 year entrants about 74 weeks and for 1 year entrants about 42 weeks.
 - c. The scheme will be open (as at present) to both employed and unemployed young people.

2. Number of extra places needed

Not specified in the report, but perhaps about 600,000 places will be needed compared with about 400,000 at present available for the 1 year Scheme.

3. Funding regime proposed

- a. A basic monthly grant of £160 will be paid for each filled place provided (this of course includes the contribution to the trainee allowance).
- b. In addition a managing agents fee of £110 (+ VAT) will be paid for each of the 2 years in respect of every contracted place.
- c. In addition to the basic grant a premium of £110 per month per filled place will be available for those places (perhaps 60,000 or 10% of the total) providing a minimum of 12 weeks "simulated work experience" over the 2 year period for disadvantaged young people, and in areas where there are not enough suitable employers to provide a 2 year work experience and training programme. It is hoped that as many as possible of the young people on such schemes will be placed for work experience with local employers during the 2nd year of training and that such employers will make a contribution towards the young people's costs.
- d. The present pattern of payment of travel expenses and lodging allowances will be continued (but payment for vacated or unoccupied places will be dropped).

4. Trainee allowance

It is proposed that the trainee allowance will be £27.30 per week for the 1st year entrant and £35 per week in the 2nd year. The extra costs of the 2nd year allowance will be met by employers.

5. Training agreement

It is proposed that all young people on the Scheme would have a training agreement. This would be an agreement between the trainee and the organisation responsible for his programme and would clarify respective rights and responsibilities and would set out the nature and objectives of the training opportunities with a programme and timetable for that training, which would have to be carried out by competent instructors and supervisors. It will also lay out the responsibilities of the trainee for following an agreed programme, for attendance and for maintaining reasonable standards of behaviour. The MSC hope to produce a model agreement before the end of the year which from 1st April

1986 would cover the core elements of rights, responsibilities and protection and would be further refined over the next year to take account of developments on programme content and qualifications.

6. Content and qualifications

There will be a minimum of 20 weeks off the job training over 2 years. As at present the training programme will contribute to broad occupational competence but there will be an increased focus as the programme progresses on specific vocational skills and all trainees will have the opportunity to acquire a vocational qualification, or credit towards such a qualification. Further work on qualifications and content will be much influenced by the interim report of the Review of Vocational Qualifications, which is expected in September of this year.

7. Quality

More work will be put into improving quality on the Scheme and the Commission hope that from 1 April 1987 only "approved training organisations" will be eligible for contracts with the MSC to provide places. Criteria will be laid down which organisations will have to meet before being accredited - with a particular emphasis on the experience and competence of training and supervisory staff. MSC staff will also be further trained and more staff will be devoted to quality advisory work in the field - within approved manpower ceilings.

8. ITeCs

The report recognises that the funding regime proposed, even with the premium payment, is unlikely to be able to meet the special needs of Information Technology Centres (ITeCs). The MSC will look at their problems urgently and separately, within the overall funding limits.

9. 1985/86 YTS entrants

We asked the MSC to advise on the "most practicable arrangements which could be made for providing a second year of training for as many as possible of this year's 16 year old entrants." The report recognises both the difficulties of providing meaningful 2nd year places and the importance of trying to overcome the difficulties, and suggests that the aim should be to provide as many as possible places for this year's YTS full-term leavers who would otherwise go into unemployment. These places would be developmental/pilot places funded on the same basis as proposed for the main programmes. Because of the problems of early delivery of such places and possible regional imbalances, no guarantee of a second year place can be given to this year's entrants.

10. All grants and allowances quoted above are at rates which will apply during 1986/87.

DRAFT STATEMENT

TWO YEAR YOUTH TRAINING SCHEME

1. With permission, Mr Speaker, I would like to make a statement on youth training.
2. The House will remember that my Rt Hon. Friend the Chancellor of the Exchequer announced in his Budget statement that the Government were making extra resources available to fund a 2 year Youth Training Scheme. on the same day I asked the Manpower Services Commission to consult and develop proposals for such a Scheme to be operative from 1st April next year and to report to me by the end of June.
3. On 27th June the Commission unanimously approved proposals for the 2 year Scheme which have now been submitted to me.
4. I am pleased to inform the House that I am satisfied that the broad framework of the proposals will meet our objectives and I have today authorised the Commission to proceed with implementation to take effect from 1st April 1986 within the resources already allocated.
5. The proposals are designed to give greater training opportunities to young people and to encourage more young people to take vocational qualifications on a quality training programme. In this the Scheme will be building on the foundations so well laid by the current Youth Training Scheme, which more than $\frac{3}{4}$ million young people have entered so far. YTS has opened new horizons for both young people and employers and has brought home to many the contribution which training can make to improving employability and productivity. Here, I should pay tribute to the work of employers and work people, and all the others concerned in building YTS as we now know it.
6. The main features of the Scheme will be as follows:
 - About 360,000 16 and 17 year olds will enter the Scheme each year, and about 600,000 places will be occupied at any time.

- There will be a quality training programme leading to vocational qualifications and there will be at least 20 weeks off-the-job training over 2 years, in addition to the planned programme of work experience and on-the-job training.
- There will be a training agreement between the trainee and the employer, setting out their respective rights and responsibilities, including the detail of each young person's training programme.
- Trainees will be paid an allowance of £27.30 and £35 in their first and second years respectively, *employers to meet costs in 2nd year*
- A basic grant of £160 per month will be payable to employers in respect of each trainee.
- We recognise the special needs of some areas and some young people who may find it difficult to find employer-based training places and a premium payment of £110 per trainee will be paid in such cases to those providing alternative training.

In approving this broad framework I have informed the Commission that I agree that the existing trainee allowance will be increased to £27.30 with effect from 1st September this year, and that rate will apply for the first year of the new Scheme.

7. Having determined the broad framework of the Scheme there is much work to be done to fill in these details but I look forward with confidence to the delivery of a quality scheme on time.

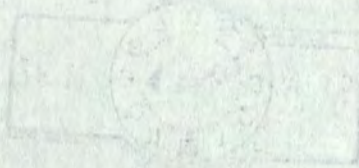
8. But I would like now to pay tribute to the Commission and its staff for having brought forward unanimous proposals within such a tight timetable.

9. The widespread commitment to the present Youth Training Scheme has been of great assistance and I know that although there is a very real challenge to be faced all interests involved will now pull together to make it a success.

10. Once the two year Scheme is established we will have achieved a major improvement of the opportunities for training and work experience for our young people.

able

11. I am glad to have been/to report so positively to the House on the Manpower Services Commission's recommendations and I will keep the House in touch with progress as the Scheme develops.







Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213..... 6460

Switchboard 01-213 3000

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Great George Street
LONDON SW1

25th June 1985TRAINING LOANS

Thank you for your letter of 23 May in reply to mine of 8 May. You will also have seen the responses from Keith Joseph, George Younger and David Young.

As you know the purpose of my proposals is to provide some modest help to individuals who are prepared to invest in their own future and who are likely to put additional skills to good use. If loans prove to be a workable alternative to the present system of grants operated by the Manpower Services Commission there are potentially significant gains to be made in terms of value for money and public expenditure. I am naturally disappointed that you feel unable to give my proposals the degree of support I believe they deserve.

Nonetheless, I will take full account of the points you make and aim in negotiations with the banks to achieve a position as close to what you propose as is realistic. I should make clear however my doubts as to how much of what you propose is achievable.

I am sending copies of this letter to the Prime Minister, members of E(A), the Secretary of State for Education and Science and to Sir Robert Armstrong.



SEM: Mompover.
PE12

SUBJECT
cc Master.

FILE

(BEMARV)
cc: Mr Warry

10 DOWNING STREET

24 June 1985

From the Private Secretary

PAPER BY PROFESSOR VINCENT

The Prime Minister held a meeting this afternoon to discuss the ideas put forward in Professor Vincent's memorandum. Present were the Chancellor of the Exchequer and the Minister without Portfolio. Also present was Mr. Warry.

The Chancellor said the Enterprise Allowance was an excellent scheme which could be developed further. He did not think the way to do this was to change the features of the scheme, but was to publicise it more. Because it had been cash limited it had never been seriously advertised. (He drew a contrast with the amount of advertising encouraging the take up of social security benefits). Additional funds could be diverted from the Community Programme to finance a larger take up of the Enterprise Allowance. He suggested this could be announced around the time of the Party Conference.

The Minister without Portfolio hoped it would be possible to boost Enterprise Allowance earlier than this. He advised against setting a new cash limit which would inhibit those seeking to promote the scheme. Summing up this part of the discussion the Prime Minister said the Chancellor should discuss with the Secretary of State for Employment the possibility of switching money from the Community Programme to permit the Enterprise Allowance to be expanded and more publicity given to it. This could be done initially on a pilot basis in different regions which would permit the increased response to be assessed.

Discussion then turned to Professor Vincent's suggestion that a gap existed for companies in the £5-£50,000 range. The Chancellor doubted whether such a gap existed, though there might be an equity gap in the range £20-£30,000 as financial institutions found it uneconomic to service a portfolio with holdings as small as this. He had agreed with the Minister without Portfolio that when the Peat Marwick report was available they would review the operation of the Business Expansion Scheme. The Government

had rejected the SFIC concept which the CBI had championed in favour of the BES, but he would like to think further about the SBIC concept which Professor Vincent had suggested. The Minister without Portfolio supported this as a way of creating a network of local businessmen, solicitors and accountants who would be able to lend money to small firms in competition with the banks.

The Chancellor said he favoured the Enterprise Scholarship proposal so long as this was established as a private sector scheme. Companies could set up charitable funds to finance these scholarships. The Minister without Portfolio supported the scheme but argued for allowing the costs to be treated as a business expense. It was agreed that the Chancellor should develop this idea further, starting with a discussion with the Chairman of the Clearing Banks.

I am copying this letter to Leigh Lewis (Office of the Minister without Portfolio).

Andrew Turnbull

Mrs. Rachel Lomax,
H. M. Treasury.

PRIME MINISTER

21 June 1985

PROFESSOR VINCENT'S PAPER

Professor Vincent is right that more should be done about 'entrepreneur creation' in addition to the existing work on job creation. He is also right that public attitudes are the key to enterprise: British Telecom's success shows what can be done. His best ideas are:

(Paragraph 10). Extending the Enterprise Allowance Scheme to those currently employed. A person who elects to give up his job to try it on his own must be better motivated, and hopefully have a better business proposal, than most unemployed. He still needs the same financial support during the critical start-up phase, and in leaving his job, he creates a vacancy that ought directly or indirectly to be filled from the unemployed register.

(Paragraph 13). Small Business Investment Companies (SBIC) to invest in local projects and business start-ups. Businessmen put up the initial stake and Government guarantees additional borrowings. If the venture collapses then it is the private funding that is lost first. This would be a useful adjunct to the operations of Local Enterprise Agencies but American experience shows it to be very expensive. It could be achieved more cheaply by changing the rules of the Business Expansion Scheme to allow the formation of SBICs wholly funded by private enterprise.

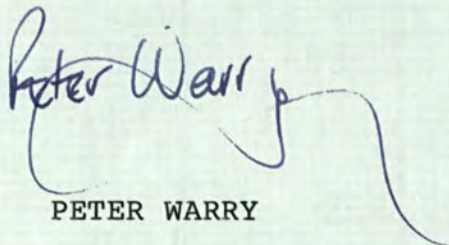
(Paragraph 16). 'Privatise' the administration of aid to small firms because public sector agencies are necessarily staffed by people with little experience of business or risk-taking. This is supportive of Lord Young's proposal ultimately to transfer the small firms service from the DTI to Local Enterprise Agencies.

(Paragraph 17). More flexibility in Business Expansion Scheme rules to reduce the need for most investment to take place just before the tax year ends. This could be linked with eliminating double taxation of venture capital funds. (Currently the only way these can operate tax effectively and support British industry is by being based in Jersey!)

(Paragraph 20). Enterprise scholarships: give 500 graduates £10,000 a year for two years to set up their own businesses. This could have a dramatic effect on re-educating our education system about the worthiness of business and enterprise. But £10,000 is too much and a month's intensive business training would be necessary for participants.

(Paragraph 21). Executive secondment: middle ranking managers to be released for two to three years to start up their own businesses. If they aren't successful their old companies would re-employ them, but as a quid pro quo their old employers ought to be given an equity stake in the new ventures. David Young could canvas industry on this.

The net cost of these proposals need not be very great. It could be financed by switching some of the money spent from, for example, inward investment, regional assistance and ATP, none of which is likely to yield such useful results.


PETER WARRY



10 DOWNING STREET

From the Private Secretary

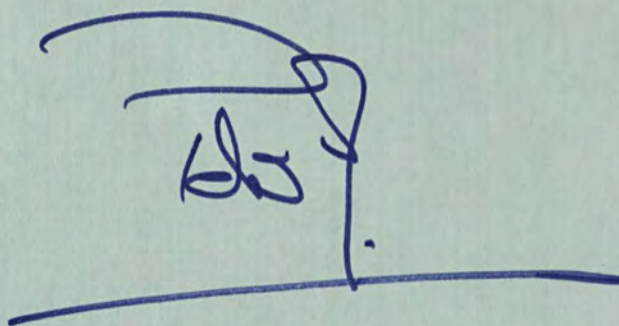
Checklist of Vincent proposals

1. Enterprise allowance for employed people
2. SBIC's
3. Venture Bonds
4. Institutional investment in small firms
5. BES modifications
6. Enterprise scholarships
7. Executive secondment
8. Early retirement / redundant executives
9. Foreign contract businessmen
10. Management buyouts

PRIME MINISTER

YOUNG PEOPLE'S PAY

1. At the meeting on Wednesday morning I promised to let you have copies of recent press releases which I have put out on this subject. I also mentioned that we had emphasised the point during Tuesdays debate on Young People and I enclose an extract from the Official Report. The correlation between the pay of young people and their employment prospects is one that we are continually stressing and will be taking every opportunity to do so in the future.



PETER MORRISON

14th June 1985

Caxton House Tothill Street London SW1H 9NF

Telephones: Direct lines — Press Office 01-213 7439 (24 hour answering service) Public Enquiries 01-213 5551

Exchange — 01-213 3000 Telex 915564 DEPEMP

May 31, 1985

EXTRACTS FROM A SPEECH BY PETER MORRISON, MINISTER OF STATE FOR
EMPLOYMENT, ADDRESSING THE BANBURY BUSINESS AND INDUSTRIAL GROUP IN
NORTH OXFORDSHIRE TODAY

"This summer, thousands of school leavers will once again find themselves priced out of training by trade union-negotiated rates of pay.

"We have issued this message time and time again until we have become fed up with the sound of our own voices, but there are still some who blindly refuse to believe that a link exists between pay levels and employment levels.

"The evidence speaks for itself. Since 1974, the real level of earnings in the USA actually fell by 10 per cent. Employment rose by over 20 per cent. In the same period in the UK real earnings rose by almost 20 per cent. And employment? That fell by 4 per cent. Clear evidence of the direct causal link between the two.

"And we can find plenty of specific examples here in the UK. Take the level of pay for engineering trainees. Since 1951, the rate for a 16 year old has risen from a quarter to a half of the adult rate. And the number of trainees? Down from 22,000 in 1951 to under 10,000 now.

← "Now some trade union leaders are recognising this simple economic reality. When the Electricians Union (EETPU) in 1983 agreed with the Electrical Contractors Association to reduce apprentice pay from £41.63 a week to £27.88, it was not particularly surprising that the number of youngsters admitted to apprenticeships more than trebled.

"Despite this enlightened development, we still have a long way to go. In West Germany first year apprentices earn some 20-30 per cent of the adult rate, compared with an average here of about 60 per cent.

"It should surprise no one that 50 per cent of West German school leavers become apprentices compared with 5 per cent here.

"We have to make sure that this message is understood. You do not even need to be an economist to follow the argument; you just need to be able to count. If the price of apples doubles, then my 50 pence will only buy half the number. And if the cost of paying a trainee doubles, then an employer's training budget only goes half as far.

"Until this simple truth is fully accepted by trade union leaders we shall continue to deny our school leavers the opportunities they deserve, and to starve our industry of the skills they need."



CONSERVATIVE PARTY NEWS SERVICE

Press & Public Relations
Department.

Phone: 01-222 0151/8
01-222 9000

Conservative Central
Office.

32 Smith Square,
London SW1P 3HH

HON PETER MORRISON MP

Release Time: 12.00 hrs, Sunday 3rd March
1985 129/85

Extract from a speech by the Hon Peter Morrison MP (City of Chester), Minister of State for Employment, to a meeting of Chester businessmen on Sunday 3rd March 1985.

Each year tens of thousands of school-leavers are denied the chance of training. Not by the wicked Government, not by "cuts" or "monetarism", but by successive trade union leaders who have literally negotiated away their prospects.

Quite simply, the rates of pay agreed for trainees in traditional industries are so high that employers are very reluctant to take them on. Our record makes a dismal comparison with that of, for example, West Germany, one of our major competitors in this field.

There, apprentices earn between 20 and 30% of the adult rate. In the UK, they earn no less than 60%.

The consequence? In West Germany, about half of school-leavers go into some sort of apprenticeship, compared with 5% here.

There are those who assert that these phenomena are wholly unrelated. They assert it in defiance of the laws of

/.....economics

economics, and the lessons of commonsense. You don't need an economics degree to know that if you have a pound to spend, and the price of doughnuts doubles, you can only afford half as many doughnuts. And those who assert that jobs are somehow exempt from this logic have generally managed to ensure that they themselves are safe from its consequences.

Anyone with a grain of commonsense can see that employers would be prepared to take on more trainees if their pay came down to realistic levels.

But we don't need to reply on theory. In 1983, the Electrical Contractors Association, in agreement with the Electricians' Union (EETPU), reduced apprentice pay from £41.63 to £27.88 per week, with subsequent increases linked to standards rather than age. The result? The numbers of apprentices trebled in one year - from 850 to 2650. We don't say that the pay reduction was the only cause - but can anyone seriously argue that it had nothing to do with it? L42
L28

Compare this with the engineering sector. In the last 30 years, the unions have systematically negotiated up apprentice wages. In 1951, an apprentice at 16 received 25% of the adult wage. Now an employer has to pay a 16 year old school leaver nearly 50% of the adult rate. The rate for a 19 year old has risen from 50% to 90% of the adult rate.

And the numbers entering apprenticeships? Yes, you've guessed it. Down from 22,000 in 1951 to fewer than 9,000 now. Again,

/....there are other

there are other reasons for this, but only the wilfully blind could deny that there has been a direct trade-off between pay and numbers.

We depend for continued economic recovery on the existence of a properly trained workforce. Already some skill shortages are appearing, and we cannot afford to let the recovery falter for want of skills. But above all, there is a human tragedy in this saga of lost opportunities. A generation of youngsters have been denied the chance of training in the occupations of their choice.

Some unions have come to recognise the need to recreate these opportunities by reducing young wages to realistic levels. But others, deeply reactionary, have refused to budge an inch. Until they do, industry will be denied skills it desperately needs, and thousands of school-leavers will be denied the chance to acquire a skill.

Contact number for the Hon Peter Morrison MP
051-336 2330

ENDS

within 24 hours, or explain their failure to do so. The hon. Gentleman is the official Opposition spokesman on employment, yet he makes bland statements and, after two and a half months, he cannot give me more than one example of abuse. The youngsters on the youth training scheme will note that he cannot give me more than one example. If the hon. Gentleman has concrete examples, I shall consider them immediately. I am amazed that he cannot give me one today.

The knockers of the scheme, of whom the hon. Gentleman is one, include the British Youth Council. When it gave evidence to the Select Committee, it made similar remarks, and it wrote a letter to my hon. Friend the Member for Banbury (Mr. Baldry) stating:

"In response to a request of the Select Committee on Employment held 17 April 1985 and your recent comments in the House of Commons. I am writing to inform you that the British Youth Council will be furnishing you with the names of 'Bad Schemes' at the end of June 1985."

If the council knows of bad schemes, why does it not tell us immediately? It is common ground between the hon. Gentleman and me that we should improve schemes where possible. If we know of bad schemes, we shall do so. To make such bland statements is not acceptable.

The hon. Member for Liverpool, Mossley Hill (Mr. Alton) referred to health and safety. He will recall that the hon. Member for Coventry, South-East (Mr. Nellist) introduced a Bill which dealt with health and safety. The hon. Gentleman had not taken into account the fact that the Government have covered all health and safety matters in legislation. What is just as important is that every trainee on the scheme has statutory protection against racial discrimination in the selection for and termination of training. I hope that the hon. Gentleman is satisfied that the necessary legislation is in force, as it should be.

The hon. Member for Kingston-Upon-Hull, East referred to the placement of trainees. When I first went to the Department of Employment the placement rate on the youth opportunities programme was 30 per cent. The Labour Government's youth opportunities programme was successful. Today, the placement rate is about 60 per cent., with a further 6 per cent. going into further training and education and over 5 per cent. going into another scheme. Good placements are not necessarily achieved in the areas where one expects them to be achieved. In parts of the country where there are high levels of unemployment there have been placement rates of 70, 80 and 90 per cent.

Mr. Sheerman rose—

Mr. Morrison: However, the hon. Member for Huddersfield has never addressed himself to the point that no Government have the power to ordain that a job should be provided at the end of the youth training scheme. The hon. Gentleman and all trainees know that a job exists only when a product is created at a cost and of a quality that the consumer wants to buy.

The hon. Gentleman referred to wages and the allowance. He will have talked to trainees, as I have, and the answer that I receive is, "We get by." Of course they would like more money, but when it is put to them that the more that they receive by way of an allowance the less will be spent on their training, because there is no pot of gold at the end of this rainbow, they begin to understand that the training element—the quality of the scheme—is crucial.

Mr. Geoff Lawler (Bradford, North): Will my hon. Friend comment upon the announcement by the Manpower Services Commission of its intention to employ clerical assistants as trainees at £60 a week? Does that not undermine the laudable efforts of the Government to persuade young people to take realistic training allowances? If everybody were to copy the MSC, there would be a substantial reduction in the number of young people who would be able to take advantage of the youth training scheme.

Mr. Morrison: Like my hon. Friend the Member for Bradford, North (Mr. Lawler) I read the report, and it came as a surprise to me, too. I made inquiries about it. My hon. Friend and I agree that wages or allowances are relevant in terms of prospective employment. Like my hon. Friend, I do not believe everything that I read in *The Times*.

On apprentices, the hon. Member for Kingston-upon-Hull, East, is out of step with another of his supporters. Look at what happened in the Electrical, Electronic, Telecommunications and Plumbing Union. It agreed that the pay of apprentices should be reduced from £41.63 to £27.88. The result was that the intake of apprentices trebled. But there is still a long way to go.

Mr. Sheerman: That is a most fraudulent claim. I have checked this with the EETPU and with the employers. The package for the three and four-year period provides a higher rather than a lower income over that period. There is merely a reduction in the starting rate. However, there is an overall increase. To equate low wages with more apprentices is to turn logic on its head.

Mr. Tom King: By George, he's got it.

Mr. Morrison: As my right hon. Friend the Secretary of State for Employment says, "By George, he's got it."

Despite the fact that this is an enlightened development, there is still a long way to go. The Liberal spokesman pointed to West Germany where first-year apprentices earn about 20 to 30 per cent. of the adult rate compared with the average rate of 60 per cent. in this country. The result is that about 50 per cent. of school leavers in West Germany become apprentices compared with about only 5 per cent. in this country. The Opposition fail to take that matter on board.

Mr. Prescott: Will the hon. Gentleman give way?

Mr. Morrison: No. I have given way on many occasions, and I know that many hon. Members want to take part in this debate.

During the last three years the Government have introduced a new training scheme which is universally popular and very successful. It is sad that some people are trying to encourage youngsters not to join the scheme. The Government have introduced a community programme that provides training, the technical and vocational education initiative and the enterprise allowance scheme, all of which are imaginative and relate to the 14 to 25-year-old age group. The provision of proper education and training for young people is vital both for them and for the future prosperity of this country. The measures that I have outlined represent the most wide-ranging programme of reforms that has been produced for many years.

I commend the amendment to the House.

[Mr. Fields]

the sole cause of drug use. There is also a correlation between unemployment and crime. No one condones crime, hooliganism or drug taking, but if people are treated subhumanly we cannot expect any better from some of them.

The Government have brutalised social relations. They have brought about the politics of the jungle. The rich and powerful get the lion's share, and the poor and weak get the scraps. It is little wonder that the pale shadows of the Tory Government and the alliance ask why we seek to defend ourselves, our youth, our families and our conditions. We are fighting for those people against this brutal system which you are propping up along with the Government.

Mr. Deputy Speaker: Order. I am sorry to have to interrupt the hon. Member, when he is in such fine flow, but I do not prop up anything.

Mr. Fields: I shall not go into that, Mr. Deputy Speaker.

The message from this debate is that the Tory Government have nothing to offer youth. This system has nothing to offer youth. Despite the criticisms of the faint-hearted, my appeal to youth is to get organised in the Young Socialists and the Youth Trade Union Rights Campaign and fight back against this vicious Tory Government and their attacks. We say to youth "The future can be yours, organised with a programme that can and will change society to create civilised conditions in health, education, housing, jobs and personal fulfilment." If youth hear no more during this debate than this message of hope, I for one shall be satisfied.

8.34 pm

Sir Philip Goodhart (Beckenham): I have an awful feeling that when the colleagues of the hon. Member for Liverpool, Broadgreen, (Mr. Fields) take over power they will treat the young and the old with the same delicate courtesy as the hon. Gentleman showed to those who sought to intervene during his speech.

Nearly a fortnight ago, on the day on which Liverpool football club played Juventus in Brussels, I was in Holland talking to employers, trade union leaders and Government officials about the youth unemployment problem. The latest figures for youth unemployment in Holland had come out a couple of days before, and they were excited about the trend. The April unemployment rate among those under 19 had fallen by 20 per cent. between 1984 and 1985. This had followed a decrease of 14 per cent. in the March unemployment rate for the same group between 1984 and March 1985. People were optimistic that the tide had turned.

In the recent past, the Dutch were in a bad position. In 1980 an employers' federation estimated that one manufacturing job in two was operating at a loss. When the recession came, the loss of jobs was more rapid and went further than in the United Kingdom. The Dutch unemployment rate increased to 18.5 per cent. in January 1984. Nearly half the unemployed were young people.

At the end of 1982, a Conservative coalition was elected to Government. It followed policies that are broadly in line with those of this Government. The Dutch Government gave priority to competitiveness and profitability and waged a successful battle against

inflation. They kept tight control over the money supply and sought to cut public spending. They sought also to remove themselves directly from the wage negotiation process.

The one aspect of wage negotiation from which the Dutch Government have not removed themselves is in setting wages for young people. For many years, under successive Governments, an elaborate system of minimum wage levels has operated. With the co-operation of the trade unions and employers, the Dutch Government have sought deliberately to lower the minimum wages of workers under 19. Although the minimum wage for those over 20 increased between 1980 and 1985 by 6 per cent., the minimum wage of young workers was reduced, on average, by 22 per cent.

The Dutch Government's tactics in tackling youth unemployment were set at the beginning of 1983 by the chairman of the Federation of Netherlands Industry, an employers' organisation. The proposals that he put forward bore a remarkable similarity to the programme suggested at the end of 1982 by the unemployment steering group of the CBI, under the chairmanship of Sir Richard Cave, then the chairman of Thorn EMI. The one difference was that, because the situation was rather worse in Holland than it was here, Mr. van Veen had an easier ride with his proposals and found it easier to get co-operation than have Sir Richard Cave and the unemployment steering group of the CBI in Britain.

Basically, the proposal was that the minimum wages of young workers in Holland should be reduced—as they have been there—by about 22 per cent. At the same time, a great deal of attention was paid to youth training schemes. They are not as comprehensive or as costly as those in operation here, but they are still an improvement on what has gone before. The one scheme which was adopted in Holland which we have not adopted in Britain is a shorter working week for young workers. In Holland it is impossible for any new young worker under the age of 23 to get employment in the public sector, or in a major firm covered by a collective trade union agreement, for more than 32 hours, with, of course, 32 hours' pay.

There have been some problems in introducing the scheme. The unions in the public sector showed a certain amount of reluctance, but they eventually accepted it, and I note that the 32-hour week scheme has been introduced in the public sector in a way that would certainly appeal to a Prime Minister wishing to see a reduction in public sector employment. One Civil Service department is reducing the number of posts open to recruitment from 4,500 to 4,000, yet it is taking on 5,000 new workers to fill those 4,000 jobs. Therefore, there is a reduction in the level of employment within the public sector, while at the same time more job opportunities are being given to young people.

The result has been spectacularly good in the past few months. There has been a reduction of 14 per cent. in youth unemployment in March compared with the previous year, and a reduction of 19 per cent. in April compared with a year ago. There is a real feeling that the problem of youth unemployment has been tackled successfully. If the Dutch experience continues to be as satisfactory as it has been in the recent past, I would ask the Government to look seriously at the possibility of introducing a shorter working week for young workers.

Our Government have introduced their own job-splitting programme, although not adopting it themselves.

We saw further encouragement of job-splitting for young people in the Chancellor of the Exchequer's last Budget. Perhaps this a concept that is too revolutionary at the moment. At the last count, only 1,500 posts had been split. It may well be that the Dutch approach, which is less revolutionary and much simpler to operate, offers a better and a simpler road to follow.

I hope that my hon. Friends will look very carefully at what is taking place across the Channel. As one Dutch employer said to me, "The 32 hour-week for 32 hours' pay has two great attributes: first, it is very simple; secondly, it costs almost nothing." Both attributes should appeal to our Government, and I hope that they will consider them very carefully.

8.46 pm

Mr. David Alton (Liverpool, Mossley Hill): The hon. Member for Beckenham (Sir P. Goodhart) has put forward a very sensible proposition, and I hope the Government will take due note of it. I support the idea of a shorter working week for younger workers. Anything that can be done to ensure that more of the employment opportunities are shared more evenly is well worthy of our support. It is useful to look at examples from other European countries and see how we might emulate them.

We heard earlier about the statutory apprenticeship scheme in West Germany. At present, 500,000 young people are employed in statutory apprenticeships in West Germany, and we could well copy that. A similar scheme operates in Belgium.

In the three countries which have been mentioned—Holland, West Germany and Belgium—there is one thing that they all have in common, and that is Liberals participating in the Government. One of the problems in the United Kingdom is that the people who might be advocating measures of that sort—some of them in groups such as the Conservative Centre Forward—are not listened to with sufficient seriousness.

This year, 1985, should be a time of hope. Young people should be able to look forward with confidence to making their contribution to our community, but instead it is very much a time of hopelessness and despair.

About half of the unemployed in Britain are young people. I agree with the hon. Member for Liverpool, Broadgreen (Mr. Fields)—I hope that it will not do him too much damage in the Militant Tendency—that there is an undoubted relationship between high unemployment and high rates of crime, despite the Prime Minister's regular denials of the link. Half of all the crimes are committed by young people. There is a link, too, with the escalating problem of drug abuse—a subject to which I shall like to return later in my speech.

Many of our young people face the prospect of 50 years on the dole. They face youth training schemes. They face increasing competition for university places. Many of my contemporaries, with worse A-level results than brothers and sisters who are now being turned away from universities, were able to get into higher education. It is a tragedy that those younger brothers and sisters are now denied the opportunity of going to university. What we see today is a reduction in self-esteem and self-respect.

The hon. Member for Huddersfield (Mr. Sheerman) who opened the debate for the Opposition, indulged himself in some poetry. I am glad to see him returning to his place. I think that Alfred, Lord Tennyson put it very well in a couplet that he composed when he asked:

"Ah, what shall I be at fifty,
Should Nature keep me alive,
If I find the world so bitter
When I am but twenty-five?"

The truth is that there is today a great sense of bitterness, hopelessness and despair among many of our young people.

The hon. Gentleman complained that only £250,000 had been made available for International Year of Youth. I do not intend to follow that argument because the debate is not simply about throwing money at young people and their problems. However, I agree that it should be about the Government taking International Year of Youth seriously.

The hon. Member for Broadgreen who also spoke for the Labour party, struck an interesting contrast with the Labour Front Bench. We should not laugh him off, as some hon. Members tried to do today. In Liverpool, his colleagues run the council. Indeed, his colleagues have a great say in who is to be selected for many seats throughout the country. We shall see more and more people like him in the House representing the Labour party.

Mr. Tony Banks (Newham, North-West): Good.

Mr. Alton: We know that there are great affinities between the London and Liverpool Labour parties. We should not laugh off the hon. Gentleman, but should take him seriously. When he talks, as he did today, about breaking the capitalist laws and replacing them with working-class laws, it shows how he and many of his hon. Friends regard the law of the land. When I intervened, I pointed out to him that it sets an appalling standard and example to young people to lure them from their school classes, to march them to the Pierhead in Liverpool and for speakers to harangue them at open-air rallies. The effect of that on discipline and morale in schools, and on their long-term opportunities and future, is unbelievable.

Mr. Tony Banks: Will the hon. Gentleman tell the House why he believes that explaining to young people the cause of their lost opportunities and how the system brutalises them is a disadvantage to them?

Mr. Alton: It is not a disadvantage to explain to people the causes of our problems. The way to solve those problems is through the ballot box and parliamentary democracy, not by pulling young people on to the streets, or by encouraging them to leave their classrooms. That is simply to take the first steps towards breaking the law.

As I also pointed out in my intervention, constantly to tell people that it is all right to break some laws but not others, and that they can defy the Government, whoever that Government may be, breeds contempt for parliamentary democracy. Some of us know that this is all that the members of Militant Tendency who dominate the Labour party, in many parts are concerned with. I warn the House not to laugh off those pied pipers who pull young people from their classrooms and who constantly advocate breaking the law.

I also have a criticism of the Government. They have created the breeding ground that has allowed people like the hon. Member for Broadgreen to prosper and thrive. We have witnessed the creation of a disaffected, disillusioned cynical and bitter youth. The measures which the Government have announced during the past two weeks have compounded the problem. They have announced a rise in students' grants below the rate of inflation, which

010
Prime Minister ^②

To note

AT 13/6

REDUCING UNEMPLOYMENT: PUBLIC SECTOR

When we met yesterday to discuss employment generating ideas I said that in some areas we were effectively stopped by manpower controls from providing a service to the public which they pay for. This is bringing complaint from the public and in the House. At the same time it is denying employment possibilities. There are no net public expenditure implications, since expenditure is covered by fees.

I give an example. I have a problem (as did my predecessor) of meeting public demand for driving tests, which can rise steeply and unaccountably, while the force of driving examiners is constrained by overall manpower targets.

The political problem is this. How can we justify long waiting times when the public want driving tests and pay the full cost of the service? The manpower controls have got us into a position of inadequate service levels and inefficient resource use.

I have proposed to the Chancellor to put these services into a trading fund type operation, with efficiency targets.

They involve no net public expenditure because we charge fees to cover the costs. That way, we should have a better method of matching supply to public demand. This is under discussion. I hope we can all agree that this is the way we should go for this kind of operation.

I should say that the wider plan to replace the manpower control in 1988/89 over civil service numbers with a cash control over departmental running costs, though desirable, does not



really meet this problem. Since it is intended to apply to gross running costs, we should be just as constrained then as we are now in responding to increases in public demand. In any case, the driver test type of problem is here now. A solution could contribute - in a modest way - to more employment.

About a third of my own Department is employed on activities which are paid for in full by the public and businesses in fees. There may well be similar cases in other Departments. For example, the Customs are unable because of manpower constraints to provide facilities at small airports for which business users are prepared to pay.

I am copying this to the Chancellor of the Exchequer.

NICHOLAS RIDLEY

13 June 1985

Subject
cc Master File.

SECRET



Pile

VC4AAA

bcc O Letwin

(5)

10 DOWNING STREET

From the Private Secretary

11 June 1985

De David

LONG-TERM UNEMPLOYMENT

The Prime Minister held a meeting today to discuss ways in which long-term unemployment could be reduced. Present were the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, Environment, Social Services, Employment, Wales and Transport, the Chief Secretary, the Minister without Portfolio, the Minister of State Department of Employment and Mr. Stewart (Scottish Office). Also present were Mr. Wiggins and Mr. Letwin. The meeting had before it the minute of 5 June from the Secretary of State for Employment and the minute of 6 June by the Minister without Portfolio.

The Secretary of State for Employment said unemployment was continuing to rise and the number unemployed for more than three years was likely to reach half a million in July. Despite optimism from the CBI, the manufacturing sector was continuing to shed jobs and there were doubts as to whether the service sector would expand as fast as it had done in recent quarters. Against this background he had proposed measures which would have a significant impact on the unemployment figures. He had looked again at an expansion of the Community Programme beyond the increase agreed in the Budget. Schemes based on voluntary organisations and charities to help the long-term unemployed were being developed on a pilot basis and could be expanded further. Through these schemes the Government could begin to move away from the union imposed restrictions on CP and towards the concept of Benefit Plus without having to tackle head on all the opposition which Benefit Plus would provoke. He also suggested a new "Facelift" programme under which schemes could be organised to clear derelict sites and refurbish buildings.

The Secretary of State for Employment said further measures were needed to establish whether those registered as unemployed were genuinely available for work. He recognised that the experience of the regions varied greatly but there were legitimate doubts as to whether all those registered as unemployed in the South East (274,000 unemployed for more than one year) were genuinely unemployed, or whether they were working in the black economy or were in effect retired. The changes which had

SECRET

JB

been made in the administration of benefit, while securing economies in manpower had weakened the link between receipt of benefit and readiness to work. He suggested an intensive programme of interviews of the long-term unemployed to establish their true position. Pilot schemes to counter fraud had been launched in Crawley and the Thames Valley and these could be developed elsewhere.

The Minister without Portfolio said that both he and the Secretary of State for Employment had put forward ideas for an incentive to encourage the long-term unemployed to seek work. His scheme took the form of a tax credit while that of the Secretary of State was based on a grant. The margin between net income for those in work and on benefit provided insufficient incentive. For example, a married man with two children needed to earn £130 a week to bring his net income £15 a week clear of what he would receive on benefit.

The Minister without Portfolio also supported measures to counter fraud. This would command greater public support if it were coupled with measures to deal with tax evasion. The DHSS and Inland Revenue should coordinate their efforts. At present DHSS could bring to the attention of Inland Revenue any tax evasion which it detected in the course of its work but Inland Revenue could not reveal to DHSS the names of anyone it thought engaged in benefit fraud. There was a case for changing the law to allow information to move in both directions.

The Chancellor of the Exchequer said the pressure on the public expenditure totals was extremely strong. He saw no prospect of being able to afford the increases implied by the full programme suggested by the Secretary of State for Employment. He doubted whether it was right to introduce a new package of special employment measures before the measures introduced in the Budget - extension of YTS, expansion of CP and restructuring of NICs - had had time to take effect. All the signs were that since the Budget the economy was more buoyant than thought. He agreed, however, that measures were needed to establish the true nature of long-term unemployment and to cut down on fraud. The Inland Revenue would do all it was empowered to do to cooperate with the DHSS.

In discussion the following points were made:

- (i) As originally proposed, CP was to be operated on a Benefit Plus basis. As a result of union opposition it could be launched only by paying "the rate for the job". This was one of a number of examples where union opposition had prevented the introduction of job creating measures or had dictated their operation in a less effective form. A note should be prepared drawing together examples.
- (ii) Government needed to know more about the nature of long-term unemployment and how it differed between

regions. The Government should commission a study on the black economy. This could be done through ESRC or the University of Buckingham. (Mr. Morrison said he would be seeing Professor Blaug from Buckingham to discuss this.)

- (iii) The development of Benefit Plus could be seen as a way of testing whether those registered as unemployed were genuinely available for work. The Government could set up a scheme and invite applications. If the response was very low the Government would have demonstrated that many claiming to be unemployed were not; if the take up was high there would be a significant impact to the unemployment figures.
- (iv) Any proposal to expand special employment measures should be assessed against the benefits from expanding other forms of infrastructure spending such as urban programme or housing improvement. These programmes often had higher costs per job but ultimately produced more assets for the nation. It was argued that it was wrong to cut back support for research and innovation in order to make room for special employment measures whose benefit was temporary.

In discussion, it was suggested that too much emphasis had been given to reducing civil service numbers at the expense of savings to the Exchequer. It was also noted that increasing manpower for services whose costs were recovered from fees would allow a better service to be provided while reducing the net cost to the Exchequer. The Prime Minister thought the Government ought not to economise on manpower in pursuit of fraud or crime. This should not, however, turn into harassment of legitimate small traders.

Summing up the discussion, the Prime Minister said that no expansion of the Community Programme should be undertaken on its present basis before the impact of the measures introduced in the Budget could be assessed. Further work should be undertaken to develop schemes to help the long-term unemployed under the aegis of charities and voluntary bodies. Ideas to provide an incentive for job search by the long-term unemployed should be further researched. The concept of providing jobs on a Benefit Plus basis should be further developed as a way of testing whether those registered as unemployed were genuinely available for work. The Treasury, Department of Health and Social Security and Department of Employment should cooperate in developing schemes to combat fraud. The procedures for administering benefit should be re-examined to ensure that those receiving benefit were genuinely unemployed. A programme of interviews for the long-term unemployed should be introduced. In developing proposals Departments should take account of regional differences in unemployment. The Department of Employment, in consultation with the Department of Education and Science, should commission a study from ESRC or the University of Buckingham

SECRET

4

into the nature of the black economy. The Treasury, in consultation with relevant Departments, should re-examine the level of manpower devoted to the control of fraud and to reconsider the staffing of services whose cost was recovered by fees. Papers reporting programme on these initiatives should be circulated to E(A) by mid-July.

I am copying this letter to Rachel Lomax (HM Treasury), Elizabeth Hodgkinson (Department of Education and Science), John Mogg (Department of Trade and Industry), John Ballard (Department of the Environment), Steve Godber (DHSS), John Graham (Scottish Office), Colin Williams (Welsh Office), Richard Allen (Department of Transport), Richard Broadbent (Chief Secretary's Office), Leigh Lewis (Office of the Minister without Portfolio), Stuart Lane (Mr Morrison's Office) and Richard Hatfield (Cabinet Office).

*Your sincerely
Andrew Turnbull*

ANDREW TURNBULL

David Normington, Esq.,
Department of Employment.

SECRET



SECRET

11/6
4

Ref No E 056

PRIME MINISTER

Long-term unemployment

(Minutes from the Secretary of State for Employment of 5 June and the Minister without Portfolio of 6 June).

BACKGROUND

You are meeting a group of the Ministers primarily concerned on 12 June to consider possible further measures to reduce long-term unemployment. The meeting responds to concerns expressed at Cabinet earlier in the year about the co-existence of a high level of unemployment with a substantial number of job vacancies. You will also want to have in mind the themes of your recent discussion with Mr King about value for money in the Department of Employment Group, and I understand that you have also discussed some of the issues with the Chancellor of the Exchequer.

2. Mr King in his minute makes a number of proposals with the objective on reducing the number of registered unemployed by about 300,000, at a net annual exchequer cost of £700 million. About half of this impact would be achieved by a straightforward expansion of the existing Community programme; there would also be new schemes run by charities and voluntary groups (the Voluntary Projects Programme), financed on a different basis, and also a new Facelift Programme directed particularly towards improving the environment, which would seek to mobilise the local economy in the target areas to provide necessary managerial resources. The Facelift Programme could be in part a further conventional expansion of the Community Programme, but the possibility is also canvassed of attracting workers by a 'benefit plus' subsidy, to give people with a high entitlement of benefit (who would otherwise have



SECRET

little incentive to join in at established Community programme rates of pay) an inducement to move into employment. This inducement could be specifically targetted on those unemployed for more than two years. Mr King also mentions separately the possibility of paying a job-finding subsidy (of say £20 a week for six months) in addition to normal wages to people re-entering employment after a long period on the register.

3. Lord Young puts forward two ideas:

(i) a job finding tax credit (of £20 a week paid for a year) for the long-term unemployed who go back into employment; and

(ii) more effective measures to combat benefit fraud.

The first of these suggestions is on the same lines Mr King's job-finding subsidy, except that it would be paid as a tax credit, and for a full year rather than six months. The second suggestion echoes the theme of your discussion on 5 June with Mr King, when you reviewed the detailed examination currently being undertaken by the Department of Employment of all those on the unemployment register in the Crawley area, and noted that a campaign against fraud was in progress in the Thames Valley area.

4. Underlying all these ideas is the perception of the need for measures to be taken to ensure that those drawing unemployment benefit are actually seeking work, that claimants should not be able to avoid work on the grounds that nothing was available to fit their requirements, and that in the last resort there should always be some work available of the sort provided under the Community Programme.

MAIN ISSUES

5. The main issues before your meeting are



SECRET

- (i) an assessment of the Government's priorities in further action to deal with the problem of long-term unemployment;
- (ii) the timing of decisions.

Government priorities

6. The various suggestions put forward serve a number of objectives:

- (a) to reduce benefit fraud, and so expenditure on benefits;
- (b) to increase the number of people in 'real' jobs;
- (c) to reduce the number of people registered as unemployed; and
- (d) to improve the local environment, particularly in the most economically depressed areas.

In each case it will be essential that the objective is pursued in the most economic way from the standpoint of the Exchequer. Further work will be needed on each of the suggestions to see how they match up to the criteria in (b), (c) and (d).

There must be some presumption that measures are to be preferred which increase the number of people employed by the private sector, either through a job-finding tax credit or through a Government subsidy to employers which enables them to pay 'benefit plus' levels of wages. However, some public sector involvement, whether through conventional expansion of the Community programme, through a new Facelift Programme, or through the charities and voluntary project schemes, is likely to be required if substantial progress is to be made towards a position in which some kind of work can be provided for all benefit



SECRET

claimants with particular characteristics (eg all who have been unemployed for more than two years).

Timing of decisions

7. The 1985 Budget incorporated substantial measures designed to foster the growth of employment. These included reductions in National Insurance Contributions in respect of the lower paid, and a substantial expansion of the Community Programme. The National Insurance Contribution changes will only begin to take effect from the middle of the current financial year, while the existing expansion of the Community Programme is already a substantial undertaking whose costs will build up gradually during this financial year and next. Meanwhile the results of the 1985 Public Expenditure Survey will be put to Cabinet on 4 July, as a preliminary to the Ministerial discussions in the Autumn to agree the totals for each programme. It would seem premature to try to reach conclusions on the sort of further major programme proposed by Mr King; the case for this will need to be explored thoroughly in the light of the overall position on public expenditure, and of the response of the economy to this year's Budget measures. These considerations would point towards decisions being taken in time for the 1986 Budget, or at the earliest - if the trend of unemployment in the meanwhile proves clearly adverse - for this year's Autumn Statement. The same considerations do not, however, apply to measures to combat benefit fraud, where action should be taken as soon as it can be organised; and it may be that measures to encourage employment in the private sector of the long-term unemployed, whose costs would be relatively much lower, might also be taken in a shorter timescale.

HANDLING

8. You will wish to invite the Secretary of State for Employment and the Minister without Portfolio to set out their ideas, and the Chancellor of the Exchequer will wish to comment on the possible costs and the timing of decisions. The other Ministers will wish to comment on the nature of possible measures



SECRET

which could have a substantial impact on the regional environment, and on the scope for involving the private sector, both in the provision of employment and in devising programmes tuned to local needs.

CONCLUSIONS

9. You will wish to reach conclusions on the following:

(i) how work on measures to combat benefit fraud should be carried forward, and in what timescale, in the light of the pilot schemes now under way at Crawley and in the Thames Valley;

(ii) what guidance should be given to the Employment Secretary, in consultation with the Chancellor of the Exchequer, the Secretary of State for Social Services and the other Ministers with regional and industrial responsibilities, in further work on contingency plans for reducing the number of long-term unemployed; and

(iii) the arrangements for further collective discussion of these issues. It may be appropriate to ask the Employment Secretary to put a paper to E(A) for a first discussion before the Summer Recess, so that the implications of possible decisions can be taken into account in settling future public expenditure programmes.

HP. A J WIGGINS
Cabinet Office
11 June, 1985



NBPM AT 12/6

QUEEN ANNE'S GATE LONDON SW1H 9AT

11 June 1985

Dear Tom,

EXPANSION OF THE COMMUNITY PROGRAMME

will request if nec.

Thank you for your letter of 22 May and for the opportunity to make suggestions on the way in which the Community Programme might be developed following Nigel Lawson's announcement in his Budget speech.

One promising area for development seems to me to be crime prevention. As you will know, some excellent work is already being done under the Community Programme both to provide constructive occupation for ex-offenders and to improve the local environment in run-down areas often in ways which can reduce the opportunities or temptations for offending. I should like to see this work continue and if possible to be expanded with a particular emphasis on the reduction of crime. There is now a good deal of knowledge and experience in the Home Office, the police and the voluntary organisations which can be applied to labour intensive projects - for example to improve street lighting or physical security in blocks of flats and so reduce the risks of assault or burglary, to provide escorts or transport for old people returning home late at night, to identify and protect well known trouble spots, and so on. Quite often it may be just as useful to provide reassurance to those who are afraid of being attacked or burgled and who may be afraid to go out at night for that reason as it is to produce a measureable effect on the volume of recorded crime.

Another area where there may be scope for a national Community Programme initiative is work with and for refugees. The British Refugee Council (BRC) has already been running a CP scheme, to help both its own work and that of refugee community groups. Most of the over 260 people on the scheme are themselves refugees. Much more could be done on these lines. Such a scheme, in which I understand your officials have already expressed interest, would be particularly welcome if it could help the British Refugee Council, and the other refugee agencies associated with it, expand their support for the Vietnamese community in Britain in line with recommendations in the recent Home Affairs Committee report (HC 72-1). But it could also benefit other (i.e. non-Vietnamese) refugee groups in this country.

Our officials have already been in touch to discuss ways in which the Community Programme (and the Youth Training Scheme) might contribute to Home Office interests, and a meeting has been arranged for later this month. I hope officials will be able to explore these possibilities and perhaps others in more detail and produce some practical, worthwhile, schemes.

I am sending copies of this letter to Keith Joseph, Peter Walker, Michael Heseltine, Patrick Jenkin, Norman Fowler, Norman Tebbit, Michael Jopling, Nicholas Ridley, David Young, Nigel Lawson, George Younger and Nicholas Edwards.

Law, (en)

The Rt Hon Tom King, M.P.

manpower
SEMS.



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

10 June 1985

Dear Andrew

PAPER BY PROFESSOR JOHN VINCENT

In your letter of 29 April you recorded that the Prime Minister had received Professor Vincent's paper "A free-enterprise answer to unemployment; The enlargement of the risk-taking middle class" and that she would be discussing it with the Chancellor.

You will wish to be aware that Lord Young recently met Professor Vincent to discuss this paper and he has indicated that he would welcome the opportunity to join the Prime Minister's meeting when this is arranged.

I am copying this letter to Rachel Lomax in the Chancellor's Office.

Yours sincerely

Stephen Ratcliffe

Stephen Ratcliffe
Private Secretary

MANPOWER: Special Employment
measures: Pt 12.

PRIME MINISTER

7 June 1985

LONG-TERM UNEMPLOYMENT

Tom King has responded to your request, and has produced an attractive set of proposals. They cover all the main options; but they need further study. They have a high cost. On Tuesday, you may want to discuss with the Chancellor how much can be afforded, and how any measures would be funded.

The main elements of the package are:

- i. Further increase in Community Programme, with emphasis on cleaning up the environment. This could take 140,000 people off the count by Spring 1987, at a net cost of under £300 million pa.
- ii. A new 'Facelift' Programme also cleaning up the environment. This would be run directly from D/Emp, with some people paid 'benefit plus', others receiving subsidised jobs from building firms etc., and yet others employed on Community Programme terms. It could take 80,000 - 90,000 off the count by Spring 1987. D/Emp give it a net cost of about £275 million pa in their tables - but this does not allow for benefits saved; the true net cost would be substantially lower.
- iii. More grants to charities to provide useful work for the long-term unemployed, and more 'training allowances' for people on the Voluntary Projects Programme (thereby getting these people officially out of unemployment). Together, these measures could take another 80,000 - 90,000 off the count by Spring 1987 at a net cost of about £150 million pa.

iv. A set of measures to give the long-term unemployed more incentive to seek work including:

- a. a 'Job-Finding Allowance' which could help people out of the unemployment trap;
- b. 'Job Clubs' in which unemployed people are given help with writing applications for jobs etc.;
- c. an 'open learning programme', in which the long-term unemployed receive immediately useful training leading to recognised qualifications that will make them more attractive to employers.

State of Play

The MSC is confident that it could deliver the further increase in the Community Programme as well as the Charities Programme and the changes in the Voluntary Projects Programme; but the costings on these measures need to be more firmly established.

The 'Facelift' Programme is, at present, no more than an idea. It would need to be thoroughly worked up between now and mid-July. The same applies to the 'Job-Finding Allowance', the 'Job-Clubs' and the 'Open-Learning Programme'.

Tom's idea that boards of worthy volunteers from the private-sector could be made responsible for delivering the programmes is even more speculative. The suggestion that each such organisation should be asked "to draw up a plan for employment regeneration in its area" is unfortunate: it sounds like economic planning of the worst sort. The proposal will need modification.

Presentation and Packaging

To ensure maximum impact, the new measures would have to be brought together into a single, coherent package that could be sold to the public in the same way as the City Action Teams.

If the package were sold as a 'clean-up' campaign, the measures might achieve more popular recognition, and be somewhat less vulnerable to attack as pure make-work schemes.

Timing

If you wanted the full ensemble, with 300,000 off the register by Spring 1987, announcements would have to be made by the end of the year, since some elements of the package - like the benefit-plus scheme - would need entirely new delivery machinery and could not be brought quickly into play.

A smaller effort, using only those schemes that could be delivered with existing machinery, (eg the increase in the Community Programme clean-up operations) could be delayed until next year, and still have a considerable effect by Spring 1987.

Finding the Money

Tom King gives an estimated net public expenditure cost (allowing for benefit savings) of about £700 million pa for over 300,000 people off the count by Spring 1987. We expect that this will turn out to be roughly correct.

There are four ways to find the money:

- a. The PES round - unlikely to find £700 million extra in a sensitive way.
- b. An across-the-board 1% cut to finance these specific measures - a long shot as departments are good at choosing political hot potatoes.
- c. Cutting back on high cost per job subsidy schemes in nationalised industries, Regional Policy, industrial support, Trade and Aid - logically the right thing to do but difficult to persuade many colleagues.
- d. Using extra asset sale proceeds and fiscal adjustments at the expense of tax cuts - asset sales can now be very buoyant, leaving more for tax reduction as well.

The Chancellor is likely to be very sceptical about all these possibilities. We agree with him that deregulation and measures to improve markets are best; but we do not believe that the necessary changes are being made fast enough to affect unemployment before the election.

The Political Judgement

The choice is between:

- a. larger tax and NIC cuts, consistent with the Government's policies and philosophy, but which are unlikely to yield significant reductions in unemployment between now and 1987;
- b. smaller tax and NIC cuts, with a major clean-up programme that has a relatively predictable and noticeable impact on unemployment, but provides what may be described as 'unreal' jobs at low pay;

- c. a half-way house - a small benefit-plus clean-up programme, with (say) 100,000 people off the register at a net cost of about £150 million; this would break the union rate-for-the-job that raises the cost of the Community Programme; it would have some public relations impact; and it would leave the tax cuts largely intact.
-

If you go all out for the tax-cuts route, with roughly the present levels of unemployment remaining up to 1987, you will have opposition from many of the Government's opponents, and some of its 'supporters', who will say that your strategy has failed; but the Government will have stuck to its guns.

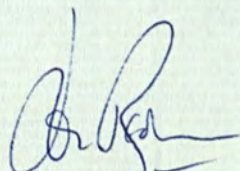
If you opt for a big clean-up campaign, you will be able to meet the criticism of an 'uncaring, unsuccessful economic policy' at the next election with the answer that unemployment is falling. You would be responding to a national mood and you would make many of the Government's supporters happy; but you will be attacked by the unions, (who will describe this as 'fake work at slave rates'), and the construction industry, (who will fear the cheap competition).

If you take the middle course, with a small clean-up scheme, you will attract some credit with supporters, and not too much hostility from the unions, construction industry and City. But you will not have a major effect on the unemployment figures, and you may be accused of taking yet more half-hearted measures through a failure of nerve.

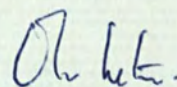
Conclusion

We recommend that:

- a. Tom King should be asked to work out the details (1) of a full package, and (2) of a reduced programme that could be introduced later at much lower cost; he should come back by the end of the recess;
- b. no decisions should be taken until these details have been fully worked up;
- c. you should aim to bring measures to bear on the unemployment total before the next election, and to find offsetting cuts if at all possible (by any of the methods suggested above); otherwise, you should reluctantly accept smaller tax cuts to buy jobs and improve labour markets.



JOHN REDWOOD



OLIVER LETWIN



10 DOWNING STREET

From the Private Secretary

Prime Minister

The Chancellor wants to have a word about this before the meeting. This can be done after E(A) on Tuesday.

He fears this initiative could turn into a bid for £200 million extra public expenditure which cannot be afforded. I expect he will argue for

(i) the lowest cost Benefit Plus scheme and (ii) greater pressure on the longer term unemployed to seek work, by withdrawal of benefit if they refuse job offers and by tightening up on abuse.

AT
7/11

PRIME MINISTER

LONG-TERM UNEMPLOYMENT

010

6/6

cc. vgh.

We are meeting under your chairmanship on 12 June to discuss options for action to help relieve long-term unemployment, including those set out in Tom King's ^{file with AT} minute of 5 June. As you know I have for some time been concerned about the problem of incentives to work and I recently asked my officials to work up a scheme that would highlight the dimensions of the problem and get many more of the long-term unemployed into jobs.

2. We currently face a situation in which, to take just one example, a married man with two children needs to be earning over £130 a week gross in order to end up with a net income which is just £15 a week higher than he would get on social security. At the same time, we have in the South East persistent reports of vacancies which cannot be filled - particularly at the lower end of the wages scale - despite the fact that the region has 274,000 long-term unemployed - the highest number in absolute terms of any region in the country. It seems quite clear to me that at least some of those people are not taking the available jobs because the financial incentive to do so is just too small to make it worthwhile.

3. There are two related ways in which I suggest we might tackle this problem. First, I think we need a bigger incentive for the long-term unemployed to take work. The attached note suggests a tax credit of £20 a week for 12 months for people who take employment after being on the register for more than two years. That would, in many cases, more than double the current financial incentive to get back into work, particularly at the lower levels. A scheme of this kind - while not without its difficulties - would be considerably more than another special employment measure, though it could take substantial numbers of people off the register at a cost comparable with existing measures like CP. It would also be a major contribution to recreating a culture in which getting work was seen as much more attractive than staying on benefit. The cost moreover would be almost entirely in terms of tax foregone so that additional public spending would be minimal.

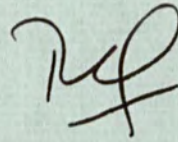
4. My second proposal - which I would see as very much linked to the first - would be to strengthen the existing measures to combat benefit fraud. Estimates of those working and signing vary considerably but few people would put the bottom end of the range below 10 per cent. Much is already being done to tackle this but I think there is scope for even more - not only because the benefit savings could be considerable but also because black economy earnings on top of benefit further reduce the incentive to take work in the white economy. What I would like to see is combined DHSS and Inland Revenue teams, built on the teams already in existence, to concentrate on those areas - primarily in the South East - and those people who we have most reason to believe are working in the black economy. I am suggesting combined teams so that it will be quite clear that we are going for those who cheat the system and not bullying the genuine claimant.

5. Of course, such measures are open to the criticism that we are simply hounding the unemployed. But that would be minimised if the measures were seen to be part of a strategy which was increasing the incentives to work and to be concentrated on areas where significant numbers of unfilled jobs exist.

6. If the idea of a scheme of the kind outlined in the attached note appealed to colleagues, we should clearly need to get more work done on it by officials, particularly on issues of practicality and costs. Meanwhile it seems sensible that, as the Prime Minister has asked, it should be looked at alongside the other options that your officials will be putting forward. It is similar in some respects to the idea of a subsidy to employers who recruit additional employees from the long-term unemployed, or a tax free allowance payable to the long-term unemployed when they find employment. A tax credit scheme would not however distort the market in the way that an employer subsidy would, but is aimed at removing distortions produced by the social security system, by acting on individual incentives. As compared with other employment measures, it has the merit that it would lever long-term unemployed people into regular employment.

CONFIDENTIAL

7. I am copying this minute to Nigel Lawson, George Younger, Nicholas Edwards, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, Peter Rees, Nicholas Ridley, Peter Morrison and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'Nigel Lawson', written in a cursive style.

DY

6 June 1985.

TAX CREDIT FOR THE LONG TERM UNEMPLOYED

Aim

1 The aim of the scheme would be to encourage the long term unemployed to leave the register by offering them a tax credit for a limited period. The tax credit would help to overcome the problem of incentives particularly in relation to low wage employment.

2 There is considerable flexibility in the design of such a scheme. The scale and cost of would vary with

i) the duration of unemployment of those covered; the "long term unemployed" are generally defined as these who have been unemployed for a year or more, but a scheme covering those unemployed more than two years has a number of advantages;

ii) the length of time over which the tax credit would operate: probably one year;

iii) the size of the credit: the credit could operate so that income was tax free up to the level of earnings attracting a tax free credit of say £20; there could be a tapering tax credit above that level. It is assumed that National Insurance contributions would continue to be paid.

The long term unemployed

3 There are about half a million people (554,000) on the unemployment register who have been unemployed for between one and two years and a further 760,000 who have been unemployed for more than two years. (The numbers of unemployed by age and duration category are shown in Table 1.)

4 These figures do not however represent static populations; Table 2 gives details of the numbers and age of people flowing off the unemployment register. This shows that in 1984 about 760,000 people who had been unemployed for more than a year left the register. They were predominantly people who had been unemployed between one and two years (550,000) with a much smaller flow off of those unemployed more than two years (208,000).

5 Many of the long term unemployed who leave the register do not obtain permanent employment. No official statistics are collected on the destination of those who leave the register but survey evidence suggests that many leave simply to return at a later stage. Table 3 summarises some evidence from the PSI Study of the stock of the long term unemployed in 1980/81 (and further evidence should be available from the present MSC Cohort Study which covers a more recent period). The broad picture was that about 27 per cent of those who left the register after being unemployed for more than one year were still in employment at the time of the second interview, whereas about 29 per cent of men and 15 per cent of women had returned to the register after a period of employment. The others had become sick, left the register, entered training schemes, or retired.

The limited available evidence on those unemployed more than two years suggests that the likelihood that those who leave the register will enter employment, and retain it, is even lower. (Table 4)

6 Such surveys also provide evidence of the characteristics of the long term unemployed. The PSI Study covered the stock of the long term unemployed in 1980 and found the long term unemployed included a complicated collection of groups with enormously

different family circumstances. Distinguishing characteristics were

- low educational attainments
- predominantly unskilled
- generally low paid in previous jobs.

The MSC Cohort Study confirms the predominance of low skill, low paid workers.

Costs of a tax holiday scheme

7 The gross costs of a scheme which offered a tax credit over a period to the long term unemployed would depend on the numbers leaving the register to enter employment and the tax foregone (which will depend on their income in work and personal tax characteristics).

8 We can identify three groups of people who would be affected

- i those who would have left the register for employment anyway at the time they did leave
- ii those who would have left the register for employment but whose duration of employment is lengthened by the incentive of a tax credit
- iii those who leave the register as the incentive of a tax credit enables them to take a job or declare black economy income.

9 There is room for wide variation in the estimates of numbers in each group, particularly on the effect of incentives.

Possible numbers include the following

- i those who would have left the register and taken a job

anyway after being unemployed more than one year might number 200,000 in a year (ie 27 per cent of 760,000). There are some difficulties in using a statistic derived from a survey of the stock of long term unemployed and applying it to a flow - and a proportion of these may well leave the register earlier due to the incentive effect of a tax holiday.

A scheme covering those unemployed more than two years might cover 31,000 who would have left the register for continuous employment (15 per cent of the flow off the register of 208,000)

- ii those whose duration of employment is lengthened by a tax credit scheme might include those who left the register for a temporary period of employment - perhaps 180,000 (ie 24 per cent of 760,000) - any estimate of how long their duration might increase is purely speculative. They might on average have spent three months in employment - say this increased by 50 per cent to four and a half months (67,500 full year equivalents).

The proportion of those who leave the register after being unemployed over two years and take a temporary job may be higher - perhaps 30 per cent. On the assumptions used above this suggests 62,000 (23,400 full year equivalents.)

- iii any estimate of the number who are "incentivised" to leave the register must be purely speculative. The pool of possible people includes those who left the register for non-employment destinations. About 380,000 of those unemployed over a year left the register but did not take a job. Many left for a period of sickness but about 200,000 left for training or "non-work". There is in addition people

who presently remain on the register but may earn a living wage from black economy earnings who could be encouraged to leave the register by a tax credit scheme. One guess might be that 125,000 leave the register and obtain employment for one year. (This is equivalent to 33 per cent of those leaving the register for non employment destinations)

These unemployed over two years who might be "incentivised" might number 25,000, This is equivalent to just over 20 per cent of the 115,000 who leave the register for non employment destinations. But again this is a purely speculative figure.

10 There is a further group who might be covered - those who presently leave unemployment with durations less than a year but who stay longer on the register to get the benefit of a tax credit. This could affect those who leave the register with relatively high durations, for example in 1984 270,000 left the register after a spell of unemployment lasting between nine months and a year. If many of them would enter employment - 50 per cent? - and a third those who would have entered employment remain on the register, this adds about 45,000 (for a full year) to the coverage of the scheme.

A similar group might be covered by a scheme covering those unemployed for more than two years. 100,000 leave the register with durations between eighteen months and two years. If 50 per cent of them enter employment and a quarter of those who would have entered employment remain on the register to take advantage of the scheme this would add 12,500 to scheme coverage. This may well be an overestimate since these people are unlikely to voluntarily extend their durations given the chance of a job.

11 So, the total number who could be covered by a full year's taxcredit could amount to 435,000 in a year for a scheme covering those unemployed more than one year. A scheme covering those unemployed more than two years might cover 92,000 in a year. The cost of tax concessions will also depend on the earnings of those covered by the scheme and their average tax rate.

- i Earnings are likely to be relatively low. The MSC survey of the long term unemployed gave an estimate of the wage expectations of those still on the register after twenty two months (in September 1982) as just over £60. Earnings might average around £100 for those flowing off the register.
- ii Average tax rates will depend on marital status and tax deductions. Evidence from the PSI Study of the long term unemployed showed 40 per cent of the sample as married. (This may not be an appropriate estimate for the flow from unemployment.)

These two assumptions give an average value of just under £15 a week for a tax credit with a maximum of £20 a week,

12 These assumptions give an annual cost of a scheme covering those unemployed more than one year as £325 million pa. A scheme covering those unemployed more than two years would cost £69 million pa.

13 The net cost of this scheme would be less to the extent that people leave the register and fill jobs which would not otherwise have been filled - or which would have been filled by someone not registered as unemployed.

- i Some people covered by the scheme would have left the register and entered employment anyway ["deadweight"] . These are estimated at 290,000 (in full year equivalents) for a scheme covering those unemployed more one year and 60,000 for a scheme covering those unemployed more than two years. (Estimates derived from paragraphs 9 (i), 9 (ii) and 10 above.)
- ii Some people covered by the scheme will obtain employment but only at the expense of other people who either enter the register or experience longer durations of unemployment ["displacement"].

14 The beneficial effects of the scheme on the register, and the savings in benefits which result, come from

- a vacancies which would otherwise have remained unfilled, or which are filled more quickly;
- b jobs which exist in the black economy and which are brought into the white economy as a result of tax concessions;
- c jobs which may be created at lower wages because the incentives problem for this particular group of workers has been reduced. Graphs 1 and 2 show the incentive effect in relation to a single person and married couple with 2 children.

15 It is hard to quantify these effects. A scheme covering those unemployed more than one year is estimated to put about 150,000 people into vacancies. But some of these vacancies may be filled at the expense of other people on the register ie "displacement". A displacement effect of one third would give

an effect on the register of about 100,000; a displacement effect of two thirds would give an effect on the register of about 50,000.

Average benefits paid to the long term unemployed have been estimated at about £40 a week. In addition, extra National Insurance contributions are paid, amounting to £9 a week (on an average wage of £100 a week) The range of displacement assumptions would give benefit savings of between £200 million and £100 million and extra NI contributions of between £46 million and £23 million. This gives a range of net Exchequer costs per person off the register of between £770 pa and £4,080 pa,

16 For a scheme covering those unemployed more than two years, it is estimated that about 33,000 people are put into vacancies. If the same range of assumptions on the displacement effect is used, this implies net Exchequer costs per person off the register of between £620 pa. and £3,800 pa. A central estimate would be a net cost of about £2,000 pa.

17 The more significant are the effects identified in paragraph 14, the less is the scale of displacement. The concentration of the tax credit scheme on those unemployed over two years, and the emphasis on lower paid jobs is likely to keep displacement low.

Estimates of costs have concentrated on net Exchequer costs i.e. the effect on the PSBR. Public spending would be reduced by the scheme which involves a loss of tax revenue but a reduction in spending on social security benefits.

CONFIDENTIAL

TABLE 1
 NUMBER OF UNEMPLOYED BY AGE AND DURATION
 OF UNEMPLOYMENT : JANUARY 1985

Duration						thousands
	16-24	25-34	35-44	45-54	55+	TOTAL
MALES						
0 - 1 year	547	291	182	138	148	1306
1 - 2 years	129	93	64	56	56	398
2 - 3 years	63	59	44	39	32	236
more than 3 years	54	97	82	82	62	376
FEMALES						
0 - 1 year	375	183	77	59	26	720
1 - 2 years	71	31	18	23	14	156
2 - 3 years	29	10	8	14	10	71
more than 3 years	20	12	9	19	18	78

Source : DE Gazette

Note : These statistics show the stock of unemployed at a point in time

CONFIDENTIAL

TABLE 2

(i) FLOW OF UNEMPLOYED OFF THE REGISTER BETWEEN
JANUARY 1984 AND JANUARY 1985 BY LENGTH OF UNEMPLOYMENT

Duration	Males	Females	thousands
1 - 2 years	350	202	
2 - 3 years	99	31	
more than 3 years	<u>65</u>	<u>13</u>	
	515	246	

(ii) FLOW OF UNEMPLOYED OFF THE REGISTER BETWEEN
OCTOBER 1984 AND JANUARY 1985 AGE ANALYSIS

Percentage of the flow off the register
unemployed more than a year in each age
group

Age	Males	Females	Percentage
16-24	31.7	45.8	
25-34	23.2	30.5	
35-44	13.4	10.3	
45-54	9.0	7.3	
55+	22.5	6.2	
TOTAL	100	100	

Source : DE Gazette

Note : These statistics show the flow of long term unemployed off the register between two the period.

CONFIDENTIAL

TABLE 3
MOVEMENTS OFF THE REGISTER FROM THE PSI
STUDY OF LONG TERM UNEMPLOYMENT 1980-81

Status during 1980-81	Percentage of sample	
	Male	Female
obtained employment but unemployed (by second interview)	6.7	6.3
in work	6.5	11.0
left register not in work	2.5	13.6
registered sick	7.2	6.5
training/special scheme	3.2	2.6
state pension	0.4	7.1
all leaving register	23.5	40.8

Source : M White "Long term unemployment and labour Markets" PSI
(figures derived from Table III.2)

Note : 1. These statistics show the proportion of the (sample) stock of long term unemployed who flowed off the register between 1980 and 1981.

2 Sum of categories listed above is greater than the total percentage shown as leaving the register as some categories will be overlapping. The sum of categories is 26.5 per cent for men and 47.1 per cent for women.

3. The percentage of those leaving the register who were in employment at the time of the second interview was 28 per cent of males and 27 per cent of females. A further 29 per cent of males and 15 per cent of females left the register for employment but had rejoined the register by the time of the second interview.

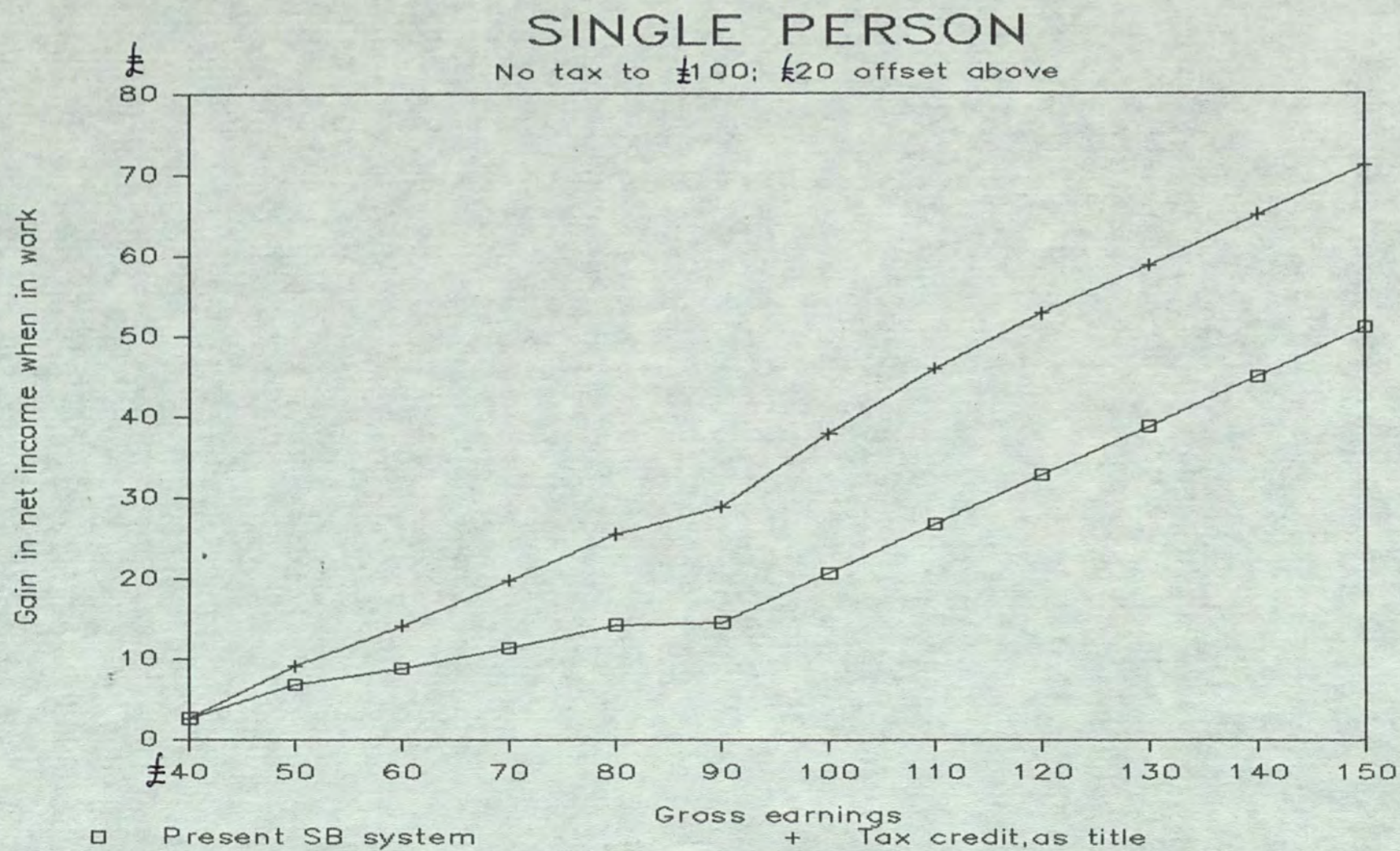
TABLE 4
EMPLOYMENT STATUS DURING 1980-81

	unem- ployed 1-2 years	unem- ployed more than 2 years	unem- ployed 1-2 years	unem- ployed more than 2 years
Employment status at time of second interview in 1981				
In work continuously 1980-81	4.7	1.2	6.9	3.3
In work at time of second interview but not throughout 180-81	7.8	2.4	9.6	4.3
Unemployed at time of interview but in work during 1980-81	9.7	5.3	10.1	3.9
Always out of work 1980-81	77.7	91.1	73.4	88.5

Source : M White "Long Term Unemployment and Labour Markets
" PSI (Figures as for Table VII.1 but separate data
distinguishing the two groups provided by PSI)

Note : Length of unemployment is defined as at the time of
first interview in 1980.

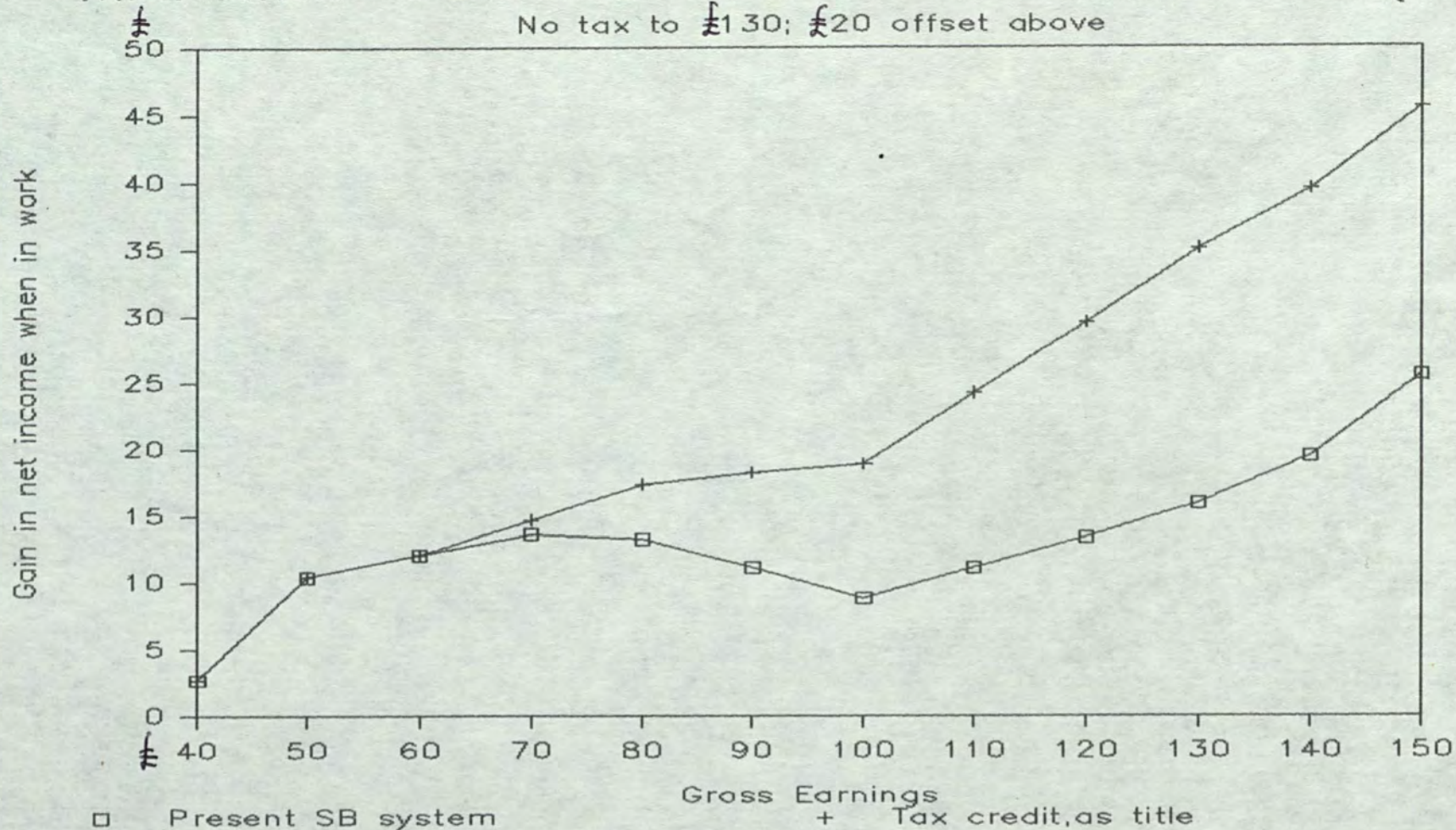
GRAPH 1.



GRAPH 2.

MARRIED COUPLE PLUS TWO CHILDREN(4,6)

No tax to £130; £20 offset above



Manpower: SEM. PT12.

3 cc ØL

5/6.

PRIME MINISTER



LONG-TERM UNEMPLOYMENT

1. You asked us to look at further ways in which we might provide work for the long-term unemployed including particularly clearance of derelict sites and generally tidying up our towns and cities.

2. In my discussions with Nigel Lawson before the Budget I agreed with him the expansion of the Community Programme this year by 100,000 places, together with the pilot projects for charities, voluntary projects for the long-term unemployed, and business involvement. The point of these pilots was to establish ways in which further places could be created next year for the long-term unemployed in new and imaginative ways and without causing problems of substitution.

3. In the light of your request I have been considering how we can accelerate our programmes and how we might add to them the new aspects you mention. The attached paper sets out a plan of action on which I would welcome an early discussion.

4. The background to this is one of unemployment on a slowly rising trend but with a significant increase in long-term unemployment. One particularly disturbing milestone is likely to be reached next month when the number unemployed for more than three years reaches 500,000.

5. I therefore believe it is right to put further action in hand, but to base that action on certain key conditions. First, new approaches should be seen to be a development of existing policy but wherever possible they must be presented as new and attractive initiatives of obvious benefit to the community. Second, they must be focussed particularly on the areas worst affected by long-term unemployment.



6. The expansion of the Community Programme is clearly in line with our existing policy and if we can develop schemes within it which could give real help in such areas as clean up and improvement of football grounds or assistance in the fight against drug abuse then such schemes would be seen to be of real relevance to local needs. Moreover, by associating such schemes with obviously popular concerns, it will be that much more difficult for trade unions to obstruct them, which has often been a major difficulty with the Community Programme.

7. I believe we should also see how well we can tie-in the suggested "Facelift" programme with various kinds of maintenance projects. The poor condition of some of our railway stations, bus shelters, pavements, fencing are all contributors to the shabby state of too many of our towns and cities and are areas where any improvements would attract immediate public recognition.

8. I also believe that we should try to develop new ways in which local business people might have a real say in and thus a greater commitment to the schemes in their own areas. My paper suggests one way we might do this.

9. In my view there is a very strong case for taking our action forward urgently through this mix of measures. By developing our present measures we can have reasonable certainty of making a large extra impact on unemployment over the next two years, and by supplementing them with new approaches we can harness extra effort to the task, obtain a larger response, and a greater public impact.

10. Accordingly, I recommend that:-

- (i) The Community Programme should be expanded to 380,000 places by the summer of 1987 with the extra places focussed on refurbishment and clean-up projects.



- (ii) The pilot Charities Scheme and the Voluntary Projects Programme for the long-term unemployed should be developed as quickly as possible to 50,000 place schemes.
- (iii) We should explore the possibilities for a new "Facelift Programme" for the clearing of derelict sites etc with a report back by mid-July.
- (iv) We should look at the possibility of new arrangements for the local delivery of programmes.
- (v) We should work up the details and costs of a job finding subsidy scheme and an open learning training programme for the younger long-term unemployed. We should also ask the MSC to introduce in all their main jobcentres as soon as possible "Job Clubs" to help the long-term unemployed find work as this can be done with no extra resources.

11. I recognise that the gross cost of this programme would be significant, but against this the nett cost to the exchequer could be in the region of £700m. Furthermore unemployment is the greatest political problem that we face and the proposals I have outlined above might remove some 300,000 people from the



unemployment count by summer 1987, over and above those who will be removed by this year's budget measures.

12. I am sending copies of this minute to the recipients of your Private Secretary's letter of 20 May, and to the Secretaries of State for Scotland and Wales.

T K

5 June 1985

LONG TERM UNEMPLOYMENT

Note by officials

I. INTRODUCTION

1. This note considers measures for bringing about a reduction in long-term unemployment (ie. unemployment lasting one year or more). It concentrates on measures which could

- make a significant impact on the unemployment count by the spring of 1987
- enable the long-term unemployed to do work which would be widely recognised as worthwhile (eg. improving the appearance of our cities)
- contribute additional manpower to efforts to deal with such urgent current problems as drug abuse, the improvement of football grounds and crowd control
- be presented in such a way as to make an early public impact both because of the work done and because it makes a positive contribution to the problem of helping the long-term unemployed.

2. In April this year there were 1.3 million people who had been unemployed for more than one year, 790,000 of whom had been unemployed for more than two years, and 484,000 unemployed for more than three years. (Annex 1 provides further details about long-term unemployment). If the economy continues to grow at the current rate there could be some reduction in unemployment before the end of the year but long term unemployment would remain high. If however the current underlying upward trend in unemployment continues, long term unemployment is likely to increase at a disproportionately faster rate.

3. The note considers

- (i) How existing programmes might be extended to meet the objectives set out above
- (ii) the possibility of setting up an entirely new programme to provide temporary work for the long-term unemployed which would be of value to the community.

New ways in which such programmes might be delivered are then considered, and the note concludes by briefly examining a number of other more limited proposals.

II DEVELOPMENT OF EXISTING PROGRAMMES FOR LONG-TERM UNEMPLOYED PEOPLE

(i) **The Community Programme**

4 The Community Programme is currently being expanded from 130 to 230,000 places by May 1986. This expansion will take place without substantial changes to the current Programme and in addition experiments will be launched to test ways of making better use of industrial and commercial employers to run CP projects.

5 This increase of 100,000 will take some 93,000 people out of the unemployment count. We are confident that the Programme could be further expanded during 1986/87 by an additional 150,000 places to give a total of 380,000 places by summer 1987. This would take a further 139,000 people out of the unemployment count at an additional gross cost of £670m and a net cost of £265m.

6 Under this further expansion there would be much greater emphasis on refurbishment and "clean up" type projects. A major component would be the extension of the Community Refurbishment Scheme beyond Merseyside where it currently operates to other areas. The Refurbishment Schemes combine

Community Programme resources with resources from the Urban Programme for projects to refurbish run-down housing estates using unemployed people from those estates) beyond Merseyside, where it currently operates, to other rundown inner city areas.

7 Although some amendment of current CP rules would be required, there would not be a need for major changes to the structure of the Programme under which participants would continue to be paid the 'rate for the job'. Officials are confident about delivery of their expansion in 1986/7; however consideration is now also being given to the possibility of significantly accelerating the growth rate of the programme during 1985-86.

(ii) A Charities Scheme

8 An additional way of expanding the Community Programme would be to develop a special scheme based on well established charities and voluntary organisations (who so far have been under-exploited as providers of places). This initiative is currently being developed on a pilot basis, and the Secretary of State for Employment has discussed with representatives of certain major charities the ways in which they might be able to provide worthwhile employment opportunities in services of real benefit to the community. For example, MENCAP are considering how long-term unemployed people might provide a variety of types of help to families with a mentally disabled member.

9 Charities taking part in the scheme would be funded in a simpler way than under current CP arrangements. They would receive a block grant per filled place of, say, £75 per week, below the cost of a CP place. The charity would be free to decide how to split this grant between wages and administrative costs. The numbers of places that such a programme might offer must be speculative at present, but on

the basis of interest shown so far, a target of 50,000 places by summer 1987 seems feasible. This might take some 42,500 people out of the unemployment count at a gross cost of £200 million, some £90 million net. Further consideration is being given to what might be involved in accelerating the scheme beyond the pilots currently envisaged for 1985/86.

(iii) Voluntary Projects Programme

10 Proposals are being developed for giving new forms of opportunities in valuable voluntary work for long-term unemployed people within the Voluntary Projects Programme (VPP). Long term unemployed people would give a commitment to attend a project for a specific period, in return for which they would be paid a training allowance replacing their entitlement to benefit, and thus excluding them from the unemployment count.

11 The average time spent on a project and thus "out" of unemployment would be relatively short - some months at most. However a target of a 50,000 place scheme could assist well over a quarter of a million people in the course of a full year. The cost might be £140 million gross and £60 million net, and the effect on the unemployment count (provided eligibility was limited to previous benefit recipients) of the order of 45,000.

III A NEW "FACELIFT" PROGRAMME

12 The aim of the programme would be to engage the long term unemployed in work which would be recognised as both worthwhile for them and valuable to the community. It would cover clearing derelict sites; cleaning, painting and repairing buildings and public sites; and clearing up the sides of road and motorways. It would not be limited to environmental work: it could also enable the long term unemployed to help to deal with urgent, current problems where

there is a need for manpower: eg. the improvement of football grounds and working for local drug abuse committees. A programme of this kind would have a clear, consistent and readily understood theme. It would not be a "make work" programme: it would be seen to be tackling tasks of obvious benefit to local needs. The value of the programme would be evident both in what it did for the long term unemployed and the improvements it brought to the appearance of cities and the help it provided in dealing with current problems. The work would be predominantly unskilled (cleaning, painting and repairing) but not exclusively manual (eg. there would be scope for some office work).

13 The mechanisms by which such a programme might operate are

- a further expansion of the Community Programme over and above the 380,000 places proposed in paragraph 5 above
- contracts under which building firms, local authorities, nationalised industries and other bodies in both the private and public sector would be paid to take on additional workers from the long term unemployed to do "facelift" work
- a "Benefit Plus" scheme under which the long term unemployed would be paid the equivalent of their previous benefit entitlement plus a tax free allowance of £20 a week.

14 These mechanisms are not alternatives: a "Facelift" Programme might employ all three, depending on the nature of the work to be done and the attitude of the local authorities and others involved.

15 A further expansion of the Community Programme (over and above a target of 380,000 places) could make an important contribution to a Facelift Programme, but there are some limiting factors:-

- (a) the Community Programme predominantly attracts people in the 18-25 age group with low benefit entitlement: for older people with family commitments CP wages may provide a net income lower than their existing benefit entitlement. It could therefore prove difficult to attract more of the over 25s into the programme.
- (b) the Community Programme has not been able to generate significant numbers of projects in the public services (eg schools, hospitals and transport) where trade union/political opposition is likely to be strongest but where the need for a "Facelift" Programme is often greatest.

The Programme is also constrained in having to pay its participants "the rate for the job".

16 An alternative would be tendering for contracts by private companies or public bodies on the basis that additional employees from the long term unemployed were recruited to carry out as much of the work as possible. This would have the advantage of making use of the management and other skilled resources of employers (particularly important in ensuring proper supervision). Employers might be paid a block grant including a per capita allowance to meet the wage costs of a specified number of employees to be recruited from the long term unemployed. It would be open to the employer to pay more in wages from his own resources, but the allowance would be no higher than the maximum wage payable under CP.

17 A contract scheme of this kind would help to reduce, if not remove, the opposition of the building industry to a "Facelift" Programme by enabling them to compete for projects. Some local authorities would no doubt oppose the use of private contractors in services for which they are responsible (eg schools). However, trade union opposition would probably be less acute than it would be to a "benefit plus" scheme (see below), provided that recruits into the Programme were paid the "rate for the job" (as in CP).

18 Under a "benefit plus" scheme the long term unemployed would work on projects for the equivalent of their previous benefit entitlement plus £20 (tax free) a week. The participants would not be employees but would have a status similar to that of YTS trainees. They would be excluded from the unemployment count on the grounds that they were not available for work. Sponsors would be sought from both the public and private sector. Legislation would be required. Because of the likely opposition of trade unions, local authorities and possibly some employers to a scheme of this kind (particularly one which operated in the public sector), the programme would have to be run by the DE rather than the MSC (see Annex 2).

19 A "Benefit Plus" scheme would have the advantage of

- breaking free of the "rate for the job" concept
- guaranteeing the long term unemployed a higher net income than their benefit entitlement (even after travel and other work-associated costs) and hence overcoming the "unemployment trap": this might mean that it would be attractive to the over 25 age group who, on the whole, have not been drawn into the Community Programme.

20 As against these advantages it must be uncertain how successful trade union/local authority opposition* would be in frustrating the operation of a "benefit plus" scheme in the public sector. Furthermore there is a risk that this opposition might feed through into opposition to an expanded Community Programme and put at risk the targets proposed in paragraph 5 above. The potentially wide variations in income (as a result of varying benefit entitlement) for people doing the same work could also be a source of difficulty. For a man with a large number of dependents "benefit plus" might provide a higher net income than the "rate for the job". (For example, the total benefit income of a man with a wife and four children - supplementary benefit plus housing benefit, free school meals and child benefit - may be £130.) It might be necessary therefore to impose an earnings ceiling, even if this had the effect of excluding those with very high benefit entitlement.

21 Some private sector contractors (particularly in non-unionised areas) might be prepared to take on workers paid under a "benefit plus" scheme to supplement their existing workforce. In other cases some contribution to supervisory costs would be needed in addition to the "benefit plus" payment for participants. There might be scope for drawing capital costs from existing programmes (eg the Community Refurbishment Programme). (Co-ordination of a "Facelift" programme with Inner City and other existing Government programmes would in any case be essential).

22 Whatever the mechanisms for a "Facelift" programme the number of places which could be achieved must be speculative until put to the test. However, it is assumed that a new programme of this kind would not be worth launching with a target of less than 100,000 places by Spring 1987. The gross and net costs of a programme of this size could be of the order of £355 million and £275 million respectively.

Emp and
examining
the figures
not look
so high.

*This opposition would be even greater if participation were made a condition of receiving benefit (ie workfare).

IV LOCAL DELIVERY OF PROGRAMMES : A POSSIBLE NEW APPROACH

23 Finding the best means of delivery is as important as the form of the programme. Unemployment is a local as well as a national problem and programmes to provide temporary work need community support. There are potentially greater advantages in securing local involvement (and particularly private sector employers) in identifying the scope for and setting up programmes to help the unemployed.

24 Annex B describes a new means of programme delivery based on an organised community response to community needs. This could be particularly valuable in getting places for unemployed people in areas where there is resistance to temporary work programmes because they are perceived to be run centrally (ie from outside the local community). The proposals set out in the Annex would take time to develop. They could provide new delivery arrangements for "Facelift" and other programmes and are not a substitute for the programmes themselves. But we think these ideas are worth pursuing in more detail.

V OTHER FORMS OF ASSISTANCE FOR THE LONG TERM UNEMPLOYED

(i) A Job Finding Subsidy

25 It would be possible to pay the two year (or more) unemployed who re-enter employment a tax free weekly allowance of £20 per week for the first 6 months of their employment. The justification would be both to stimulate job search and to help to overcome the unemployment trap ie to allow those whose total benefit entitlement exceeds what they could earn in employment to price themselves into work by enabling them to take jobs with lower gross earnings. (See Annex 4). The subsidy would exert some downward pressure on pay. A subsidy of this kind would have a low gross cost because of the likely take-up and the low level of the subsidy. The net cost would be lower, on the assumption that

the subsidy would help to fill some vacancies (particularly in the South East) which would not otherwise be filled; and that some additional vacancies would be created if employers thought they could be filled at lower rates of pay.

(ii) Job Clubs

26 Job Clubs give practical help to the long term unemployed in getting jobs. The results from the 3 pilot "job clubs" are impressive (in Middlesbrough of 64 joiners, 47 have already found work for themselves and their lengths of unemployment varied from 1 to 8 years). Job clubs are simple and inexpensive. All that is needed is a typewriter, envelopes, paper and stamps. They help the unemployed to put together a CV and write letters of application and supply reference books from which they can hunt out prospective employers. No additional staff would be required to extend "job clubs" to each of the 500 main Jobcentres.

(iii) A large scale open learning training programme

27 This would be aimed at the long term unemployed and specifically those under 25. The objective would be to establish within 12 months an open learning centre in each major town or part of a city with materials generated in the Open Tech and elsewhere. Sponsors would be primarily in the private sector, supported by LEAs. The long term unemployed could be enrolled as students in courses which would range from basics to robotics and foundation learning to updating and retraining. The aim would be to keep every long term unemployed person on the course until he or she reaches the standard and is certificated or until he or she finds a job.

THE TREASURY VIEW

28 Treasury officials have been consulted. They say that unless it were possible to identify large off setting savings,

expenditure additions on this scale would be extremely difficult to reconcile with the Government's policy for - and statements about - tight control over public spending, and might therefore lead to a further overrun of published plans. Moreover, financing the extra expenditure, by reducing the scope for tax reductions, would mean a weaker impact on incentives and initiatives and an off-set to the beneficial short term gains of the proposals. The alternative of financing out of borrowing would put upward pressure on inflation and interest rates; this would tend to reduce output and employment elsewhere so that after a few years the net reduction in unemployment overall would be much smaller than the figures quoted in this paper.

CONCLUSION

29 A further expansion of the Community Programme to 380,000 places by 1987 (paragraph 5) coupled with a target of 50,000 places for a separate, Charities Scheme and 50,000 for a Voluntary Projects Programme (paragraphs 8-11) would make a significant contribution to reducing long term unemployment. There are clear advantages in building on existing programmes in terms of the predictability of the results and certainty of their effect. The MSC are confident of achieving 380,000 CP places by 1987.

30 A new "Facelift" Programme (paragraphs 12-22) would be a major new initiative to tackle long term unemployment by providing work on projects which were clearly seen to be of value to the community. It would need to be launched as a scheme which was quite separate from the Community Programme. It would encounter opposition from trade unions and many local authorities. The details of the mechanisms by which such a programme might operate require a great deal of further detailed work.

31 Further consideration of the scope for and means of operation of a "Facelift" programme should include examination of new ways of delivering programmes for the unemployed and in the local community (paragraphs 23-24).

PROGRAMMES FOR LONG TERM UNEMPLOYED PEOPLE

	<u>Programme</u>	<u>Additional places</u>	<u>Effect on Unemployment Count</u>	<u>Additional Gross Cost £Ms</u>	<u>Additional net Exchequer Cost £Ms</u>
<u>Already announced</u>	Community Programme	100,000	93,000	140 (85-6) 460 (86-7)	56 (85-6) 185 (86-7)
<u>Proposed expansion of existing programmes</u>	Community Programme	150,000	139,000	670	265
	Charities	50,000	42,500	200	90
	Voluntary Projects Programme	50,000	45,000	140	60
TOTAL		<u>250,000</u>	<u>226,000</u>	<u>1,010</u>	<u>415</u>
<u>New Programmes</u>	Facelift	100,000	?	355	275
	Job Finding Subsidy	?	?	52*	?
	Job Clubs	-	?	-	-
	Open learning training programme				

* annual cost assuming continuing 50,000 take-up.

LONG TERM UNEMPLOYMENT

CURRENT POSITION

- Of 3¼ million unemployed 1¹/₃ million (just over 40%) have been unemployed for more than a year; some 790,000 of them have been unemployed for over 2 years and 484,000 for over 3 years;
- long-term unemployment grew by about 10% in the year to April 1985; the growth was concentrated in the over 3 year group; it also grew most amongst those aged 25-54;

OUTLOOK

- assuming broadly unchanged trend in unemployment, underlying growth in long-term of about 90,000 a year is likely; most (80,000) of this would be reflected in growth of the over 2 year unemployed, predominantly in the over 3 year group;
- current expansion of the Community Programme should offset trend increase during 1985/86 and early 1986/87; but, if upward trend in unemployment continues, long-term unemployment unlikely to do better than stabilise in 1986;
- even so, will be further growth in the longer duration categories; number unemployed for more than 3 years is likely to exceed ½ million in July, and will continue to rise for the next year or two.

COMPOSITION OF THE LONG-TERM UNEMPLOYMENT

Long term unemployment:

- mainly affects males
- women only account for 23% of the long term unemployed compared with 31% of all claimants (reflecting exhaustion of benefit entitlement after a year which mainly affects women);
- is found in all age groups but predominantly in the over 25s age group, which has also seen the most growth; 58% of long-term unemployed are aged 25-54 years; older workers have longer durations, although lower unemployment rates, than younger people.

DYNAMICS OF LONG-TERM UNEMPLOYMENT

- about 20% of those becoming unemployed flow into long-term unemployment;
- inflow is about 75% a month; flows out of long-term unemployment about 65,000 a month; (although how many go into jobs is not known)
- resulting recent upward trend of about 10,000 a month is carried through to longer duration groups; likelihood of ceasing to be unemployed declines with lengthening unemployment spells;

A CLEAN UP PROGRAMME BASED ON A BENEFIT PLUS SCHEME

1. The proposal is for a scheme which could be run by DE with minimal administrative resources, with no external machinery for approving projects and no monitoring of projects other than to ensure against fraud. The details of how this scheme might work require much further work but it is assumed that the administrative costs would be lower than for CP.
2. Participants would either continue to receive supplementary benefit and be paid an additional £20 (to cover travel and other costs) or be paid a single tax free "allowance" equivalent to their previous SB entitlement + £20. The choice of method would depend on administrative cost and the potential burden on the employers.
3. The "plus" element would need to be large enough not only to cover travel to work costs etc but also to provide a real inducement for the unemployed family man to return to work after a prolonged period of unemployment. Without such an inducement - or without provision for automatic disqualification from benefit for refusal to take up a place in the "Clean Up Programme" - there might well be difficulty in recruiting sufficient numbers for a "benefit plus" scheme. £20, therefore, seems the minimum.
4. Participants in a "benefit plus" Scheme would not have a contract of employment and the sponsoring authority would not have employer obligations other than in the safety and health field (c.f. YTS). They would be excluded from the unemployment count but they would not constitute an addition to local authority or public service manpower.

5. Legislation would be required to provide for payments to be made to the programme participants (because they would not be employees), for the plus element of £20 to be tax free and (depending on the method of payment) for benefit entitlement to be unaffected by the plus element and for NI credits to be maintained.

LOCAL DELIVERY OF EMPLOYMENT PROGRAMMES

1. The proposal is to establish in each of a finite (but large) number of major cities and large towns (perhaps 35 to 50 in number) private sector-led and locally based management organisations. Each such organisation would have a Board (part-time), chaired by a local figure of major standing from the private sector. It would also have a small operating unit staffed by secondees, mostly from the private sector but also from local Government, and major Government departments, including DTI and MSC.

2. The immediate task of each organisation would be to draw up a plan for employment regeneration in its area, with a time-table and specific targets. Each organisation would be required to produce such a plan within 3 months of the start date and within the plan, to provide for

- i. a specified target (large scale) of temporary jobs funded as under the Community Programme, the purpose of which would be to provide immediate benefit to the Community in the form of clearance of dereliction, tidying up the environment, personal services to the housebound, elderly or handicapped etc;
- ii. a planned programme of "managed workshop" and "enterprise centre" and "new enterprise generation" developments involving, in each case, Community Programme-like funds and projects for the preparation of premises or sites and the installation of the necessary services and equipment;

- iii. a planned programme for developing the heritage and tourism potential of each area and taking the form of eg. the restoration of historic sites and buildings, the establishment of museums and tourist attractions etc;

The time frame for each plan would be, initially, 3 years with indications of developments up to 5 years.

3. Supporting the network of local managing organisations would be one or more resource units (small) with, perhaps, one such unit for England, one for Wales and one for Scotland. Such units would be staffed and financed by private sector organisations.

4. The Government's contribution to such a programme would consist of

- (a) securing the commitment of the leading private sector organisations to make such a programme work. The leading firms for each of the selected localities could swiftly be identified. It would be sensible to build on the existing Community Action Programme Committees;
- (b) additional earmarked funds of Community programme-type for temporary work in the selected localities.
- (c) additional Enterprise Allowance Scheme funds to enable a rapid development of self-employed and small business enterprises established by the long term unemployed in the localities concerned;
- (d) commitment of staff resources by DTI and MSC in particular to allow full time secondments to the managing team in each locality;

- (e) some additional adult training funds - it would be a good and visible objective to require each organisation's plan to provide for the establishment of an open learning centre drawing on materials generated through Open Tech. Since this form of learning and training is relatively cheap, these funds need not be large.

5. The private sector's contribution would be considerable:

- (a) time of senior figures, nationally and locally;
- (b) secondees for the local managing organisations and to organise projects in localities - this could be attractive to large firms with an early retirement problem;
- (c) no doubt some corporate resource committed to the establishment of "managed workshops" and the like.

6. Local authority commitment would be essential. Most local authorities would find it difficult to resist such a development, particularly, when economic regeneration is high on their lists of priorities. It is noteworthy that in all the Community Action Programme developments, local authorities have been only too keen to participate and to do so at a senior level. No doubt local authority programme money could be tapped by local managing organisations.

A JOB FINDING ALLOWANCE FOR THE TWO YEAR UNEMPLOYED

1 The allowance would be £20 a week tax free payable for 6 months after taking up a job for all those who have been unemployed for 2 years or more.

2 The allowance would enable the typical family man on supplementary benefit to take work at much lower rates of pay and still be better off than he would be drawing benefit. There would be no justification for paying the allowance to someone who found employment if his gross earnings in employment took his net take home pay above his benefit entitlement. It would therefore be necessary to fix a ceiling at gross weekly earnings of, say, £150.

3 The subsidy might have considerable deadweight effect. But if it is assumed that the effect of the subsidy is to enable employers to create additional jobs at lower rates of pay or to fill jobs which would otherwise remain vacant the deadweight cost might be reduced. The allowance might also exert some downward pressure on pay.



Parliamentary Under
Secretary of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6620/6690

Switchboard 01-213 3000

Andrew Turnbull *File*

Mark Addison Esq
Private Secretary
10 Downing Street
LONDON SW1

4 June 1985

Dear *Mark*

I thought you would wish to see the letter Mr Clark has sent to the Sunday Times in response to yesterday's 'Memo to Maggie' which featured the Enterprise Allowance Scheme.

I am copying this letter to Leigh Lewis, (Minister without Portfolio), and Paul Madden, (Department of Trade and Industry).

Yours sincerely,
Judith Rutherford.
JUDITH RUTHERFORD
Private Secretary



Parliamentary Under
Secretary of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6620/6690

Switchboard 01-213 3000

Roger Elgin Esq
Business Editor
Sunday Times
PO Box 7
200 Grays Inn Road
LONDON
WC1

4 June 1985

Roger Elgin

As Minister responsible for the Enterprise Allowance Scheme I comment on 'Memo to Maggie', 2 June 1985.

The author seems to have confused general subsidies for new small businesses, (which the Enterprise Allowance is not), with Special Employment Measures, (of which it is one of the most successful).

The purpose of the Scheme is to help unemployed people who wish to start in business but are deterred from doing so because they would lose their entitlement to benefit. It thus promotes the creation of new businesses which otherwise would not exist.

You state that there is a 'Problem', as many of these entrepreneurs start up, 'without first assessing the viability of their businesses'. This allegation is certainly not borne out by the survival rate - 85 per cent after the first year - which is virtually indistinguishable from small firms generally. Furthermore the average number of additional jobs generated by EAS firms is 76 per 100 businesses only 18 months after start-up.

The recommendations made by the author of the memo have in fact been in place since the Scheme's inception. All EAS businesses are comprehensively monitored. The counselling session is obligatory and participants can take up the offer of further counselling. There is no pressure on applicants to start-up quickly. Indeed they are advised not to put in an application until they are ready to start business.

As for the DHSS, they have no part in running the Scheme and perhaps I could gently suggest that if your reporter cannot even identify correctly the Department responsible for the

Scheme's administration it must cast some doubt on his research into its other aspects.

Finally I reject your recommendation that applicants should be "forced (sic) to analyse their business proposals, in depth ..."; and that some should be, "strongly warned against starting-up ...". It is, after all, their own money that they are putting into the business. The £40 allowance is little more, and in some cases may be less than their benefit entitlement.

Bureaucratic dirigisme has no place in the Scheme where some of the most successful applicants have been those with fresh and innovative ideas that would probably have been rejected by an 'advice body'.

Yours sincerely

Alan Clark

ALAN CLARK

**THE
SUNDAY TIMES**

Memo to Maggie

REF: Enterprise
Allowance Scheme

PROBLEM: Unemployed people desperate to work are seeking to start their own businesses under the government's £40-a-week enterprise allowance scheme without first assessing the viability of their business ideas or their suitability as entrepreneurs.

ANALYSIS: Inexperience, combined with lack of foresight and planning, increases the risk of many enterprise allowance businesses going to the wall. There is no vetting of business proposals. To qualify, applicants need only to be jobless 13 weeks, have £1,000 in savings or an overdraft, and attend a half-day group counselling. Too few see their need for advice and training until it is too late.

The Manpower Services Commission is worried about the problem and intends to place more emphasis at the group sessions on the difficulties of starting a business. This is not enough. All intending applicants must be forced to analyse their business proposals in depth; and some should be strongly warned against starting up.

ACTION: Bring in obligatory individual counselling for each intending applicant, to be carried out by recognised business advice bodies. Reduce the pressure on applicants to start up as soon as their application is approved. Tell the DHSS to soften its hard line on legitimate market research by unemployed would-be entrepreneurs. Monitor enterprise allowance businesses more closely during their first year.

CONFIDENTIAL

FILE

DCAAPS

620L



10 DOWNING STREET

From the Private Secretary

3 June 1985

TAX CREDIT FOR THE LONG TERM UNEMPLOYED

62
The Prime Minister has seen Lord Young's letter of 30 May to the Chancellor of the Exchequer. She thinks it would be helpful for his note on a tax credit for the long term unemployed to be considered alongside the ideas which the Secretary of State for Employment is examining and which are to be discussed at a meeting on 12 June. She would be grateful if Lord Young could circulate his note to those attending next week's meeting.

I am copying this letter to Rachel Lomax (HM Treasury) and David Normington (Department of Employment).

(Andrew Turnbull)

Leigh Lewis, Esq.,
Office of the Minister Without Portfolio.

CONFIDENTIAL

Prime Minister ①

Agree Lord Young feed his ideas into the
the wider debate.

AT 31/5

Yes

File

PRIME MINISTER

31 May 1985

TAX CREDIT FOR THE LONG-TERM UNEMPLOYED

David Young suggests that people who are unemployed for more than two years should be offered the opportunity of a £20 per week tax credit for the first 12 months if they take work. This idea is certainly worth considering. It is very similar to our suggestion that people unemployed for over one year should be given a £20 tax free allowance in their first year of work.

The idea behind both David Young's scheme and ours is to give the long-term unemployed a greater incentive to return to work - to help them 'hop out' of the unemployment trap.

The most important difference between David Young's scheme and ours is that he proposes to operate through tax credits rather than cash allowances. There are arguments both ways: the tax credit would not appear as an item of public expenditure and would be more directly in line with the moves already proposed by Norman Fowler and the Chancellor; but it would probably be more complicated than the payment of an allowance because of its relationship to the PAYE, NIC and in-work benefit systems. These points - like many other aspects of the suggestion - will need thorough investigation.

Since Tom King is already preparing a paper for you on long-term unemployment, in which our allowance proposal will be discussed, the sensible thing is for David Young to send his paper to Tom and other Ministers who will be present at the 12 June meeting. The various possibilities can then be discussed together in an orderly fashion.

OL letwin

OLIVER LETWIN

File
30 May 1985

MR ADDISON

THE DORNBUSCH LECTURE

I attended this lecture at your suggestion, the first of the Charter for Jobs campaign.

Dornbusch's arguments were in part helpful:

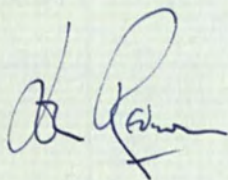
1. He firmly rejected import controls and argued for free trade.
2. He agreed that perhaps 4% or 5% of our current level of unemployment is attributable to micro-economic inefficiencies - the labour market doesn't work after all.
3. He accepts that of all the actions open to Government, the cheapest by far in terms of cost per job created is some kind of Special Employment Measure along the lines of the Community Programme or Benefit-Plus Schemes.
4. He was firmly of the view that sterling's value had to be held, and that to do this money policy had to remain very tight. He was even prepared to countenance a continuing high level of real interest rates to avoid a rekindling of inflation to any great extent.

He was less helpful from the Government's point of view in arguing the following:

1. There was inadequate demand in the economy. He deduced this from taking a 2% per annum trend rate of growth, and drawing attention to the gap between current output and where we would have been had that trend line remained intact throughout the late 1970s and 1980s.
2. To compensate for this lack of demand, he suggested a 3% of GNP fiscal stimulus administered over a 2-year period and then withdrawn. The money would be spent in three ways - tax cuts; Special Employment Measures; and public sector investment.
3. He argued strongly and even more illogically for special incentives for investment. He did not address himself to the problem that, because the UK industrial and commercial sector has been investing so heavily in labour-saving equipment, we have continued to lose jobs from the industrial sector against the background of a reasonable recovery in output.

The lecture was attended by many of the Policy Studies Institute/Charter for Jobs campaigners, and had all the atmosphere of a political programme. There were side digs at the expense of Milton Friedman, Alan Walters and monetarists in general. When asked about the new temptation

for monetarists like Sam Brittan to talk in favour of a national income target rather than a money target, he quipped that it is better to lead a monetarist away from money targets to a nominal income target, if only because then you might persuade him to give up that as well.

A handwritten signature in blue ink, appearing to read 'John Redwood', with a stylized, cursive script.

JOHN REDWOOD

Wage Fixing Loses 230,000 Youth Jobs

Stanley Siebert

The Government has announced its intention to modify, perhaps even abolish, the Wages Councils which help determine minimum pay for the under-20s, and a Department of Employment Consultative Paper has called for views on the potential for improvement in the labour market. Stanley Siebert of the University of Birmingham presents evidence that the Youth Wages Councils combine with union restrictive practices to throw around 230,000 teenagers on the dole.

No policy is neutral. All policies bring losses to some groups, and gains to others. In deciding among alternatives, the task is to assess for which alternative the gains outweigh the losses. Let us apply this procedure to the question of what rate of minimum wage, if any, should be set by Wage Councils and trade unions.

26 Wages Councils set wage minima for about 2½ million workers, mainly in clothing, catering and retailing. The weekly wage minima they set might seem quite low, between £40 (for 16-year-olds) and £70 (for the highest paid adults). Nevertheless the minima appear to be above the market equilibrium rate, at least for young workers. This is demonstrated by the many young workers who are prepared to enrol on the Youth Training Scheme for only £25 per week. There is also evidence that, since the late 1960s, rises in youth wages have been associated with falls in youth employment.¹ This is consistent with the view that youth employment is now determined by demand (that wages are above the intersection of the supply and demand curves – box). Moreover, the age at which young people are required to receive adult rates (including union rates) has been reduced from 21 to 18 over the years, again increasing the minimum for young workers. The British Government wants a more flexible labour market, and is considering abolishing the Wages Councils.

Broadly two groups gain from higher wage minima, and three groups lose. Those who gain are:

- (a) the workers who remain in work at the new, higher, wage – the higher quality unskilled, married women instead of teenagers, and those with some experience rather than the novices; contrary to the belief in some quarters (analysed below), it is the most 'vulnerable' workers who will lose their jobs first;
- (b) more skilled workers (generally unionised), whose wage and security of employment is less likely to be undercut by cheaper, unskilled, workers as minimum wages are raised.

This might seem a cynical motive to apply to the strong union push for higher wage minima which is generally defended as being in the interests of a 'living wage'. Nevertheless it is logical: how can high

wage minima which disproportionately cause young people from poor backgrounds to face a higher risk of unemployment contribute to a 'living wage'? We might also note that union members have tended to oppose such initiatives as the Youth Training Scheme which tries to price young workers into a job by subsidising their pay, on the grounds that this is a 'cheap labour' scheme.²

The groups losing from higher wage minima are:

- (a) workers displaced as a result of the higher wage. They become unemployed, or move out of the labour force, or find work in industries not covered by the minimum. They are effectively forbidden from selling their labour on the terms they wish. In addition, they lose training opportunities. They are forced into an alternative (like taking unemployment benefit) which has a lesser value to them.
- (b) the employers in the industry, whose profits will be lowered. The less efficient of these firms, which would only survive with low rates of pay ('cowboy' employers in union circles), will close down. All firms will cut back on unskilled labour employed, generally by 'doing without', sometimes by using more machinery and/or skilled labour instead. This cut-back will not be large if the firms have some monopoly power, and can easily pass the wage increase on in the form of a price increase. Generally however, this is not thought to be true of industries employing much unorganised labour such as catering and retailing. Indeed, this is one reason why the labour in that industry remains unorganised – because the disemployment effects of a wage increase are too high for 'monopoly profit' to absorb the impact of the union wage;
- (c) the public also lose. Higher wages mean higher prices and/or lower quality of service since catering and retailing establishments do without the lower-grade employees.

The composition of the Wages Councils reflects these interest groups, though it is possible that orga-

¹ This evidence is reviewed in William Wells, 'The Relative Pay and Employment of Young People', *Research Paper No. 42*, Department of Employment, January 1984, p. 51.

² Cf., for example, P.O. Faces Union Ban on Youth Training Scheme', *Financial Times*, 15 May 1984. American data indicate that a 10% increase in unionisation causes a 4% increase in wage minima (J C Cox and R L Oaxaca, 'The political economy of minimum wage legislation', *Economic Inquiry*, October 1982, p. 547). In the UK unionisation has increased from 43% in 1965 to 59% in 1979 – suggesting a 12% increase in wage minima if we use the American number. The establishment of Industrial Training Boards in the mid-1960s might also have given more say in raising youth wages.

nised labour is more powerful than the other groups. Both unions and employers have representatives on the Councils; and three independent members might be thought of as taking into account the interest of unorganised workers (both the lucky ones who retain jobs, and the unlucky ones who are laid off). Organised labour is probably most powerful because the only other organised group, the employers, is divided. Some managers of highly unionised firms, whose skill is specific to these firms, would rather have low-wage firms eliminated than see their jobs evaporate due to 'competition from sweat shops'. The power of organised labour is likely to lead to minima being set well above the market rate therefore. Indeed, in America the (national) minimum has even been pegged to average wages in manufacturing which is, to put it mildly, inappropriate. Wage increases in manufacturing reflect the higher productivity growth there, which is not typical of minimum wage sectors.³

It is often wrongly thought that the imposition of a minimum wage in some sense defends the living

standards of all unskilled workers. Wages are pictured as falling almost without limit if no floor is placed beneath them. The Director of the Low Pay Unit believes that the consequence of abolishing Wages Councils would be 'not only a reduction in wages for some of Britain's most vulnerable workers, who are already among the lowest paid', but also 'unfair competition based on wage undercutting, a deterioration in industrial relations and a decline in economic efficiency'.⁴ In truth, living standards depend on higher productivity and labour mobility – not wage laws.

It is so difficult to estimate the gains and losses from setting minimum wages that economists have generally concentrated on showing how much employment falls when minimum wages are raised, and avoided

³ James Hughes and Richard Perlman, *The Economics of Unemployment: A Comparative Study of Britain and the USA*, Wheatsheaf, Brighton, 1984, chapter 5, p. 109.

⁴ Letter to *The Financial Times*, 13 April 1984.

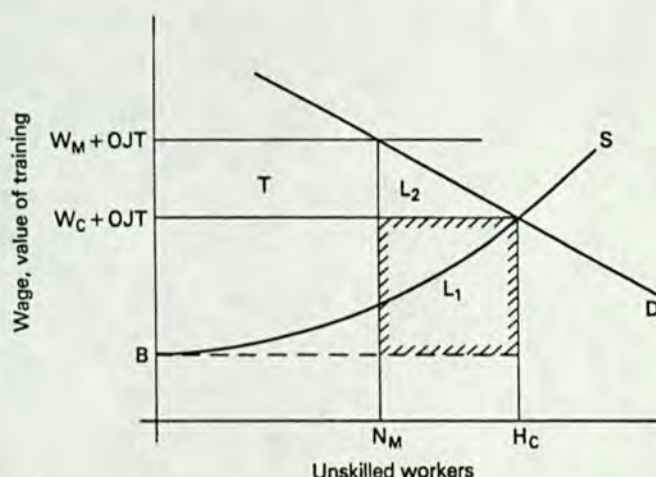
One way to consider the consequence of abolishing Wages Councils and union-imposed youth minima is to use a supply and demand diagram (Figure 1). The downward-sloping demand curve illustrates how employment opportunities increase as wages (including training costs) decline. We have already pointed out above how the employment increase is likely to be quite large in the service industries, since they are not monopolistic, and consumers can easily do without their products. The demand curve should therefore be given a shallow slope.

The supply curve is drawn sloping upwards and is a function of the 'full wage', that is, the current wage plus the value of training opportunities. Its height is determined initially by the level of welfare payments (B) payable to the unemployed. Another factor which will influence the height of the curve is alternative opportunities as a self-employed person (for example, car repair, furniture removals, taxi-driver, sales representative, housewife). As wages rise, more workers are hypothesised to be drawn into the unskilled workforce – out of the household, school, apprenticeship and the various forms of self-employment. The market-clearing full wage is given by $W + OJT$, where supply and demand are equal, and a certain value of on-the-job training (OJT) is being provided.⁵

A minimum wage (W_M) has been illustrated. At this wage employment of unskilled labour will be less than at the competitive wage. The number of workers so displaced will be larger the more nearly horizontal is the demand curve, as shown. Those remaining in employment will earn somewhat higher full wages, and have a gain (mainly taken from profits) shown by area T. These workers are likely to be the *better-qualified* among the unskilled – not the 'most vulnerable' as the Low Pay Unit contends.

It is the 'most vulnerable' workers who lose from the policy, because it is they who are displaced. They might drop out of the work force (further

Figure 1
Gains and Losses of Minimum Wages



education), or move into self-employment or into non-covered sectors (family businesses, agricultural work). But most likely they will end up receiving welfare payments at rate B. The cost to these workers of the minimum wage policy is represented by the shaded area L_1 . Area L_1 will be larger the more workers are laid off, and the higher the competitive full wage, including the value of training, above the income received on welfare. (In the next section we attempt to give a numerical magnitude to area L_1 .)

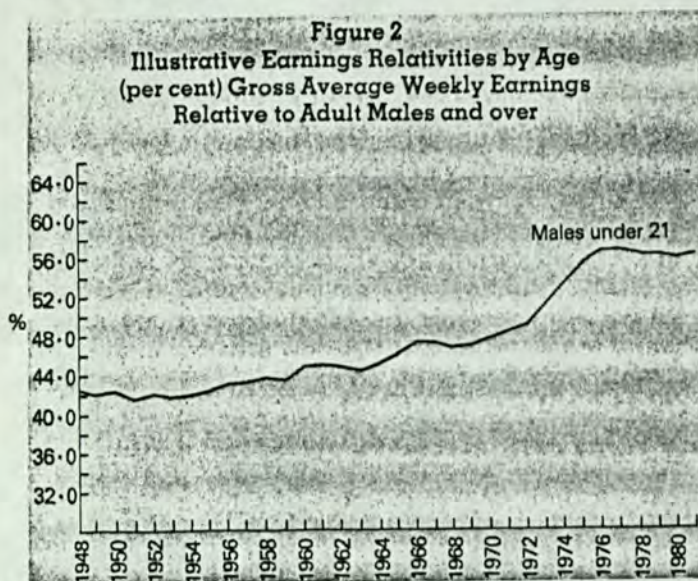
Firms also lose profits, and unions gain when minimum wages are imposed. The effect on union wages (which cannot be shown on the diagram) will depend on the extent to which unskilled, non-union-labour-using industries contract relative to union industries. But the effect on profits can be demonstrated. Firstly there is the transfer to higher-wage workers (area T, less training benefits). Then there is the deadweight loss, related to triangle L_2 . As the wage bill rises the surplus available for distribution as profits falls; that is, the area between the wage line and the demand curve falls.

⁵ M. Hashimoto, 'Minimum Wage Effects on Training on the Job', *American Economic Review*, December 1982.

putting numbers on the ensuing loss of output.⁶ Nevertheless, since the analysis bears on the employment and unemployment of so many young people, it seems important to make an attempt to work out the likely order of magnitude of some of the gains and losses.

The picture of relative earnings of youths is shown in Figure 2.⁷ Most of the increase in relative pay occurred in the late 1960s and early 1970s, partly because of a lowering of the age at which adult minima became payable and partly because of increases in the minima for very young workers as well. In April 1970 only 12% of those aged 18 were receiving adult rates of pay, but by April 1980 the figure had risen to 53%.⁸ But there have been large relative wage increases for 16- and 17-year-olds – for which unions and Wage Councils must bear responsibility. Unions became much stronger in the 1970s, and Wage Councils more assiduous (e.g., wage inspections were more thorough).⁹

Table 1 presents data for teenagers and adult males for the years 1965 and 1979. 1965 was chosen to represent a competitive period, and 1979 an excess supply period. An advantage of choosing 1979 rather than a later date is that MSC work-programmes, which blur the line between employment and unemployment,



were not so extensive then. Table 2 presents similar data for teenage and adult women. Unfortunately 1971 is the earliest year for which data are available, and data are not available for the whole teenage female group (16 to 20) until even later.

Table 1 shows that in real terms teenage male pay grew by 57% between 1965 and 1979, while adult male pay grew by only half this proportion, 28%. Teenage male employment fell from 1.64 to 1.31 million over the same period, and teenage unemployment (measured as a residual) rose from 50,000 to 210,000. Table 2 shows the picture for young women. A similar pattern of marked relative wage increase coupled with falling employment can be seen.

What would teenage employment and pay have been had relative wages not risen by so much? The details of the calculations are rather technical, and so

⁶ C Brown, C Gilroy and A Kohen, 'The Effect of the Minimum Wage on Employment and Unemployment', *Journal of Economic Literature*, June 1982, p. 496.

⁷ Reproduced from William Wells, *op. cit.*, Table 10.

⁸ *Ibid.* Table 7.

⁹ Cf. 'The Wage Inspector Cometh', *Department of Employment Gazette*, February 1977.

Table 1
Wages and Employment of Men aged 16-20,
compared with Adult Men

	1965		1979	
	Nominal	1975 prices	Nominal	1975 prices
1. Gross Pay ^a , males < 20	£9 p.wk	20.9	54.5	32.8
2. Gross Pay, males > 20	£19.6 p.w.	45.6	96.9	58.4
3. Supplementary benefit, scale rate, 18-20	£2.6 p.w.	6.0	12.4	7.5
4. Unemployment benefit, scale rate, 18-20, plus 1/4 ERS	£4.0 p.w.	9.3	17.5	13.7
5. Employees, 16-20	1.64 m.		1.31	
6. Employees, >	12.81 m.		11.79	
7. Population 16-20	2.11 m.		2.19	
8. Population > 20	14.39 m.		14.67	
9. Males 16-20 in education or army	0.42 m.		0.67	
10. 7-5-9 = residual (unemployment)	0.05 m.		0.21	
11. 1 + 2	45.8%		52.6	

Notes: (a) Gross pay relates to full time employees in Index of Production industries.

Source: William Wells, *op. cit.*, data appendix.

I have summarised the results in Table 3. To arrive at these estimates, I have had to make certain assumptions as to the elasticity of demand and as to what wages would have been without union and Wage Council effects, but the results are likely to indicate the orders of magnitude.

The estimates of Table 3 indicate that the 'full' wage, including an allowance for training, was £63.60 a week for male teenagers. It was about £10 higher than it would have been without Wages Councils and trade union minima.

Welfare benefits were lower than 'full' wages: according to the table the replacement ratio was only about 1/6, much lower than commonly quoted estimates which fail to allow for the value of training. Employment is estimated to have been about 150,000 less than it would have been without the higher wages. For girls the effects were somewhat smaller, but in the same direction.

The weekly transfer to the youths remaining in employment (area T in Figure 1) is valued at £13.10

Table 2
Wages and Employment of Women aged 16-17, and 16-20,
compared with Adult Women

	1971		1979	
	Nominal	1975 prices	Nominal	1975 prices
1. Gross Pay ^a , women 16-17 (per week)	£9.2 p.w.	15.6 p.w.	35.6	21.4
2. Gross Pay, women > 17 (per week)	19.8 p.w.	33.6 p.w.	66.0	39.8
3. Employees, 16-17 (16-20) (million)	0.44 (1.20)		0.33 (1.14)	
4. Employees > 17 (>20) (million)	7.69 (6.93)		8.98 (8.18)	
5. Population 16-17 (16-20) (million)	0.97 (1.81)		0.87 (2.09)	
6. Population > 17 (>20) (million)	14.09 (13.25)		14.61 (13.39)	
7. 1 + 2	46.4%		53.8%	

Note: (a) Gross pay is from the New Earnings Survey, and relates to full-time non-manual employees. Pay for the age group 16-20 is not available until 1973.

Source: Wells, *op. cit.*

Table 3
Summary of Estimated Competitive and Actual Wage and
Employment Values, 1979
Money values in 1975 prices

	Youths 16-20	Girls 16-17	16-20
W _M : current wage (per week)	£32.8	21.4	n.a.
WM + OJT: 'full' wage (per week)	£63.6	42.8	n.a.
W _C : competitive wage (per week)	£26.8	18.4	n.a.
W _C + OJT: competitive 'full' wage (per week)	£53.6	36.8	n.a.
B: welfare benefits (per week)	£10.6	8.3	10.6
N _M : current employment (millions)	1.31	0.33	0.87
N _C : competitive employment (millions)	1.46	0.37	0.95

Source:

OJT - the average teenager gains a 10% wage increase after a year's employment, owing to the acquisition of on-the-job experience. OJT = the capital value of this increase discounted at 10%.

W_C - calculated by assuming that youth wages would have gone up by the same proportion as adult wages in the absence of minimum wage increases. Assuming W_C = 20.9 in 1965 (in 1975 prices), then W_C in 1979 = 20.9 × 1.28 = 26.8.

N_C - calculated by assuming an employment elasticity of -0.4. The wage increase of 22.3% for males thus gives an employment decrease of 150,000. Further details of the calculations are available from W. S. Siebert, Dept. of Industrial Economics, University of Birmingham, Birmingham B15 2TT.

million (about £10 million after tax, assuming a 24% tax rate). The current wage component of this is a transfer from profits, reducing weekly profits by £7.86 million. To this should be added the weekly dead-weight loss of £.23 million. The transfer to the 16-20 age group of women, assuming the whole group had the £6 increase in full pay of the 16-17 group, is valued at £5.22 million (£4 million after tax), of which £2.61 million is a transfer from profits.

But the wage gains of those remaining employed are not only financed by a transfer from profits, since there are the losses of the disemployed (area L₁ of Figure 1) also to consider. For youths, these weekly losses are valued at £6.45 million (£4.9 million after tax). The equivalent weekly figure for girls is £2.10 million (£1.6 million after tax).

Thus in 1979 the post-tax gains to male and female teenagers of minimum wage constraints were about £14 million a week (£18 million before tax), of which £11 million came from profits and £5.5 million was the penalty (after tax) imposed on unemployed teenagers - or £9 million before tax. To this should be added the gains and losses of other groups, in particular skilled workers and consumers, which I do not go into here. But it is doubtful if consideration of these other effects would overturn our conclusion that the benefits of Wages Councils and union youth wage minima are bought at too a heavy cost.

Some objections refuted

Teenage relative wages are not high. Our means of evaluating what the competitive wage 'would be' is rough and ready. It might be objected that this leads to an overestimate of the extent to which unions and Wage Councils have independently raised youth pay. But a recent comparison of trainee wages in the UK and Germany bears out the impression that UK youth rates are high. In Germany in 1979 apprentices received 19% to 38% (depending on industry) of adult skilled workers pay over their four-year apprenticeship period. Corresponding figures for Britain are

much higher, 55% to 83%.¹⁰ Moreover there is increasing recognition that youth wages have been too high: in the construction industry it has been reported that parents are offering firms £1,000 to obtain apprenticeships for their children.¹¹

High teenage wages do not cause unemployment. We have assumed that all workers disemployed as a result of increases in minimum wages became unemployed. But it might be that they leave the work force, find jobs at less than the minimum or continue in education, so that the assumed welfare benefit figure understates their incomes. Nevertheless the estimated unemployment figure of 150,000 (to take youths) seems realistic given that youth employment has fallen by twice this since 1965. Also the figure of 150,000 falls well within the estimated unemployment figure for 1979, which was 210,000 after allowing for increased numbers in education (Table 1).

Higher youth unemployment means lower adult unemployment, or higher adult wages for given employment. This would provide an offsetting benefit, but it would not alter the estimated size of the burden borne by teenagers. Moreover, the harm done to business reduces investment and this has unemployment consequences for adults.

Minimum wage legislation is often defended as protecting unskilled workers' living standards. But it does so by harming the least skilled or unskilled workers, helping skilled workers, and harming business. My calculations,¹² based on realistic assumptions, reveal that for the 16-20 age group, the weekly benefits of rises in minimum wages during the 1970s (including a valuation of training benefits) to those remaining employed were approximately £18 million (£4 million after tax). The costs were a transfer of £11 million from employers, and up to 230,000 unemployed teenagers. The weekly loss to these teenagers, including their estimated training loss, is approximately £9 million (£5.5 million after tax). How long will they have to bear it?

Young persons' wages are nowadays about 20% higher relative to adults' than they were 20 years ago. This is partly because of Wages Councils, but it is also a consequence of unions and of the imposition of 'adult' rates on even younger workers. While Wages Councils are not solely responsible, abolishing them or reducing their scope (e.g., to over-23s, as proposed in the Consultative Paper), would bring youth wages 'back into competition'. In this way lower youth rates in the non-union sector will exert downward pressure on rates in the union sector and act to restore our damaged wage structure. [2]

¹⁰ Ian Jones, 'Pay relativities and the provision of training', mimeo, NIESR, London, 1984, Tables 2 and 3.

¹¹ '£1,000 Bait for Jobs', *Daily Telegraph*, 28 September 1984.

¹² For 1979, using 1975 prices.

LOW PAY OR NO PAY?

A review of the theory and practice of minimum-wage laws

by DAVID FORREST

Lecturer in Economics University of Manchester

with a critique of the Low Pay Unit by S. R. DENNISON

Emeritus Professor, University of Hull

'A careful analysis ...'

Editorial, *Financial Times*

Hobart Paper 101 88 pages

Available from good bookshops or at £3.00 (incl. p&p) from

IEA

2 Lord North Street,
Westminster,
London SW1P 3LB (Tel: 01-799 3745)



10 DOWNING STREET

mk

Prime Minister

I have asked D'Emp to
look again at Workfare,
Benefit Plus, expanded
C.P., and to produce a note
for discussion after Recess.
Policy Unit will feed in the
ideas in their papers.

AT

23/5

CONFIDENTIAL



NDP

AT 23/5

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NA

23 May 1985

Stan Tom

TRAINING LOANS

Thank you for your letter of 8 May to Nigel Lawson seeking agreement to negotiations with the banks about a pilot scheme for training loans. I have also seen the letters to you from Keith Joseph and Lord Young. Before discussing the details, I would like to raise some broader points.

As I understand your aims, you envisage a pilot scheme revealing to what extent a market for Government subsidised training loans can be stimulated. Presumably you do not expect the banks to lend to those with poor prospects of a job; and I hope (because of the risk of deadweight, and of discrediting the scheme) that you will take pains to prevent Government subsidies going to those whose employers should be paying for the training. Although I am not clear what market you are looking for, I imagine that it lies between these two extremes.

You refer to potentially enormous implications of switching to loans for saving public expenditure. I understand that the saving on course fees for the Job Training Scheme might be around £20 million if all of the 60 per cent of such trainees who now find employment could be switched from grants to loans. On the other hand, the pilot may, if successful, generate pressure for increased expenditure. I am left unclear as to how likely it is that there will be major savings.

You will have seen Keith Joseph's letter to me of 10 May about the review of student support, and the possibility of a student loan scheme. Given the magnitude of the sums involved in such a scheme, I share Keith's concern that

CONFIDENTIAL

CONFIDENTIAL

negotiations with the banks on the (in some ways admittedly different) training loan scheme should not create any pressures for a more expensive student loan scheme than we might otherwise achieve.

We will have many difficult decisions to make in this year's public expenditure survey. I must therefore ask you to work on the basis that, should you wish to propose going ahead with the pilot scheme following your negotiation any new expenditure in 1986-87 and later years will need to be found from new policy savings elsewhere in your programme. Last Autumn we agreed to a provision of £5 million confined to 1985-86.

I have considered your proposals against this background. I was pleased to see that you have introduced some features which will help to limit Government liability - the 20 per cent trainee contribution, the portfolio guarantee, and the limit on the period of the repayment holiday. I would like to see our exposure in other areas similarly limited:

- (a) The banks will probably begin by lending conservatively to stay well within the portfolio guarantee limit; they may therefore have too little incentive to recover small loans. An 80 per cent individual guarantee as well as the portfolio guarantee would give them some incentive to chase up these loans.
- (b) Keith and David have both questioned the need for an administration fee. I too hope that you may be able to reach a deal without one. But if it is necessary, I much prefer a flat rate fee to a percentage fee, in order to encourage the banks to consider small loans. In this case, however, we should guard against the risk that, if the average size of loans were half and the total number twice what we now expect, the costs of a flat rate administration fee could be doubled. Could I suggest that we limit the amount payable - if any - to £1 million (which may mean negotiating with each bank a ceiling on the sums payable to it)?
- (c) The idea of asking the banks to fix the extra repayment holiday period at no more than 3 months is attractive. But that suggests that the interest rate paid by the Government to the bank should be no more than the 3 month interbank rate: any topping up would reduce the bank's incentive to keep the borrower's repayment holiday short. Moreover, since the payment of interest during the holiday is guaranteed, the interest rate should include no element for risk. Including an element for administration here rather than as a flat rate sum would also reduce the banks' incentive to make small loans.

CONFIDENTIAL

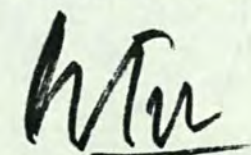
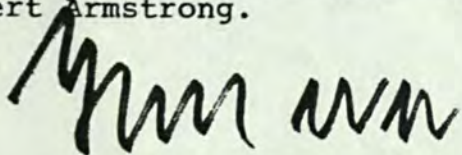
- (d) The point of the guarantee which we are offering is to induce banks to lend to customers riskier than they would normally accept, at rates those customers may find tolerable. In order to ensure that loans are made, and that the banks do not pocket the implicit subsidy, I would like to suggest a stipulation that lending should not exceed the bank's normal rate of interest applicable to good risk customers.
- (e) I am not sure whether you propose to cover lending only for course fees or also for maintenance costs. If only the former, I should say that when you return to E(A) I will be looking for some way to guarantee that the trainee really does put up 20 per cent (for instance the bank might pay the course fees direct to the training provider). If you have in mind also the latter, how will you guard against making interest free loans for living expenses to people who may be wealthy, or training only part-time, or employed?

The scheme you propose now is significantly different from that in the consultation document. Much of the change is clearly for the better. But we previously agreed to the provision by Government of £5 million (much of which would have been recovered) in order to stimulate £10 million of loans in one year and possibly thereafter a self-sustaining market. Now, on the other hand, we are talking of expenditure that will not be recovered, over twice as much lending, and a market that may not be self-sustaining but may need continuing subsidy - a much worse gearing ratio between unrecovered expenditure and loans.

In the light of that and of the considerations with which I opened this letter, I think that any scheme which emerges from negotiations should incorporate the feature mentioned in paragraph 6 above, have a gearing of no worse than 1:4 of Government expenditure to loans, and should involve no more public expenditure than £5 million spread over the period. I would also be grateful if you would consider whether the loans ought to be means tested, particularly in view of the precedent of the means testing of home improvement grants.

I am content for negotiations to go ahead on those terms. When you return to E(A), if you wish to propose that a scheme be agreed, I would be most grateful if you could also propose evaluation methods and the criteria against which the success or failure of the pilot will be judged 3 years after its start date; such methods and criteria will be essential for the decision then to be taken as to whether or not to continue the scheme.

I am copying this letter to the Prime Minister, members of E(A), to the Secretary of State for Education and Science and to Sir Robert Armstrong.



PETER REES

MANPOWER : Sem
Pt 12

23 MAY 1985
3 9 0 1 1 2 1
6 5 4 3 2



NVSPM
RT 22/5
ASO

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Tom King MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

21 May 1985

Dear Tom,

TRAINING LOANS

Thank you for copying to me your letter of 8 May to Nigel Lawson describing the revised proposals for a training loans scheme and seeking agreement to open negotiations with the banks.

I endorse the revised proposals as attractive to borrowers and lenders and also as a cost effective use of Exchequer funds. I believe the scheme can make an important contribution to freeing up the labour market and would be content for negotiations with the banks on that basis.

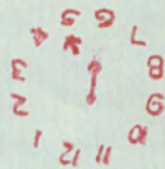
I welcome the choice of a Scottish location as one of the 4 or 5 pilot areas in GB - particularly as I understand that the Clydesdale Bank and the Royal Bank of Scotland were more positive than others to the originally published proposals. I would naturally want my officials to be involved in the choice of the eventual locality.

I am copying this letter to the Prime Minister, members of E(A), Sir Keith Joseph and Sir Robert Armstrong.

Yours ever,

George.

MANUSCRIPT : 85m A 12



22 MAY 1985



MSM

AT

21/5

E 120

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

21 May 1985

Dear Tom.

TRAINING LOANS

You sent me a copy of your letter of 8 May to Nigel Lawson on the subject of training loans.

As you know, I have always supported the proposal to set up a training loans scheme, as long as it does not prejudice any future plans we may have to encourage more self-support by students in higher education. We are now in the process of a fundamental review of student support, which will include a close look at the feasibility of introducing loans to replace grants in whole or in part. You will have seen from the draft consultative paper which accompanied my letter of 10 May to Nigel Lawson, that the amounts involved in a student loan scheme would run into hundreds of millions of pounds - with the prospect of public expenditure savings in the longer term of the same order. There are obvious attractions in persuading the banks to participate in a student loan scheme, but it will require some hard bargaining to secure their involvement on acceptable terms.

I am therefore most anxious that your approach to the banks on training loans should not prejudice our own negotiating position. With this in mind, I am concerned that some of your proposals would result in a significant subsidy to the banks, which could have very considerable implications for a student loan scheme if they are read directly across. I refer in particular to the idea of a portfolio guarantee of 15% or more which would leave the banks with too little incentive to chase up defaulters. In order to avoid falling into the trap which has cost the US very dear, we should insist that the banks share our risk on all defaulters.

/I am also

The Rt Hon Tom King MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1

I am also concerned at the precedent of a managing agent's fee, to which we should want to avoid being committed in a bank-run student loan scheme. North American experience provides a clear pointer to the desirability of driving a hard bargain with the banks in this respect also.

I hope therefore that you will find it possible to reconsider your opening bid with the banks in the light of my comments. In any case, it will be most important not to give the banks any impression that the deal you come to with them will be in any way taken as a precedent on the wider front of student loans. With these reservations, I am generally content with your proposals.

I am copying this letter to the Prime Minister and to members of E(A), and to Sir Robert Armstrong.

Yours
L. M. W.

Kear.

Manpower: Special Enf Pt 12





NBM
AT 21/5

506

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

The Rt. Hon. Nigel Lawson Q.C., M.P.
Chancellor of the Exchequer,
H M Treasury,
Parliament Street,
London, S.W.1.

20th May, 1985

To Nigel,

TRAINING LOANS

with AT
↓

Tom King sent me a copy of his letter of 8th May to you seeking agreement to early consultations with the Banks about a pilot scheme of training loans.

In general, I wholeheartedly welcome Tom's proposals. They look to offer a mechanism for persuading the Banks to reconsider their existing attitudes to lending money to people who want to pay for their own training. In the long run, this must also help to expand individuals' options for training and retraining and their awareness of their own responsibilities for improving their employment and career prospects. Experience will show the kind of people who are attracted to seek loans though at least initially I imagine they will be people who expect to be employed on, or shortly after, completion of their training. I would doubt the need to attempt to exclude from eligibility those whom employers 'should' train since these are likely to include some of the likeliest candidates. I am sure Tom is right to seek to make the scheme as attractive as possible to potential borrowers who will no doubt welcome the proposed capital repayment and interest holiday. I understand that, on the basis of a three year repayment period, a trainee who can increase his pre-tax earnings as a result of the training by at least £64 a year for every £100 borrowed under the scheme will break even during the period.

Obviously, it is highly desirable to get the major clearing banks on side and I can see that the proposals as a whole are calculated to do this. I am inclined to doubt, however, whether it is necessary to offer the banks a 'managing agent's' fee on top of their normal operating surplus built into the interest rate - which, incidentally, I suggest should not exceed base rate plus

..../Cont.

6% and which, of course, the Government will be paying in the early months of each loan. Training loans were first discussed whilst I was at the MSC. At the time I had discussions with some of the clearers. They appreciated the value of obtaining new customers. At the present time Banks fight quite hard to obtain students' accounts - trainees' accounts should prove to be equally valuable.

On the figures suggested in Annex A, the fee would cost over 12% of the total Government commitment to the scheme (or about 5% of the amount of each loan). It might therefore be sensible for this element to be kept in reserve rather than put on the table at the start of negotiations with the Banks. Similarly, I am not altogether convinced about the proposal to guarantee the whole of any default on loans between certain limits (above 2½% up to 15% or 20% on the figures in Annex B). Though I accept that we need to encourage Banks to relax their traditional attitudes to lending in this area, an alternative of sharing the risk up to an agreed limit (say 5:1 up to 15% or 7:1 up to 20%) seems more likely to encourage them to apply proper commercial judgement.

I hope we shall be able to agree that negotiations should now begin with the Banks with a view to starting the pilot scheme from 1st January, 1986. I see no case for delaying a training loans scheme on the grounds that we are still considering the option of education loans to replace or supplement student grants. Although the basic issues are similar, there are likely to be some significant differences in the practical implementation, for example to take account of the longer duration of the period to be funded and the scale of loan required. But experience in developing the training loans scheme may well be helpful to us in considering the options for student loans.

I am copying this letter to the Prime Minister and to members of E(A), to the Secretary of State for Education & Science and to Sir Robert Armstrong.

*Yours,
Haw*

Manpower. Special Emp. Measures A-11

2

SCHEDULE OF EMPLOYMENT RELATED MEASURES

<u>Date</u>	<u>Measure</u>	<u>Statistical Releases</u>
<u>March</u>		
Tue 19	BUDGET + Press Notice on Employment measures + Initial announcement of the "Switch".	
Wed 20	Budget Debate - Chief Secretary	Earnings index
Thur 21	Budget Debate - SS/Employment	RPI
Sat 23	Central Council Speech	
Mon 25	Budget Debate - SS/Trade and Industry REPACKAGING OF DTI SUPPORT MEASURES (Initial announcement)	
Tue 26	SCHOOLS WHITE PAPER	
Thur 28	EMPLOYMENT WHITE PAPER + Consultation document on Wages Councils	
Fri 29	DEREGULATION SCRUTINY REPORT	
<u>April</u>		
Tue 2	14-18's WHITE PAPER	
Wed 3	SWITCH TO ENGINEERING (Detail) DTI SUPPORT MEASURES (Detail)	

<u>Date</u>	<u>Measure</u>	<u>Statistical Releases</u>
<u>April cont</u>		
Thurs 4		Unemployment
Sun 7	Easter Sunday	
Wed 17		Earnings index
Fri 19	URBAN POLICY - Regional launch	RPI

May

Thu 2		Unemployment
Tue 7	SOCIAL SECURITY REVIEWS	

June and July

DEREGULATION - GOVERNMENT RESPONSE

No date fixed - Housing Improvement; Private
Rented Sector; E(CP) Competition
Initiative; Planning Circular.

SECRET

CONFIDENTIAL



CANALU
S/C MR LEWIN

10 DOWNING STREET

20 May, 1985

From the Private Secretary

LONG TERM UNEMPLOYMENT

During the course of the weekend, the Prime Minister was again struck by the co-existence of very high levels of unemployment, particularly among the young, and the shabbiness of cities and motorways. She feels Ministers must look again at schemes such as Workfare, Benefit Plus, restructuring of the Community Programme, and other incentives to encourage the long term employed to seek work which would, at little net cost, both provide work for the unemployed and allow derelict sites to be cleared and public places tidied up.

BR I will arrange for a meeting after the Whitsun Recess. Meanwhile, I would be grateful if your department could prepare a note setting out the options. The Policy Unit would be happy to help in this. Could this reach me by close of play on Tuesday, 4 June.

I am copying this letter to Rachel Lomax (HM Treasury), Richard Broadbent (Chief Secretary's Office), John Ballard (Department of the Environment), John Mogg (Department of Trade and Industry), Richard Allen (Department of Transport), Steve Godber (Department of Health and Social Security), Leigh Lewis (Office of the Minister without Portfolio), Stuart Lane (Department of Employment) and Richard Hatfield (Cabinet Office). + Scotland & Wales

(Andrew Turnbull)

D. Normington, Esq.,
Department of Employment

CONFIDENTIAL



10 DOWNING STREET

Pune Minute ②

It can be argued that the projections of net new jobs are pessimistic. 300,000 a year has been the rate over the past two years. If, as many expect, the rate of redundancies in manufacturing comes off and if the new NIC rates have a significant impact, the position could be better.

But this is an area where the pessimists have more often proved right so it makes sense to continue developing new ideas.

AT

17/5

SECRET

BI 1a

PRIME MINISTER

②

AF 17/5

16 May 1985

UNEMPLOYMENT

We are all agreed that unemployment ought to fall before the next election. On present policies, there is little likelihood of it doing so.

Unofficial projections made by Treasury officials are extremely tentative; none of them are sufficiently robust to be quoted in public. But they give an indication of the problem:

	<u>1985/6</u>	<u>1986/7</u>	<u>1987/8</u>
Growth in Employment allowing for recent changes in National Insurance	300,000	300,000	250,000
Less:			
Growth in Labour Force	(120,000)	(120,000)	(70,000)
New jobs taken by people not presently registered as unemployed	<u>(180,000)</u>	<u>(180,000)</u>	<u>(150,000)</u>
Net effect on register	0	0	(30,000)
Additional effect of Special Employment Measures announced <u>in 1985</u>	<u>(60,000)</u>	<u>0</u>	<u>(80,000)</u>
Total Rise/(Fall) in Unemployment	(60,000)	0	(80,000)

SECRET

SECRET

No weight should be placed on the tiny projected 'decline' in unemployment for 1985/6 or 1987/8: the figures are well within the forecast's margin of error. Indeed, the forecasters admit that there could well be a slight increase in unemployment in any or all of the three years - nobody yet understands why the register has been growing over the past few months.

The distribution of unemployment is also increasingly unfavourable. The number of people unemployed for over a year almost tripled between January 1981 (455,000) and January 1985 (1,300,000), and is forecast to go on rising for another year. The unemployment rate in the North (17.8%) is almost twice that in the South-East (9.7%), and this contrast may well intensify rather than diminish, since traditional manufacturing industries are still shedding labour whilst services and high-technology companies are expanding.

These gloomy predictions allow for all the changes in taxation, national insurance, and special employment measures announced this year. And the Government's next steps are not likely to alter the picture. The Benefit Reviews, the freeing of Sunday training, the abolition of Wages Councils, the Privatisation programme, and other deregulatory measures should help in the long term; but they are not likely to have much effect in the lifetime of the Parliament.

How can the picture be altered before 1987?

There will be increasing pressure for large-scale construction projects. This cannot solve the job problem. Each new job would cost £25,000 - £50,000. On that basis, removing half the 1.3 million long-term unemployed people from the register would cost at least £16 billion - tripling the Public Sector Borrowing requirement. And, according to

SECRET

SECRET

Treasury estimates, the offsetting effects of higher interest rates and inflation would mean that, after 3 or 4 years, unemployment would rise again to its original level.

One possibility is to avoid all new tactical moves, sticking resolutely to the overall strategy, in the hope that it will reduce unemployment more quickly than we at present expect. This seems to be the Treasury's favoured option. It has the advantage of being cheap; and, as Norman Tebbit would argue, it enables the Government to re-iterate the assertion that Parliament cannot legislate jobs into existence. But can we hold this line a second time after 8 or 9 years?

Various other tactics are available:

1. Further steps could be taken to improve, rapidly, the prospects for small businesses and self-employment. (We are minuting you separately on this).
←
2. The Enterprise Allowance Scheme could be expanded by a further 30,000 places, with a net effect on unemployment of about 8,000 in March 1987, at a net cost of £30 million p.a. or less.
←
3. A new version of the Young Workers' Scheme for 18-24 years olds could be devised, removing about 25,000 people from the register at a net cost of about £40 million p.a.
←
4. Present development of the Voluntary Projects Programme could be continued, so that all participants received a training allowance and were removed from the register; this might reduce the unemployment count by up to 50,000, at a net cost of about £100 million p.a.
←

SECRET

SECRET

5. More stringent measures could be taken to reduce the number of fraudulent benefit claimants. The 'Rabbit' teams are highly unpopular; but they appear to be cost-effective, and they can be supported by other tactics such as the issuing of warning cards. This has the advantage both of saving money and of casting doubt on the validity of the current unemployment figures.

If the Government were lucky, steps of this sort might together reduce unemployment, at least temporarily, by as much as 100,000, at a net cost of under £250 million p.a.: this compares with a cost of £2.5 billion p.a. or more for an equivalent register effect through construction projects.

But such low-profile moves are not likely to win many political battles; the measures announced this Spring - though somewhat larger and more expensive - were not seen as solving the problem.

A New Programme for the Long-Term Unemployed

Tom King is working on a big new scheme which might recapture the political initiative, without engaging in ruinously expensive construction programmes.

Two possibilities are:

1. A benefit-plus programme, in which large numbers of the long-term unemployed are given jobs doing community work at near-benefit rates. This could achieve a low net cost - perhaps near to, or even below, the Community Programme's £2,000 per person off the register - enabling the Government to provide places for 500,000 people at roughly £1 billion. That might be sufficient to back a guarantee of a place for all people unemployed for

SECRET

SECRET

more than one year who wishes to take one. But the unions would fight it tooth and nail, both because of the low wage rates, and because people would be paid different amounts for the same work. And there would be huge administrative problems: the scheme would have to be run by D/Employment directly, because of TUC opposition with MSC; and there would be conflicts with the Community Programme.

2. A subsidy for employers who take on long-term unemployed people. This idea has been floated by several different bodies, including the CBI and Professor Layard. It could be much simpler to administer than a benefit-plus scheme, and the job would seem less 'fake'. The main difficulty is that employers - once offered a subsidy - tend to substitute long-term unemployed people for those whom they could otherwise have taken on. (The YWS, which was similar in many ways, had a substitution and deadweight rate of about 80%). As a result, such schemes can become ~~extremely~~ ^{more} expensive; one might expect net costs of £3,000 or £4,000 per person off the register - bringing a reduction of only 250,000 - 350,000 in unemployment for your £1 billion.

If a scheme with a sufficiently low net cost can be developed, it would be worth thinking about. The money - £1 billion or less - could be found either from increasing public expenditure or from cuts announced simultaneously with the announcement of the new scheme. The simultaneous cut would be better, since it would enable you to avoid any accusation of a U-turn.

SECRET

SECRET

The Real Problem

Unfortunately, none of these schemes tackles the real problem: as Layard and everyone else agrees, large numbers of the long-term unemployed have effectively withdrawn from the labour-market because, with benefits at their present rates, they have little incentive to seek low-paid jobs. As a result, these people do not exert any real downward pressure on wages, and the labour market does not clear.

One way to cure this problem would be slash benefits and accept the social consequences; but the social security reviews have demonstrated that Ministers do not consider this an acceptable option. Another method would be to cut taxes and raise benefits significantly for those in low-paid jobs: but the reviews have shown that this is also unacceptable, because of its cost.

We therefore suggest that you should consider a system which would counteract the unemployment trap by providing the long-term unemployed with an incentive to take up low-paid jobs. The idea is to give each long-term unemployed person who takes a low-paid job an allowance of, say £20 per week for one year. The allowance would be tax free, and would not reduce the holder's entitlement to any in-work benefits to which he was otherwise entitled.

A similar scheme is run in Japan, where it seems to be regarded as a natural way of inducing people to rejoin the labour market. People are allowed to keep a proportion of their year's unemployment benefit as a tax-free lump sum if they re-enter work during the course of the year.

The effect of the allowance would be considerable. A man with a wife and two children, unemployed for over a year, currently receives a total of about £85 per week. In order

SECRET

SECRET

to get the same amount in work, he would need to earn about £110 per week gross; whereas if the first year working allowance were introduced, he could keep his net income of £85 by taking a job at only about £60 per week gross.

Once a person had worked for a year, his allowance would cease. This might, of course, drive some people back into unemployment. But, with the annual pay rise and renewed work habits, many would undoubtedly think it worthwhile to remain in work.

True, some people presently unemployed for, say, 9 months would stay unemployed for a further 3 months, so as to qualify for the allowance thereafter. But this problem would not be immense because the total number of people unemployed for between 6 months and 1 year is only about 500,000; and the number leaving the register between 6 months and 1 year is very small. On the whole, people either find a job within 6 months, or drift into long-term unemployment. The Allowance could hardly make matters much worse than they are already.

The scheme has the advantage that you pay only if recipient finds a job.

In principle, the scheme could be very cheap, or even a money-saver, since many people would receive an in-work allowance and in-work benefits lower than the benefit to which they were entitled out of work. The question is whether large-scale substitution would occur, driving other people into the dole queues. This would need to be investigated by D/Employment economists.

Conclusion

We believe that the introduction of a first year working allowance for all long-term unemployed people might quickly and significantly reduce the scale of long-term unemployment.

SECRET

SECRET

Are you content for us to pursue this with D/Employment officials, so that the details of the proposal, and possible difficulties can be worked out?

OL let.

OLIVER LETWIN

SECRET

Conservative Research Department

32 Smith Square Westminster SW1P 3HH

Telephone 01-222 9511

JAC/PC

RU
Director: ROBIN HARRIS
8th May 1985

Dear Mr Turnbull,

We have now sent out the enclosed brief to all London MPs.

Yours sincerely
Rob Harris

PP. MRS JUDITH CHAPLIN

Mr Andrew Turnbull
Private Office,
10 Downing Street,
London SW1

SPEAKING NOTE

HELPING THE DISABLED

- AN ANSWER TO THE GLC

The GLC have recently been advertising a unit they have set up to help disabled people find work (see attached). The implication is that the Government is not acting vigorously to promote the employment of disabled people. This is totally contrary to the facts.

The Government has:

- (i) Sought fair treatment for the disabled in the jobs market.
- (ii) Backed training and other programmes for disabled people.
- (iii) Substantially increased the financial help given to disabled people.

(i) The New Code of Practice.

A new code of good practice for the employment of disabled people was formally launched by the Prime Minister on 14th November 1984. Help in gaining employment is given to disabled people through the Statutory Quota Scheme. The Government was concerned that the quota was no longer working satisfactorily. It therefore asked the Manpower Services Commission to look at ways suggested by the Select Committee on Employment and others for improving the effectiveness of the scheme within the framework of the existing legislation. To help in the task of reviewing the quota system the Commission set up a working group whose membership included representatives of the National Advisory Council on Employment of Disabled People, disabled peoples' organisations, the CBI and TUC. The working group has now reported and Ministers are considering their response.

The Manpower Services Commission's disablement advisory service has been promoting the Code of Practice among employers throughout the country. 62 specialist teams advise employers on it and also give advice on financial assistance available. During 1984/5 these teams made 17,000 visits to employers. Initial indications are that it is being favourably received both by employers and by organisations representing disabled people. The code has been endorsed by the Select Committee on Employment, the National Advisory Council on the Employment of Disabled People, the Royal Association for Disability and Rehabilitation, the CBI and the TUC. The Manpower Services Commission will continue closely to monitor the response to the code.

(ii) Training and other programmes for the Disabled

The Manpower Services Commission also has major continuing programmes for disabled people:

- 1) - Employment rehabilitation: This is to assess the capabilities of disabled people and restore confidence and fitness

for work. It is provided through 27 MSC centres and a number of agencies throughout the country at a cost of about £21 million in 1984/5. In addition, an initial 3 new ASSET (Assistance towards employment) teams are shortly to be established in areas not currently served by employment rehabilitation centres.

2) - Sheltered employment: Work is provided in a sheltered environment for severely disabled people. Some £79 million was spent on this during 1984/5. There are around 15,600 people in sheltered employment at the end of 1984/5 compared with 14,900 at end of 1983/4.

3) - The MSC Disablement Resettlement Services and Blind Persons Resettlement Officers provide specialist job-finding help for disabled people. Through them, and through general Jobcentre services, 72,00 disabled people were placed in work or on the Community Programme during 1984/5 compared with 69,000 in 1983/4.

4) - The MSC also provides financial help. Some 4,500 disabled people received direct financial or practical assistance at a total cost of £2.6 million in 1984/85. Such help is given in a variety of ways. For example:

a. A grant of up to £6,000 to help towards the adaption of employers' premises or equipment to enable them to employ a disabled person, e.g. a switchboard can be adapted to accommodate a blind operator.

b. Fares to Work Scheme which offers help up to a weekly maximum of £60, to registered disabled people who are unable to use public transport to get to work because of their disability and who therefore need extra costs.

c. A Job Introduction Scheme whereby a grant of £45 per week is offered for a fixed interval - usually 6 weeks but sometimes 13 - after the placement of a disabled person in a new job.

d. A Special Aid Scheme which aims to lend the equipment necessary for disabled people to take the opportunity of a job. Last year 1,884 aids to employment were loaned to disabled workers.

The Government's Fit for Work Award Scheme provides recognition to those employers who have demonstrated an outstanding record in employing disabled people. The importance the Government attach to this is shown by the fact that the Prime Minister herself attended last year's national reception for award winners.

(iii) Financial Help for Disabled People

The Government gave a commitment in the Conservative Manifesto 'to protect the most vulnerable members of our society'. This commitment has more than been honoured.

Total Expenditure on benefits for long-term sick and disabled people has increased by 35 per cent in real terms between 1978-9 and 1984-5. There has also been a substantial increase in the numbers of recipients of certain benefits as a result of Government measures to widen the entitlement and increase the take-up.

Invalidity Benefit. In November 1980 invalidity benefit was raised by 5 percentage points less than prices because, unlike the retirement pension, it was tax free. In the Autumn Statement, the Chancellor announced that this abatement would be restored from November 1985.

The Severe Disablement Allowance. The Health and Social Security Act 1984 introduced a new Severe Disablement Allowance (SDA) to replace the non-contributory invalidity pension (NCIP) and the separate housewives' non-contributory invalidity pension (HNCIP).

It is expected that SDA will give over £20 a week to an additional 20,000 people at a cost of £20 million initially.

The Attendance Allowance has increased by more than the rise in prices between November 1978 and November 1984. This non-taxable benefit is payable to a person who is severely disabled physically or mentally and requires frequent attention or continual supervision.

The Invalid Care Allowance, which had previously been paid to relatives (other than married women) who are looking after disabled people in receipt of the attendance allowance, was in July 1981 extended to those carrying out this service who are not relatives. Some 2,000 people were expected to benefit. The amount a recipient of invalid care allowance can earn before affecting his or her allowance was increased, in November 1982, from £6 to £12. To extend this to all married women would cost £60 million net a year.

The Mobility Allowance, is now £20 a week, double the amount of £10 a week when Labour left office; since April 1982 it has been tax free. The number of beneficiaries has doubled since 1978-9.

(iv) Opportunities for participation and integration

The Government endorsed this major theme of the International Year of Disabled People in 1981. Priority is being given in health and personal social services to enabling the disabled to be cared for in the community. For example, joint financing between health and local authorities which has this as one of its aims has increased to nearly £100 million this year. The desire for integration is reflected in legislative measures such as the Education Act 1981 which should lead to greater integration of disabled children in ordinary schools. The Government has also

attached great importance to improving access for disabled people in public buildings. It has brought forward an amendment to the Building Regulations to certain categories of new buildings, and has funded the establishment of an independent Access Committee for England to provide awareness of the needs of disabled people.

Conclusion

All Governments and parties care about disabled people. That undoubtedly includes the hard Left leaders of the GLC. But this Conservative Government is committed to policies which will provide the prosperity to create the jobs and pay for the benefits to help disabled people. Encouragement of fair but flexible employment practices; more help to train and provide opportunities for disabled people in work; and increased help for those who could not otherwise cope - these are the achievements of a Government which doesn't just say it cares but shows it.

JAC/PC
7.5.85

28 MAY 1985





CONFIDENTIAL

DA

cc Bingham

10 DOWNING STREET

From the Private Secretary

2 May 1985

GLC Advertising

The Prime Minister has seen a copy of Alan Davis' letter to you of 25 April commenting on my letter of 22 April. She accepts that for COI to prepare an advertisement responding to the one by the GLC would be inconsistent with the approach the Government is setting out in its evidence to the Widdicombe inquiry.

Nevertheless, she hopes that other ways of countering misleading GLC advertising will continue to be sought and she has noted the suggestion that Central Office should circulate a speaking note to London Conservative MPs. Government supporters should seek out opportunities in the newspapers and on radio and television to put right misrepresentations of the kind referred to in Mr. Clark's letter of 18 April.

I am copying this letter to Alan Davis (Department of the Environment) and Steve Godber (Department of Health and Social Security).

TJ

(Andrew Turnbull)

Miss Judith Rutherford,
Department of Employment.

CONFIDENTIAL

MC



Parliamentary Under
Secretary of State

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213..... 6670
Switchboard 01-213 3000

*This crossed with my letter
of 2/5. Told Judith Rutherford
I was content. No further reply*

*AT
2/5*

2 May 1985

Dear Andrew,

Thank you for your letter of 22 April, I apologise for the delay in my reply. Mr Clark has considered the best way of rebutting the GLC's advertisements on the employment of the disabled. He very much favours the preparation of a speaking note for MPs. Following my telephone call with you last week, I hope this will be acceptable.

Our draft speaking note has been sent to Conservative Central Office for comment. Robin Harris will send you a revised version this evening. I hope this is helpful.

*Yours sincerely,
Judith Rutherford*

JUDITH RUTHERFORD
Private Secretary

Man power

R 12

S/E/MS

F2 MAY 1985

11 12 1
9 8 3



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

I put to Departments your suggestion that COI might put out an advertisement to counter GLC's misrepresentation of the Government's record on the disabled.

Both DoE and Bernard think this is inconsistent with the submission the Government is putting to the Widdicombe inquiry. Instead Departments should find ways of getting the Government's views into newspaper articles and on radio and TV. Putting the points in the Clark letter into a usable speaking note would help.

Agree?

Yes no

AT
1/5



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

25 April 1985

Dear Judith

My Secretary of State has seen a copy of Andrew Turnbull's letter of 22 April to you about Mr Clark's letter to London MPs. He is concerned by the suggestion that COI might prepare an advertisement responding to the GLC one, because of the possible implications for the Widdicombe Inquiry if the Government were to respond in this way.

He wonders, therefore, whether a better way forward would be for Mr Clark to produce a speaking note based on his letter, which could be circulated to London Conservative MPs by Central Office. I am sending copies of this letter to Andrew Turnbull and Steve Godber.

Yours ever
Alan Davis

ALAN DAVIS
Private Secretary

Miss Judith Rutherford

26 APR 1985





10 DOWNING STREET

THE PRIME MINISTER

29 April 1985

Dear Hugh,

Thank you for sending me a copy of John Vincent's memorandum. He is right to emphasise the importance of entrepreneurs in the creation of jobs. The Government has sought to change attitudes in this area but I am the first to admit that much more needs to be done. We will be looking carefully at the ideas in the paper.

Yours
Margaret

The Lord Thomas of Swynnerton

Prof. John VINCENT



13/5

10 DOWNING STREET

From the Private Secretary

29 April 1985

Andrew
Has anything
been arranged?

CF to keep pse.

Jamie
14/5

PAPER BY PROFESSOR JOHN VINCENT

Lord Thomas has sent the Prime Minister the attached paper by Professor John Vincent. She would welcome an opportunity to discuss the ideas in it with the Chancellor.

I am copying this letter to Leigh Lewis in the Minister without Portfolio's Office who have already received a copy of the memorandum.

(Andrew Turnbull)

Mrs R Lomax
HM Treasury

eu

Jamie
I will follow this
up in Policy Unit
G.R. can bow out.

AT
14/5

(2)

PRIME MINISTER

c. Mr. Redwood

PAPER BY PROFESSOR JOHN VINCENT

Hugh Thomas has sent a paper by Professor John Vincent which argues that, in its recent policy statements, the Government has not given sufficient emphasis to entrepreneurs in the job creation process. He is probably right. Agree Policy Unit sift through these ideas to see which of them should be pursued?

I attach a draft reply to Lord Thomas.

AT

26 April 1985

This is good
Can I first discuss it
with Nigel Lawson
He David Young
a copy. should have

Ask Prof. Vincent to see
our business & services
2 careers?

① Lord Youngs also supports extending the cost per job
PRIME MINISTER analysis beyond direct 24 April 1985
 job creation schemes to projects where jobs are used as
 a significant argument. Agree?

AT Yes
 25/4 mb

COST-EFFECTIVENESS OF JOBS MEASURES

The Chief Secretary is right to urge that job creation schemes should be rigorously analysed and compared, so that the net Exchequer cost of each can be firmly established. The same rigour should apply to any project from any Department where the generation of jobs is advanced as a significant argument in its favour. The manpower group is a suitable forum in which to clarify the details of such costings.

We strongly recommend that you should write to the Chief Secretary, welcoming his proposal, and asking other Departments to come forward with appropriate data for the manpower group to consider. This will help to prevent Ministers bringing forward immensely expensive programmes supported by spurious arguments about their job-creating effects.

OL Letwin.

OLIVER LETWIN



File

SRW

bc B1

10 DOWNING STREET

From the Private Secretary

22 April 1985

BS
The Prime Minister has seen Mr Clark's letter to London MPs. While this will help them to rebut the GLC's arguments, she has asked what can be done to tell all those who will have seen the GLC's advertisement that the statements in it are false. She has asked whether the COI should prepare another advertisement giving the facts.

I am copying this letter to John Ballard (Department of the Environment), and Steve Godber (Department of Health and Social Security).

(Andrew Turnbull)

Miss Judith Rutherford
Department of Employment

JS



100 106/10/85

10 DOWNING STREET

From the Private Secretary

22 April 1985

X | The Prime Minister has seen Mr Clark's letter to London MPs. While this will help them to rebut the GLC's arguments, she has asked what can be done to tell all those who will have seen the GLC's advertisement that the statements in it are false. She has asked whether the COI should prepare another advertisement giving the facts.

I am copying this letter to John Ballard (Department of the Environment), and Steve Godber (Department of Health and Social Security).

(Andrew Turnbull)

Miss Judith Rutherford
Department of Employment

MR TURNBULL

We discussed X above.

It is simply not possible for the COI, or any Department, to respond to political advertising of this kind. To do so would legitimise the very practices Government hopes to outlaw, via the Wedderburne inquiry.

The answer to the GLC advert in present circumstances is for Departments to use their influence in getting Ombudsman's space for articles in newspaper and on radio and TV.

John 29/4



Parliamentary Under
Secretary of State

Prime Minister ② AT 19/4

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6620/6690

Switchboard 01-213 3000

The Rt Hon Mrs Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

*It's no good letting us - we know, How
does the Dept. propose to tell all those
people who read the*

advertisement - especially by

18 April 1985

another advert for - CO1 giving the facts

Dear Margaret

You may have seen the recent full page advertisements taken out by the GLC in a number of national newspapers and magazines, which highlight the many problems faced by the disabled. One of these advertisements, headlined "With 3½ Million Looking for Work, What are His Chances?", focuses on the difficulties disabled people have in finding and keeping employment.

While I welcome any initiative to promote more positive attitudes among employers towards disabled people, we must refute the implication that the GLC is alone in helping the disabled and it may be helpful if I remind you of the Government's vigorous commitment to, and record in promoting the employment of disabled people.

We are providing direct assistance through the Manpower Services Commission to place disabled people in employment and are doing all we can to encourage employers to give disabled people full and fair consideration in recruitment, training and promotion. During 1984/85, the Manpower Services Commission's specialist Disablement Resettlement Officers and other staff in Jobcentres are together estimated to have placed some 72,000 disabled people in work or onto the Community Programme. Moreover some 4,500 disabled people received direct financial or practical assistance from the Commission during the year - at a total cost of some £2.6 million - to help them to cope with specific problems at work. I am sure you will agree that these are substantial achievements.

The Prime Minister last November launched a new Code of Good Practice on the Employment of Disabled People which urges employers to adopt and put into practice positive policies. The Code is believed to be the first of its kind in Europe and has the full support of both the CBI and TUC and has already received a very favourable response from employers. To promote the Code we have set up a new Disablement Advisory Service, consisting of 62 specialist teams which advise employers about the assistance which is available to help them in employing disabled people. Already these teams have made some 17,000 visits to employers during 1984/85.



The Government's Fit for Work Award scheme provides recognition to those employers who have demonstrated an outstanding record in employing disabled people. The Prime Minister, Guest of Honour at last year's national reception for Award winners, expressed her appreciation of their achievements in this field. I myself make a point of presenting these awards to Employers personally whenever it is possible for me to do so.

The Government also recognises and supports the important role played by voluntary organisations in promoting the employment of disabled people. The Royal Association for Disability and Rehabilitation has organised a series of seminars aimed at potential employers of disabled people. Tony Newton, as Minister for the Disabled, spoke at the London conference earlier this week. At a similar conference in Manchester today I shall be announcing that the MSC will be making £½ million available in each of the next three years to voluntary organisations which can make a distinctive contribution to placing the disabled in work. I believe that this will lead to a continuing improvement in the breadth and variety of placing services available to disabled people.

You will also know of our very substantial and continuing commitment to sheltered employment and employment rehabilitation at a cost of some £90 million during 1984/85. We continue to look at ways of making both these programmes still more effective.

I hope this makes clear both my own and the Government's continuing commitment to help promote improvements in the position of disabled people in or seeking employment, and will help you to refute the kind of charges which are implicit in the GLC advertisements.

Ge

Ac

ALAN CLARK

*(I am sending this letter to all Labour Members
- hence your inclusion!)*

1

NOV 19 1955

+

THE OFFICE OF THE ATTORNEY GENERAL
WASHINGTON, D. C.
NOV 19 1955

TO THE HONORABLE CHIEF OF BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C.

RE: BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C.
NOV 19 1955

TO THE HONORABLE CHIEF OF BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C.
NOV 19 1955

119 APR 1955



14 - 18s: KEY POINTS FOR STATEMENT

1. Government wishes to see establishment of two-year training scheme and is prepared to fund up to £150 million in 1986/87 and £310 million in 1987/88 - provided satisfactory scheme can be worked out.

2. Government has decided that SB entitlement for 16 and 17 year olds will be withdrawn. This reflects scheme's ability to provide training places for all unemployed. ^{كذلك في مكان} Young people not in education, employment or training will be eligible for waiting allowance of ^{half} say, £13 per week. ^{the training allowance}

3. Timing of withdrawal must be dependent on MSC's ability to deliver a 'guarantee' of a place on the scheme to all unemployed. MSC to consult CBI on timing.

4. Scheme must be cost effective. Therefore:

- (a) employers should bear major part of extra costs. Indicate publicly Government's belief that employers should fund 60% of both first and second year allowance costs (perhaps £1,700);
- (b) Mode B places should be limited to one year and Government announce public target of reducing ratio from 22% to, say, 15% of total places;
- (c) no public commitment on level of allowance: matter for consultations. But emphasise relationship between scale of allowance and number of places that can be funded within resources (i.e. lower allowance, more places).

860

Mr. Fletcher

~~SB~~



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

2 April 1985

Dear Leon

I attach background notes on "Enterprise and Jobs" and "Education and Training for Young People". I hope you and other colleagues on the Economic and Social Group will be able to give them a wide circulation among your group of MPs so that they can make good use of them in presenting the Government's policies.

Gordon
Llith

The Rt Hon Leon Brittan QC MP

BACKGROUND NOTE

ENTERPRISE AND JOBS

Every serious minded person in Britain has long been concerned about unemployment. No party has a monopoly of that concern. But some claim to have a monopoly of rapid solutions to it. There aren't any.

If there were a quick fix to unemployment this Government would have applied it - instantly. Instead, facing up to reality, it is implementing a considered and deliberate programme to restore our economy and lost jobs on a lasting basis.

But first why have we got unacceptably high unemployment?

Well, unemployment is a blot on Europe as a whole and not simply on Britain. It has arisen from a combination of five factors:

1. - the deepest world recession since the war
2. - the decline in traditional industries combined, in our case, with a need to tackle serious overmanning which for too long hampered our ability to compete in world markets
3. - the advent of new technology which has historically caused great shifts in the pattern of employment - and may initially lead to more unemployment before a greater number of entirely new jobs
4. - a brisk rise in real pay which has meant too much of the benefit of recovery since 1981 going into the pockets of those at work and not enough into new jobs for those without work

5. - the inability of our economy to provide enough new jobs in these circumstances to cope with a great increase in the working population as the baby boom of the 1960s became a 1980s surge in the numbers of youngsters seeking work.

Against this background the Government has recognised that it alone cannot create jobs. The real job creators are the businesses which supply goods and services which customers at home and abroad want to buy.

But the Government can help the process of job creation by cultivating an innovative, enterprising and go-getting society.

And it is doing just this with a six-pronged action programme:

First: the Government is determined to keep on top of inflation and drive it down. Otherwise our industry and commerce will just lose out against competitors abroad - and also against them in our home market. Containing inflation is the prime condition for expansion. It demands from Government a tight hold on public borrowing and monetary growth.

Second: the Government is not merely trying to ease the problems of transition in our economy by job creation through, for example, the Community Programme; it is also devoting ever greater resources - well over £2,000 million at the last count - to the effective training of our young people. It aims to ensure unemployment shall not be an option for youngsters up to the age of 18 - for them it will be either a job, or full-time education or training for a job. It is also making

money available to increase the number of students in engineering and technology where, in spite of the level of unemployment, there is a shortage of skilled people. And it is also raising standards in our schools.

Third: the Government is trying to promote an environment for enterprise by encouraging people to go into business on their own account and then to make it easier and less burdensome to employ others. This ranges from simplifying the system of Government aid available to would-be businessmen; easing - and where possible eliminating - the burden of Government regulation and form-filling on them; to reducing or eliminating the obstacles in their way of taking on employees - for example, Wages Council controls which mean high pay rates for youngsters as compared with experienced adults.

Fourth: the Government is encouraging everyone to acquire a stake in Britain - whether by buying their own home or by buying shares in their firms. Already there has been a massive extension of home ownership under this Government, and the British Telecom shares flotation was taken up by no fewer than 2m British citizens. These new home- and share-owners have a new commitment to Britain and its success.

Fifth: the Government is encouraging those without a job to find one because they will get more by working than by remaining unemployed. This is being done by raising the level of earnings at which people begin to pay tax - ie by raising the tax threshold - and by reducing National Insurance contributions made by those earning less than £90 a week. Similarly, it is encouraging employers to take on more workers by reducing the cost of employing.

them at the lower end of the pay scales.

Sixth: the Government is creating a climate which is encouraging businessmen to invest in the future. And investment is running at a record level: something like £55,000 million last year, counting public and private sector together. High investment is a vote of confidence in Britain and - provided the goods and services leading to that investment are supplied by competitive British firms - it means more jobs in Britain.

All this shows that this Government cares about the unemployed. But it cares in a well thought out, practical way. Its objective is not a flash-in-the-pan reduction in unemployment, but a steady expansion of our economy. We are about to enter the fifth continuous year of growth. This is the best route to rising numbers of real, lasting jobs. And the number of new jobs is increasing.

But having said all that, it is clear that the Government's role in creating new jobs is still limited. It is people who go into business who create the actual jobs. That being so, there is fundamentally only one thing that a responsible Government can do for the unemployed: to do its darndest to create the economic, financial and regulatory climate in which people see it eminently worth their while to go into business and employ people.

This Government is doing that - and more - to help the unemployed. And it is convinced that slowly, steadily but surely it will succeed.

WHITE PAPER ON 'EDUCATION AND TRAINING FOR YOUNG PEOPLE' SPEAKING NOTE

1 THE WHITE PAPER, PUBLISHED ON 3 APRIL 1985, SETS OUT A PLAN FOR ACTION IN RESPECT OF WORK-RELATED EDUCATION AND TRAINING FOR YOUNG PEOPLE OF 14 TO 18. THE PLAN WILL LEAD FOR THE FIRST TIME TO A COHERENT STRUCTURE OF VOCATIONAL PREPARATION FOR YOUNG PEOPLE. IT WILL LAY THE FOUNDATIONS FOR A MORE HIGHLY SKILLED AND ADAPTABLE WORKFORCE CAPABLE OF MEETING THE REQUIREMENTS OF A MODERN ECONOMY. THE PROPOSALS COMPLEMENT THOSE SET OUT FOR ENGLAND AND WALES IN THE WHITE PAPER 'BETTER SCHOOLS' TO IMPROVE THE CONTRIBUTION WHICH SCHOOLS MAKE TO PREPARATION FOR WORKING LIFE.

2 THE WHITE PAPER PROPOSES THREE INITIATIVES:

- A PROGRAMME OF IN-SERVICE TEACHER TRAINING COSTING £25 MILLION OVER TWO YEARS TO HELP REINFORCE AND DISSEMINATE THE LESSONS OF THE TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE IN SCHOOLS
- DEVELOPMENT OF THE YOUTH TRAINING SCHEME, AT AN ADDITIONAL COST OF £125 MILLION IN 1986/87 AND £300 MILLION IN 1987/88, TO PROVIDE A TWO YEAR TRAINING SCHEME LEADING TO RECOGNISED QUALIFICATIONS
- A REVIEW OF VOCATIONAL QUALIFICATIONS IN ENGLAND AND WALES TO PROVIDE A MORE RELEVANT AND COHERENT SYSTEM.

3 THE GOVERNMENT HAS ALREADY TAKEN ACTION ON A SUBSTANTIAL SCALE TO EQUIP YOUNG PEOPLE WITH THE SKILLS THEY WILL NEED FOR THE WORLD OF WORK. IN SCHOOLS IN ENGLAND AND WALES, THE NEW GCSE EXAMINATION WILL PLACE MORE EMPHASIS ON PRACTICAL

COMPETENCE AND PROBLEM SOLVING, WHILE THE CERTIFICATE OF PRE-VOCATIONAL EDUCATION (CPVE) WILL PROVIDE COURSES WITH A STRONG VOCATIONAL BIAS FOR THOSE STAYING ON AT SCHOOL FOR ONE YEAR AFTER 16. IN SCOTLAND, COURSES FOR 14 TO 18 YEAR OLDS ARE ALSO BEING REVISED TO PLACE MORE EMPHASIS ON PROBLEM-SOLVING, PRACTICAL SKILLS AND FLEXIBLE PROGRESSION TOWARDS WORK OR HIGHER EDUCATION. THE TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE, LAUNCHED BY THE GOVERNMENT IN 1982, HAS STIMULATED THE DEVELOPMENT OF A MORE RELEVANT CURRICULUM AND CLOSER COLLABORATION BETWEEN EDUCATION AND INDUSTRY. IN TRAINING, THE YOUTH TRAINING SCHEME, LAUNCHED IN 1983, HAS CATERED FOR OVER 700,000 YOUNG SCHOOL LEAVERS SO FAR. OVER 60 PER CENT OF TRAINEES ARE MOVING INTO JOBS.

4 INTERNATIONAL COMPARISONS HIGHLIGHT HOWEVER THE GAP THAT REMAINS TO BE FILLED. OUR ECONOMY SUFFERS RELATIVE TO THAT OF OUR LEADING COMPETITORS BECAUSE

- BRITAIN IS THE ONLY ONE OF THESE COUNTRIES IN WHICH THE MAJORITY OF 16 YEAR OLDS TRY TO ENTER THE LABOUR MARKET
- BRITISH EMPLOYERS THEREFORE HAVE TO RECRUIT FROM YOUNG PEOPLE WITH LESS FULL-TIME EDUCATION AND FEWER VOCATIONAL QUALIFICATIONS
- EMPLOYERS IN ALL OUR MAJOR COMPETITOR COUNTRIES MAKE A SIGNIFICANTLY LARGER CONTRIBUTION TO VOCATIONAL EDUCATION AND TRAINING.

5 THE PROGRAMME OF ACTION PROPOSED IN THE WHITE PAPER WILL MEAN THAT, WHEN ALL INITIATIVES ARE UNDER WAY

- A SUBSTANTIAL PROPORTION OF PUPILS IN FULL-TIME EDUCATION WILL BE RECEIVING TECHNICAL AND VOCATIONAL EDUCATION AS PART OF A BROAD AND BALANCED CURRICULUM WITH A PRACTICAL BIAS
- ALL 16 YEAR OLDS WILL HAVE THE OPTION OF TWO YEARS OF WORK-RELATED TRAINING (ONE YEAR FOR 17 YEAR OLDS) LEADING TO RECOGNISED VOCATIONAL QUALIFICATIONS
- THERE WILL BE A GREATLY INCREASED FLOW OF QUALIFIED YOUNG WORKERS COMING INTO THE LABOUR MARKET
- THERE WILL BE A MORE COHERENT RANGE OF VOCATIONAL QUALIFICATIONS AVAILABLE TO YOUNG PEOPLE WHICH ARE MORE RELEVANT TO THEIR REQUIREMENTS AND THOSE OF EMPLOYERS.

6 ONCE THE NEW TRAINING SCHEME HAS BEEN FULLY LAUNCHED, IT WILL MEAN THAT NO-ONE BETWEEN THE AGES OF 16 AND 18 NEED BE INACTIVE; ANYONE NOT IN EMPLOYMENT OR IN FULL-TIME EDUCATION WILL BE ABLE TO BENEFIT FROM WORK-RELATED TRAINING.

7 THE GOVERNMENT RECOGNISES THE EXTENT TO WHICH ACHIEVEMENTS IN WORK-RELATED EDUCATION AND TRAINING REST ON THE SUPPORT OF EMPLOYERS, TRADE UNIONS, LOCAL EDUCATION AUTHORITIES, SCHOOLS, COLLEGES AND OTHERS. IT LOOKS TO ALL THESE GROUPS FOR COMMITMENT TO ACHIEVING THE PROGRAMME OUTLINED IN THE WHITE PAPER.

CONFIDENTIAL



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Andrew Turnbull, Esq.,
10 Downing Street,
London, S.W.1.

2nd April, 1985

W
2/4

Dear Andrew

EDUCATION AND TRAINING FOR YOUNG PEOPLE

I enclose a copy of the White Paper "Education and Training for Young People". This will be published at 4.30 p.m. tomorrow following statements in both Houses and I should be grateful if you would regard the attached copy as embargoed until that time. Copies of the Confidential Final Revise of the document have been sent separately at official level to Departments represented on MISC 107.

I am copying this letter, with a copy of the White Paper, to the Private Secretaries to members of the Cabinet and to Sir Robert Armstrong.

Yours ever
Leigh

Leigh Lewis
Private Secretary

CONFIDENTIAL

02 APR 1985



COMMUNICATIONS

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

WASHINGTON, D.C. 20535

TELEPHONE (202) 344-3131



CONFIDENTIAL



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

TF has seen

The Rt. Hon. Tom King M.P.,
Secretary of State,
Department of Employment,
Caxton House,
Tothill Street,
London, S.W.1.

27th March, 1985

Tom,

EDUCATION AND TRAINING FOR YOUNG PEOPLE

I am grateful for the comments which you and others offered on the draft White Paper on education and training for 14 to 18 year olds. You will see that these are fairly fully reflected in the attached text which has now gone to the printer. In one or two instances where colleagues' views or suggestions conflicted, I have had to make a judgement as to how these might best be reflected. Unless I hear to the contrary within the very near future, I shall assume that you and others are content.

I am copying this letter and the White Paper text to E(A) colleagues, Norman Fowler and Sir Robert Armstrong.

Yours,

Lord

CONFIDENTIAL

EDUCATION AND TRAINING FOR
YOUNG PEOPLE

Presented to Parliament by
the Secretary of State for Education and Science,
the Secretary of State for Scotland,
the Secretary of State for Wales,
the Secretary of State for Trade and Industry,
the Secretary of State for Employment
and the Minister without Portfolio
by Command of Her Majesty

~~March~~ 1985

April

LONDON
HER MAJESTY'S STATIONERY OFFICE
£ Net

Cmnd.

INDEX

Paragraphs

1-4 Introduction

Part I : Recent Developments

5-9 Developments in Full-Time Education

10-13 Technical and Vocational Education Initiative

14-17 Developments in Youth Training

18-23 International Comparisons and the Case for Change

Part II : Proposals for Action

24-25 The Government View

26-28 Developing Existing Initiatives in Full-Time
Education

29-34 Extension of the YTS

35-41 Review of Vocational Qualifications

42-47 A Coherent Approach to Work-Related Education and
Training

EDUCATION AND TRAINING FOR YOUNG PEOPLE

DRAFT WHITE PAPER

1 Many young people leaving school today will not retire until the second third of the next century. If the present rate of change is maintained they will be working in a world unimaginable to us. Above all else they must be given both a firm foundation and a flexible approach to their working lives. Upon this depends our future prosperity and growth for our lasting resource is the skill and adaptability of our people. This White Paper outlines the new Government initiatives on the work-related education and training of young people between the ages of 14 and 18.

2 The recent report "Competence and Competition" commissioned by the Manpower Services Commission (MSC) and the National Economic Development Council pointed to the strong correlation between the greater investment in vocational education and training of our major competitors and their superior economic performance. The report underlines the Government's view that vocational education and training are not marginal activities, but are central to our economic growth and prosperity. The report recommended that "public expenditure on (education and training) should be maintained while expenditure by employers and individuals is increased".

3 The Government's White Paper on a "New Training Initiative" in 1981 (Cmnd 8455) set out our national training objectives. These are:

- (i) modernisation of training in occupational skills with particular emphasis on training to agreed standards of skills appropriate to the jobs available;
- (ii) better preparation in schools and colleges for working life and better arrangements for the transition from full time education to work;
- (iii) wider opportunities for adults to acquire and improve their skills.

Securing these objectives is essential if we are to exploit the new technologies and create more jobs.

4 The Government's White Paper "Training for Jobs" published in January 1984 (Cmnd 9135) summarised progress. Since then the MSC and others have taken further action in developing provision for young people and in widening training opportunities for adults. "Better Schools" (Cmnd 9469) sets out the Government's policies for improving the contribution of schools in England and Wales to the preparation of young people for working life.

Developments in full-time education

5 There have been developments of major significance within the education system. "Better Schools" describes the measures taken by the Government, together with its partners in the education service, on the curriculum, examinations and teaching quality in England and Wales. All these are designed to develop in pupils and students, at all levels of ability, the positive personal qualities which will provide the necessary broad, balanced and practical foundation for vocational specialisation and for training in a technological society.

6 Among the measures to improve the system of examinations and assessment is the introduction of the Certificate of Pre-Vocational Education (CPVE) which will provide courses of general education with a strong vocational bias for young people who choose to stay on in full-time education for one year after the compulsory period. The CPVE, which is described in paragraphs 112-115 of Cmnd 9469 has been developed for use in FE colleges as well as schools. The new GCSE examinations will place more emphasis on practical competence and problem-solving approaches.

7 There is in the non-advanced sector of further education (NAFE) a constant flow of new courses, some nationally and others more locally available; and adjustments are made to the pattern of vocational

qualifications as judged apt by the examining and validating bodies on which employers are represented. Further impetus towards the evolution of courses in NAFE will come from the involvement of the MSC through the new arrangements in paragraphs 43 to 53 of "Training for Jobs" and by improvements in the system of vocational qualifications which the Government intends to secure through the measures described in paragraph 40 below.

8 Links between schools and industry are being established and reinforced. A range of projects has been developed, including the Micros in Schools Scheme, the Microelectronics Education Programme and British School Technology, aimed at providing a more relevant education. The Government has also supported and encouraged various forms of cooperation between schools and local businesses designed to promote enterprise and to enhance pupils' understanding of wealth creation.

9 In Scotland two major development programmes are in progress:-

- . all courses for 14-16 year olds in schools are being revised to incorporate a much greater emphasis on problem-solving and on the use of practical and oral skills in the application of knowledge. Each young person will have a series of well-defined goals. Achievement by pupils of all abilities will be tested

against nationally-defined levels of performance and recorded on the new Standard grade of the Scottish Certificate of Education;

- . the revision on a modular basis of all non-advanced further education qualifications is nearing completion. A flexible system of modular programmes now exists for general vocational preparation and for more specialised purposes, suitable for young people, whether at school or college full or part time or in the YTS, and for adults requiring training or retraining. Competence and attainment are validated to national standards and modules successfully completed are recorded on the new National Certificate awarded by the Scottish Vocational Education Council. Considerable progress has been made towards full recognition of the National Certificate by employers and other examining bodies. .It is widely used in Scotland for YTS trainees as well as for school and college students, and it secures progression onto higher levels of education or more specialised training.

Technical and Vocational Education Initiative

10 In late 1982, the Government announced the Technical and Vocational Education Initiative (TVEI). Its main purpose is to stimulate the provision of technical and vocational education for 14 to 18 year olds in a way which will widen and enrich the curriculum and prepare young people better for

the world of work. The TVEI has powerfully re-inforced moves towards the development of a more relevant curriculum and closer collaboration between education and industry.

11 The initiative is administered through the MSC. 62 projects (57 in England and Wales and 5 in Scotland) have already commenced. In October 1984 those Local Education Authorities and Education Authorities which were not then participating were invited to submit bids and, of these 19 have so far submitted firm proposals for 1985. The indications are that a similar number are interested in starting in 1986. Thus, by 1986, the great majority of Education Authorities will be taking part in the Initiative.

12 There is now emerging a nationwide TVEI network of projects within the education system. Within broad national criteria, Education Authorities determine the curriculum locally so as to enable local needs to be met effectively. This network is important as an instrument for change within the educational system. Each project starts with a broad programme, including technical and vocational elements, which becomes progressively more specialised. Subjects range from agriculture and catering to computer studies, office technology and design technology. Each project is open equally to boys and girls, and to young people of all abilities. Each project leads young people to seek the qualifications and skills which will be of value to them at work. Each is involving industry in a number of ways, and in

every case industry is formally participating in the development of the project.

13 These new developments are attractive to young people and parents. Many TVEI projects have been oversubscribed. There is substantial curriculum development in all TVEI projects. And a major effort has been made with in-service training and retraining of teachers and tutors.

Developments in youth training

14 So far as young people are concerned, the most significant training development since the Second World War took place with the launching of the Youth Training Scheme (YTS) in April 1983. The Scheme has been a success, not least because of the support of employers, trade unions, the education service and many others.

15 The achievements of the YTS are already considerable:-

- . over 700,000 young school leavers have entered the Scheme since its start and this figure will rise to over a million by early next year;
- . 4,000 managing agents - many of them private sector employers or groups of employers - and 1,500 sponsors of non-employer based schemes ("Mode B") have come forward to provide some 400,000 approved places;

- . a high proportion of places - currently 70 per cent - are reaching the quality standards laid down;
- . more than 60% of youngsters leaving the Scheme are moving into jobs;
- . more than 160 Information Technology Centres (ITeCs) have been established; when complete later this year, the network will provide places for some 6,000 young people;

16 More significantly, the YTS has:

- . provided structured, work-based training including a minimum of 13 weeks off-the-job which was a new feature for many school leavers;
- . introduced training to many sectors of employment where no such opportunities existed before;
- . encouraged a significant move away from time-based training patterns towards flexible and individually-tailored training;
- . emphasised the contribution of education and training to young people's personal development;

- . provided a major advance in the competence of trainers - over 100,000 scheme staff and first line supervisors will, by the end of this year, have passed through the the 55 accredited training centres.

17 Work continues to improve the Scheme further. The great majority of those schemes and opportunities which do not currently meet the minimum criteria will do so by the end of the year. Better methods to chart training performance and achievement are being developed. The YTS certificate is being improved with recognition for achievement in mind. Work is in hand to enable trainees to secure credit towards the award of CPVE. Quality standards are being raised.

International Comparisons and the Case for Change

18 Yet, for all these developments, much still remains to be done.

19 Of all the leading industrial countries it is only in Britain that the majority of 16 year olds seek to enter the labour market direct from school. In the United States the great majority of young people stay on in high school to get their high school diploma. In Japan, some 95% of all young people remain in full time education until the age of 19 or 20 at which point they enter into a systematic vocational training programme provided by the employer as they enter the world of work. In West Germany, some 60% of all young people leaving lower secondary school enter upon an "apprenticeship"

largely paid for by employers and lasting on average 3 years. At the age of 18 or 19 they emerge as qualified workers with recognised qualifications.

20 In this country apprenticeship has traditionally provided the main source of occupational skill training - certainly in manual occupations. In recent years, however, apprenticeships have failed to provide an adequate response to our emerging skill needs. In many instances rigidities have discouraged entry and linked skilled status to time-serving rather than competence. Partly as a result of this and partly as a result of recession, the number of apprentices recruited has dropped sharply so that only some 40,000 were recruited last year. And apprenticeship was never established in certain important sectors of employment.

21 The results of our lagging so far behind our competitors are very serious:

- . British employers have to recruit from a population which at age 18 and over includes a higher proportion of people with no formal qualifications or with very limited vocational occupational or academic attainments;
- . young people in the United Kingdom are not provided with as good a foundation for the continuing education

and training in adult life which must be an increasingly important feature of modern economies.

22 In short, unless we move further ahead the United Kingdom still has relatively little prospect of creating the highly skilled and innovative workforce required to meet the employment needs of the existing and new technologies. Nor shall we as a nation enhance our capacity for independent wealth creation through the development and application of new ideas and new enterprise.

23 Three features stand out when we compare the situation in this country with that to be found in countries which are our keenest competitors:

- . employers in all our major competitor countries are making a significantly larger contribution to vocational education and training than has been the case in the UK;
- . in virtually all our competitor countries young people are treated as learners at least until the age of 18. This is reflected in their status (instead of a contract of employment there is often a contract of training), in the nature of their remuneration and in the level of that remuneration;

- . compared with our competitors, the UK is spending a relatively large sum of public money in an attempt to deal with youth unemployment, a problem that many of our competitors do not have or have in much less acute form because of their better developed education and training provision.

The Government View

24 The Government believes that the time is now right to offer new opportunities for vocational education and training to young people up to the age of 18. The objective is clear: to produce by age 18 a very much larger flow than at present of qualified young workers capable of meeting the skill requirements of a modern economy either directly or after some further training. In particular, the Government believes it to be right that we should set ourselves the target that all young people should enter the labour market with a qualification, either general or work-related, relevant to employment.

25 To that end, the Government now proposes 3 related initiatives:

- . development of initiatives already in hand within full time education.

- . development of the YTS to provide a two year training scheme leading to recognised qualifications for 16 year old leavers;
- . establishing a working group to review vocational qualifications in England and Wales;

Development of Existing Initiatives in Full-time Education

26 Many young people will of course remain in full-time education until the age of 18 (and beyond) to achieve the general, technical or vocational qualifications appropriate to their needs. Others will move from full-time education to the new Youth Training Scheme. It is therefore important that developments in full-time education should be compatible with the new Scheme and that the two should proceed on a complementary basis so that for example, credit can be given in the Scheme for qualifications received in full-time education.

27 For this reason, the Government is considering the wider application of the lessons of the Technical and Vocational Initiative. The existing pilot schemes are laying a foundation which we must build on. The Government's objective is that all young people in school should have the opportunity of following a more relevant and practical curriculum leading to the achievement of recognised standards of competence and qualification.

28 Meanwhile, there is an urgent need to increase the numbers of teachers equipped to disseminate the successful elements of the TVEI and thus reinforce the Government's broad objectives for the school curriculum. Accordingly the Government has decided that sums of £5 million from existing resources in 1985/86 and £20 million of additional money in 1986/87 should be allocated to support TVEI related in-service training throughout Great Britain pending the introduction of the new scheme of funding for in-service training in England and Wales described in "Better Schools". The interim scheme will be administered by the MSC who will report on its operation to Education and Employment Ministers. Longer term arrangements for Scotland are under consideration.

Extension of the YTS

29 The Secretary of State for Employment has invited the MSC to carry out consultations with employers, trade unions, local authorities and others concerned and to report back to him by the end of June 1985 on the content, funding and administration of an expanded and developed YTS which would:

- (i) aim to produce better qualified young entrants to the labour market;
- (ii) offer 2 year programmes to 16 year old school leavers and one year programmes to 17 year old leavers and

would give increased opportunities for vocational training leading to recognised qualifications;

(iii) be primarily employer-based. Those young people who entered provision of the kind currently found in Mode B of the YTS would normally move to employer-based provision within 12 months;

(iv) begin on 1 April 1986. There would initially be a continuation of the existing YTS guarantee of an offer of a one year place to all unemployed 16 year olds. The MSC has been asked to advise on the most practicable arrangements which could be made for providing a second year of training for as many as possible of those 16 year old leavers who will be entering the YTS in 1985/86.

(v) aim to provide as many places as possible for other 16 and 17 year olds within the resources available with the target of guaranteeing in due course an offer of a 2 year place for all unemployed 16 year olds and a one year place for all unemployed 17 year olds.

30 The new scheme will differ from the existing YTS in that its objective will be that all trainees should have the opportunity to seek recognised vocational qualifications. This will give trainees the opportunity to acquire a wide range of skills, including those needed by industry and

commerce to adapt to the new technologies. The training will need to be planned to make best use of the time trainees spend on the scheme, and to take account of their options for subsequent employment and training.

31 The Government intends the new scheme to become a permanent feature of vocational education and training provision in this country. As the scheme expands, unemployment among young people under 18 should become a thing of the past. The Government has decided that the Young Workers Scheme will close for applications at the end of March 1986 when the new scheme will be introduced so that resources to help the under 18s should be concentrated on encouraging employment linked to good quality training. The Government will be keeping under review the Community Industry Scheme, which provides temporary job opportunities for personally and socially disadvantaged young people in the 16-19 year old age group.

32 Vocational education and training - particularly vocational education and training of young people - are not an overhead but an investment. Many employers already recognise that the skills of their employees and potential employees are their most valuable assets, requiring long-term and sustained investment in training and retraining, and take pride in providing and upgrading skills. The Government welcomes recent indications from the Confederation of British

Industry that these attitudes are beginning to be more widely shared.

33 Accordingly, the Government expects employers to make a fair contribution towards the costs of the new scheme. They have a great deal to gain from it: an assured supply of qualified young workers; a more versatile, more readily adaptable, more highly motivated and therefore more productive young workforce; better utilisation of skills and more cost-effective expenditure on training.

34 For its part, in establishing the new scheme, the Government is prepared to make available additional resources of £125 million in 1986/87 and £300 million in 1987/88, subject to a satisfactory outcome of the consultations which MSC will be undertaking. Added to the present provision for the YTS this means that money available to the scheme from the Exchequer will total £925 million in 1986/87 and £1100 million in 1987/88.

A Review of Vocational Qualifications

35 We have a comprehensive, complex system for the certification and assessment of vocational knowledge and skills. Broadly, there are three parts to the system:

- . the educational, validating and examining bodies, amongst which are the Business and Technician Education Council, the City and Guilds of London Institute, the

Royal Society of Arts, the Scottish Technical Education Council and the Scottish Business Education Council (soon to be united into the Scottish Vocational Education Council) and the Regional Examining Bodies;

- . the professional examining bodies, including old established and chartered bodies and newer, non-chartered bodies;
- . other standard setting bodies and arrangements for certifying competence in vocational skills eg the Industry Training Boards, or statutory testing facilities as, for example, for HGV drivers.

36 There are many good features in present arrangements: credibility and acceptance by employers in a number of sectors; the stability of the system; a considerable diversity of courses available. But there are also marked weaknesses which are becoming more serious as the pace of change increases and as the demand grows for the mobility of skills.

37 Notwithstanding the provision by some examining and certifying bodies of arrangements for testing knowledge and skills without prescription of time or learning methods, the system as it stands does not generally provide adequate opportunity for:

- . individual achievement certified by one body or part, of the system to be recognised by other parties or parts of the system;
- . testing of skills and competence as well as knowledge and understanding;
- . recognition of learning achieved outside formal education and training situations;
- . flexible patterns of attendance and learning;

38 In particular, present arrangements need to be improved to give greater recognition to the ability to apply knowledge and understanding, and to secure opportunities for progression. The present system - diverse and extensive as it is - is neither comprehensive nor coherent. It is well regarded and well used but it is not well understood. It is market oriented but could be more responsive and flexible. A system in which existing arrangements are better integrated will help both young people and adults.

39 The Government is therefore now inviting the MSC to establish, with the Departments concerned, a working group to include representatives of employers, employees, examining bodies and local authorities to review the structure of vocational qualifications in England and Wales. Its terms of reference will be:

To recommend a structure of vocational qualifications which

- is relevant to the needs of people with a wide range of abilities
- is comprehensible to users
- is easy of access
- recognises competence and capability in the application of knowledge and skill
- provides opportunities for progression, including progression to higher education and professional qualifications
- allows for the certification of education, training and work experience within an integrated programme.

and to design a timetabled programme to achieve this which has the support of employers, examining and validating bodies and others concerned.

The review is expected to concentrate initially on improving the structure of qualifications to meet the needs of the extended Youth Training Scheme. The review will not extend to Scotland because the comprehensive reform of vocational qualifications described in paragraph 13(b) is already well advanced there. It will however be the Government's aim to secure mutual recognition of equivalent vocational

qualifications obtained under the different assessment and certification systems in England and Wales and Scotland.

40 The review will need to consider criteria for an effective system of qualifications and to use those criteria as a basis for assessing existing arrangements. This will need to be conducted from 3 points of view: that of the employer customer; that of the provider (particularly the college); and that of the student. Such an approach is intended to point up issues and in particular omissions and gaps.

41 The Group will be asked to complete its work within a year. It will also be asked to prepare an interim report for the Government by the end of September this year. The Government will wish to see the interim report include a statement which can be agreed with the main validating and standard setting bodies and endorsed by the Government, of objectives to be achieved in seeking major reforms of the examination and certification systems for vocational education and training.

A coherent approach to work-related education and training

42 The Government has already taken action, on a scale unparalleled by its predecessors, to:

- . give priority to developing technical and vocational education as an essential element in our full-time

education system, both through the TVEI and its wider curriculum policies;

- . develop a system of initial training within the YTS, linking off-the-job training and further education with work experience for both unemployed and employed school leavers;
- . develop an adult training strategy directed more closely to meeting national and local employment needs.

43 These further initiatives powerfully re-inforce the Government's commitment to the pursuit of the New Training Initiative objectives. They form part of a coherent approach to the development of vocational education and training - an approach which will help to put us on terms with our competitors overseas which has 7 main thrusts:

- (i) developing the information base: on supply of and demand for skills and knowledge, and on opportunities and access to them;
- (ii) improving the educational foundations: to enable individuals to develop and demonstrate the personal skills, competence, knowledge and understanding needed for working life;

- (iii) ensuring that further and higher education and professional institutions are geared to today's needs: to ensure the supply of technicians, technologists and the key professions and a system of qualifications which is accessible, allows for progression, can be understood by employers and provides credit for achievement, including experience;
- (iv) developing adult education and training both full- and part-time: to ensure that individuals may have the opportunity to add to, extend or update skills and knowledge in response to technical change or change in labour markets;
- (v) encouraging responsiveness: so as to ensure that the interests of employers and other consumers are to the forefront of the concerns of the providers;
- (vi) securing competence of teachers, further education lecturers, trainers and tutors who can stimulate and develop new approaches to learning: especially important here are the development of new methods and teaching approaches and the use of the new technologies;
- (vii) providing advice and guidance: which must be accessible to individuals and employers alike.

44 The development of our vocational education and training policies on these lines offers great advantages to all concerned but will also require much of them.

45 Improving competence and professionalism are vital if employers are to compete more successfully and to win back markets that have been lost. But they require a new attitude to investment in training; a willingness to do more for more people; and a readiness to make the resources of the workplace available for learning and work experience, especially for young people.

27 MAR 1965
46 These new approaches offer a better start in working life for all young people and greatly increased opportunities for careers progress of adults. They also involve acceptance by all concerned that those undertaking the training may not be able to command the full wages paid to more experienced workers. Some traditional approaches and values will need to be modified or abandoned, new techniques adopted, and fuller use made of resources.

47 The Government is committed to a sustained effort to improve vocational education and training for young people over a considerable period. It believes it to be essential to economic success and to social well-being in this country. It is fully committed. It looks now for that full commitment from others too.

CONFIDENTIAL

CC ASD



2 pp's.

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Minister without Portfolio
The rt hon Lord Young of Graffham PC
Enterprise Unit
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

27 March 1985

Nelson

See hand.

WHITE PAPER ON 14-18s

Thank you for sending me a copy of your letter to Tom King of 21 March.

I shall be happy to join the Press Conference on 2 April to deal with questions about in-service teacher training. I imagine you will also wish me to handle questions about the Government's policy for the school curriculum and on provision for full-time education, including my interests in the review of vocational qualifications.

I agree with you that it would be appropriate for an arranged Parliamentary Question to be taken by the Prime Minister. Officials here stand ready to comment on a draft answer and on the draft press release and background briefing which the Enterprise Unit are to coordinate.

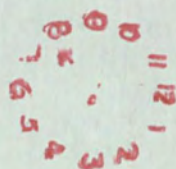
Copies of this letter go to the Prime Minister, to Tom King, George Younger, Nicholas Edwards, Norman Fowler and Norman Tebbit; and to Nigel Lawson and Sir Robert Armstrong.

Ann. Keir

Manpower

SEM

Pt 12



27 MAR 1985

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Lord Young of Graffham
Minister without Portfolio
Cabinet Office
70 Whitehall
LONDON SW1

26 March 1985

N4Pur

EDUCATION AND TRAINING FOR YOUNG PEOPLE

Thank you for your letter of 20 March, with which you enclosed a draft of this White Paper.

As you say, there has been considerable discussion of the text between our officials, and I have no major comments to make. I would like to see the emphasis changed in one or two places, and a list of these points, together with some drafting suggestions, is attached.

...

It is perhaps worth drawing attention to two points. First, I have suggested the deletion of the paragraph referring to supplementary benefit both because it was specifically agreed at E(A) on 7 March that we should avoid volunteering statements of this kind and because I can see no advantage in including such a statement. And second, I have suggested a small reference to the Community Industry scheme, simply for the sake of completeness.

I am copying my letter to the recipients of yours.

I hope we shall have had a word about the structure of the Press Conference today.

2

CONFIDENTIAL

CONFIDENTIAL

Add a new sentence at the end:

"The Government will be keeping under review the Community Industry scheme, which provides temporary job opportunities for personally and ~~socially~~ disadvantaged young people in the 16-19 year old age group."

Para 31

Move the first sentence to become the second sentence in para 30.
Delete the remainder.

Para 33

Delete "bear the major part of the additional costs"; insert "make a fair contribution towards the costs".

Para 34

Delete first sentence. Begin second sentence with: "For its part, in establishing the new scheme, the Government "

Delete "upto" in the fifth line.

Para 39

In the working group's terms of reference, add "allows for the certification of education, training and work experience in an integrated programme" as the sixth indent and "to achieve this" before "which has the support".

Para 40

Add "be to" before "consider".

Para 41

Amend the beginning of the third sentence to read:

"The Government will wish to see the interim report include "

Para 43

Substitute "7 major" for "8 major".

CONFIDENTIAL

CONFIDENTIAL

DRAFT WHITE PAPER"EDUCATION AND TRAINING FOR YOUNG PEOPLE": AMENDMENTS BY THE DEPARTMENT OF EMPLOYMENT

Para 1

Insert in first line, after 'White Paper': "which expands and develops themes already raised in the White Paper 'Employment - the Challenge for the Nation' (cmdnd)"

Para 3

Substitute "link" for "correlation" in the first sentence.

Para 5

Substitute "widening" for "identifying new" in the second sentence.

Para 8

Delete "funding" in the second sentence.

Para 11

Substitute the following for the second sentence:

"Its main purpose is to stimulate the provision of technical and vocational education for 14 to 18 year olds in a way which will widen and enrich the curriculum and prepare young people better for the world of work."

Para 12

Substitute the following for the second to fifth sentences:

"In October 1984 those Local Education Authorities (LEAs) and Education Authorities which were not then participating were invited to submit bids and, of these, 19 have so far submitted firm proposals for 1985. The indications are that a similar number are interested in starting in 1986. Thus, by 1986, the great majority of Education Authorities will be taking part in the Initiative. There is now emerging a nationwide TVEI network of projects within the

CONFIDENTIAL

CONFIDENTIAL

education system. Within broad national criteria, Education Authorities determine the curriculum locally so as to enable local needs to be met effectively."

Insert the following after the seventh sentence:

"Subjects range from agriculture and catering to computer studies, office technology and design technology."

Para 15b

Substitute "some 400,000" for "over 400,000".

Para 15c

Substitute "a high proportion" for "an increasing proportion".

Para 15d

Replace by:

"more than 60% of youngsters leaving the Scheme are moving into jobs".

Para 15e

Replace the beginning by:

"more than 160 Information Technology Centres (ITeCs) have been established; when complete"

Para 15f

Delete.

Para 16

In the opening, delete "Perhaps still".

In subpara e, substitute the following for the second leg:

" - over 100,000 scheme staff and first line supervisors will, by the end of this year, have passed through the 55 accredited training centres established by the MSC."

CONFIDENTIAL

Para 19

Add "from school" at the end of the first sentence.

Para 21b

Delete "not as well prepared" and insert: "not provided with as good a foundation "

Paras 23a and b

Delete "it is clear that" in each case.

Para 23c

Replace by:

"compared with our competitors, the UK is spending a relatively large sum of public money in an attempt to deal with youth unemployment, a problem that many of our competitors do not have or have in much less acute form because of their better developed education and training provision".

Para 25

The opening should read: "The Secretary of State for Employment has invited the MSC to report back to him by the end of June "

Substitute "related" for "significant and inter-related".

Para 29

Substitute "employer-based" for the 2 references to "employment-based".

Para 30

Delete "and remain" in the first sentence.

Amend the beginning of the second sentence to read:

"The Government has decided that the Young Workers Scheme will close for applications at the end of March 1986 when the new training scheme "

CONFIDENTIAL

main power : sem #12

88 11 12 1
88 11 12 1
88 11 12 1
88 11 12 1

26 MAR 1985



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

25 March 1985

Leigh Lewis Esq
Private Secretary to
Lord Young of Graffham

Dear Leigh,

EDUCATION AND TRAINING FOR YOUNG PEOPLE

... Lord Young's letter of 20 March to the Secretary of State for Employment asked for comments on the draft White Paper about this subject. The draft is generally satisfactory to the Treasury but I attach a list of specific amendments. Some of these are pure drafting, but we attach importance to those in paragraph 1, 2 and 6, 8 to 12 and 14.

I am sending copies of this letter and the attachment to David Normington (D/Em), the Private Secretaries to other members of E(A), Steve Godber (DHSS) and Richard Hatfield (Cabinet Office).

*Yours ever
Rachel*

MRS R LOMAX
Principal Private Secretary

TREASURY COMMENTS ON "EDUCATION AND TRAINING FOR YOUNG PEOPLE"

Para 3. Add at end a new sentence: "The report recommended that

"Public expenditure on [Education and Training] should be maintained while expenditure by employers and individuals is increased". "

This is a relevant quotation which will help the negotiations with employers about the financing of the expanded YTS.

2. There is a general point about references to TVEI. These should not imply, in advance of a full evaluation which has not yet been completed, that the initiative has already been such a success that it is obviously desirable to extend it to all schools or to extend all of its principles to all schools.

The White Paper should not make an implied case at this stage at least for more resources. One example is the second sentence of para 13 which the Treasury would prefer to omit.

3. Para 15 (c). This looks negative unless impressive figures for the increasing proportion can be quoted.
4. Para 15(d). Does the 60 per cent figure refer to work alone or to work plus further education and training? This needs checking before publication.
5. Para 21(a). Delete "young" from line 3.
6. Para 23(c). It is not clear what this means or whether any policy implications would be acceptable. We suggest deleting it.
7. Para 27, first sentence. Is this not premature in advance of full evaluation of lessons of TVEI?

Para 28. This paragraph should make it clear that the £5 million in 1985/86 are from existing resources whereas the £20 million in 1986/87 is additional money and was therefore specifically referred to in the Budget.

9. Para 29(4). line 3. Omit "at least". The existing undertaking is for one year only and should not be changed.
10. Para 29(5). We suggest replacing "of guaranteeing in due course an offer of" by the words "in due course of offering" a two year place for all unemployed 16 year olds...
11. Para 30. The first sentence might reasonably be taken as implying not only that the new scheme would be permanent but that the Government's contribution to it would be. This would be inconsistent with the presentation in the Budget speech. A low key way of dealing with this difficulty would be to refer to the Budget speech as suggested below in para 33. The second sentence of para 30 might be amended in line with the Budget speech to read:

"The Government intends to close the Young Workers Scheme for applications from 1 April..."

12. Para 31. We suggest deleting "as the scheme expands" and substituting "The eventual aim is that unemployment among young people under 18 should become a thing of the past".
13. Last sentence insert "independent" before "title to SB".
14. Para 33. Insert after "Accordingly" ", as explained by the Chancellor in his Budget speech, the Government...". The announcement in the speech ought in any case to be referred to somewhere.

MANPOWER: 8EM P4 12

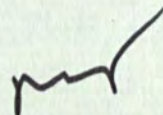
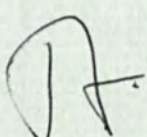


25 MAR 1985

PRIME MINISTER

Lord Young

Lord Young does not really have much to say at his meeting on Monday. He will probably raise with you the presentation of the White Paper on 14-18 year olds, a draft of which together with Policy Unit comments is in this folder. Lord Young has also asked whether you would be prepared to give a Written Answer answering the White Paper in the Commons. I do not see any great objection to this but am checking with Tom King whether he might prefer to give the answer. I should have his answer by Monday morning.



22 March 1985



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
70 Whitehall
London
SW1A 2AS

22 March 1985

Dear Minister,

in PM's Box

DRAFT WHITE PAPER "EDUCATION AND TRAINING FOR YOUNG PEOPLE"

Thank you for your letter of 20 March covering the draft White Paper. What the draft says is generally fine and I am glad to agree to publication on, I understand, 2 April. However I would want a few amendments made to reflect properly the Scottish position; these are given in the Appendix to this letter. I would also want to be a signatory to the White Paper, as I was with its precursor "Training for Jobs" of January 1984.

No doubt you will consult me in due course about the detailed arrangements for publication.

A copy of this letter goes to E(A) colleagues, to Norman Fowler and to Sir Robert Armstrong.

Yours sincerely

E S GOWANS
Private Secretary
Approved by the Secretary of
State and signed in his absence

APPENDIX

Paragraph 5

In line 1 on page 3, amend "our schools" to "schools in England and Wales" to make plain that the White Paper "Better Schools" does not extend to Scotland.

Paragraph 10

In line 2 on page 5, "Standard" should have a capital letter.

In line 4 of paragraph 10b insert "and for more specialised purposes, suitable" after "general vocational preparation".

In line 5 of paragraph 10b insert ", or" after "part time".

Insert at the end of paragraph 10b the following:-

"Considerable progress has been made towards full recognition of the National Certificate by employers and other examining bodies. It is widely used in Scotland for Youth Training Scheme trainees as well as for school and college students, and it secures progression into higher levels of education or more specialised training."

Paragraph 28

In the bottom line on page 13 insert "throughout Great Britain" after "in-service training".

In line 1 on page 14 insert "in England and Wales" after "in-service training".

At the end of the paragraph insert new sentence:-

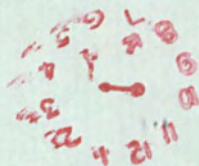
"Longer term arrangements for Scotland are under consideration."

Paragraph 39 or 41

Either at the end of paragraph 39 or at the end of 41 insert:-

"It will be the Government's aim to secure mutual recognition of equivalent vocational qualifications obtained under the different assessment and certification systems in England and Wales and Scotland".

SEMS : MAN POWER Pt 12



22.11.1985

221



CONFIDENTIAL

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Minister Without Portfolio
The Rt Hon Lord Young of Graffham
Enterprise Unit
Cabinet Office
70 Whitehall

22 March 1985

Dear Lord Young,

in PM Box.

EDUCATION AND TRAINING FOR YOUNG PEOPLE

Thank you for your letter of 20 March enclosing a fresh draft of the White Paper. I am grateful for the care which has been taken to ensure consistency with the White Paper, "Better Schools" and I am generally content with the shape and content of the revised draft.

A few relatively minor drafting amendments and a couple of points of substance are listed on the attached sheet. I attach some importance to the proposed amendments of paragraph 39 which encapsulate the terms of reference for the review of vocational qualifications. It will be important to make clear that our concern to improve arrangements for assessing work-based achievement is equal to our concern for standards in education. I also think it would be helpful for the White Paper to say that the review will need to concentrate initially on meeting the needs of the extended Youth Training Scheme.

I am sending copies of this letter to members of E(A), to Norman Fowler and to Sir Robert Armstrong.

Yours sincerely,

Elizabeth Hall

Approved by the Secretary of
State and signed in his absence

"EDUCATION AND TRAINING FOR YOUNG PEOPLE"

DES Amendments to Draft White Paper of 20.3.85

1. In paragraph 3, the first sentence to read "... pointed to the strong correlation between the greater investment in post-16 vocational education and training of our major competitors ...".

2. In paragraph 9, end the second sentence at "... a more relevant education.". Substitute for the last nine words of the existing second sentence a new third sentence as follows:

"The Government has also supported and encouraged various forms of cooperation between schools and local businesses designed to promote enterprise and to enhance pupils' understanding of wealth creation".

3. In paragraph 17 (to avoid repetition in the final sentence) replace the phrase "... quality criteria" in the second sentence with the phrase "... minimum criteria".

4. Recast paragraph 37b to read:

"Testing of skills and competence as well as knowledge and understanding;"

to avoid conveying the impression that knowledge and understanding are inconsistent with skills and competence.

5. In paragraph 39 extend the terms of reference of the review of vocational qualifications by adding an extra dash-point:

"- allows for the certification of education, training and work experience within an integrated programme."

and in the same paragraph after "... and others concerned" add a new sentence as follows:

"The review is expected to concentrate initially on improving

the structure of qualifications to meet the needs of the extended Youth Training Scheme."

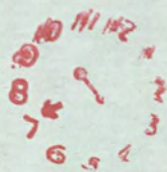
6. Begin the first sentence of paragraph 40:

"The review will need to consider criteria ...".

STYLISTIC AMENDMENTS

1. Paragraph 2, line 8, change 'need' to 'have'. Line 9, omit 'to'.
2. Paragraph 40, line 1, insert 'be to' after 'will'. Line 7, substitute 'identify' for 'point up'.
3. Paragraph 41, omit 'major', insert 'main' (to avoid repetition).
4. Paragraph 43, line 1. For 'major' substitute 'main'. Sub-para, c, line 6, substitute 'provides' for 'allows' (to avoid repetition).
5. Paragraph 45, line 4, starting "a willingness do more for ...", requires greater clarity of meaning.

22 MAR 1975



PRIME MINISTER

21 March 1985

Pure Murks: 1
White Paper
attached. Agree
to pass in May
Unit proposals?

WHITE PAPER ON 14-18 YEAR OLDS

The substance of the White Paper is in line with Ministerial decisions.

Yes, Mr. D.

There are problems with the drafting. Both the introduction (paragraph 1-2) and the first part of the conclusion (paragraphs 42-43) are lacklustre. In particular, it is not clear how the 8-point 'approach' outlined in paragraph 43 relates to specific Government policies. Paragraph 22 is difficult to follow, and paragraph 23 is dangerously ambiguous.

21/3

To carry conviction, these parts of the document will need to be re-written. The introduction should briefly outline the Government's general strategy for training and jobs and should describe the place of training in that strategy. The conclusion should begin with a short, clear, re-statement of the Government's achievements, and a reminder that this is the first Government to have taken training seriously.

There is one major omission: the section on the YTS itself (paragraphs 29-34) does not describe what the Government hopes to achieve in the second year of training. The press will want to know what additional skills could be acquired: to satisfy this curiosity convincing examples should be found from the high-technology parts of the scheme.

We also wonder whether the paper is addressed to the right audience. The need for a traditional White Paper is already covered by Tom King's efforts. The real problem now is to sell YTS to the employers. This Paper should therefore be addressed primarily to them. For that purpose a shorter, crisper, more business-like document would be more suitable. Is it really too late to make the change?

We recommend that you should mention these points to David Young, so that he can consider revising the paper.

Oliver Letwin
OLIVER LETWIN

020

CONFIDENTIAL

CCOK



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

The Rt Hon Tom King MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1

21 March 1985

Des Tom

WHITE PAPER ON 14 to 18s

I thought I should consult you about the arrangements for launching the White Paper on 14 to 18s, which we have agreed will be published on Tuesday, 2 April.

I would anticipate that there will be a fair degree of media interest in the document. I propose therefore to hold a Press Conference here in Cabinet Office on 2 April, probably at 4.30 pm, to provide an opportunity to explain the significance which we attach to developing education and training policies for this age group. I very much hope that you will agree to join me at the Conference and speak about the expanded YTS and about the consultations which you have asked MSC to undertake about the new training scheme. Similarly I very much hope that Keith Joseph, to whom I am copying this letter, will join us so that he can expand on the in-service teacher training proposals for 1985/86 and 1986/87. Keith's presence, along with yours, would do much to emphasise the partnership between education and training which the White Paper represents.

We will also need to emphasise the importance which Ministers attach to sorting out the present structure of vocational qualifications. I am asking my officials to co-ordinate with yours and Keith's the preparation of a press release and background briefing on the White Paper as a whole.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

It will also be necessary to arrange for a Parliamentary Question about the outcome of the Government's review of provision for 14 to 18 year olds to receive a Written Answer in the Commons on the same day. Subject to the Prime Minister's views, I think that it might be particularly appropriate for the Answer to be given by her on behalf of the Government as a whole. My officials would obviously consult your Department and others as necessary about the draft reply.

I am copying this letter also to the Prime Minister; to George Younger, Nicholas Edwards, Norman Fowler, and Norman Tebbit, in case they would like to be at the Press Conference or to be suitably represented; and to Nigel Lawson and Sir Robert Armstrong.

Yours,
Hain

CONFIDENTIAL

21 MAR 1965



CONFIDENTIAL

EDUCATION AND TRAINING FOR YOUNG PEOPLE

DRAFT WHITE PAPER

1 This White Paper outlines the new Government initiatives on the work-related education and training of young people, particularly those between 14 and 18. They build on the substantial achievements of the last two or three years, and look to a coherent and comprehensive policy for all young people.

2 Young people leaving school today will have a working life extending well into the twenty-first century and their preparation for work now must take account of the changes they are likely to have to face over their working lives. Change will be one of the few constant factors: increasingly our prosperity and growth will depend not on the advantages of natural resources but on the skills and adaptability of our workforce. For prosperity and growth we need to invent, innovate and to invest in and exploit new technologies. We must be quick to identify new and growing markets and adapt and change to meet them. All these factors emphasise the need for changing attitudes and increasing flexibility at all levels in the working population - starting with young people.

3 The recent report "Competence and Competition" commissioned by the Manpower Services Commission (MSC) and the National Economic Development Council pointed to the

strong correlation between the greater investment in vocational education and training of our major competitors and their superior economic performance. The report underlines the Government's view that vocational education and training are not marginal activities, but are central to our economic growth and prosperity.

4 The Government's White Paper on a "New Training Initiative" in 1981 (Cmnd 8455) set out our national training objectives of securing:-

- i modernisation of training in occupational skills with particular emphasis on training to agreed standards of skills appropriate to the jobs available;
- ii better preparation in schools and colleges for working life and better arrangements for the transition from full time education to work;
- iii wider opportunities for adults to acquire and improve their skills.

5 The Government's White Paper "Training for Jobs" published in January 1984 (Cmnd 9135) summarised progress. Since then the MSC and others have taken further action in developing provision for young people and in identifying new training opportunities for adults. The White Paper "Better Schools" (Cmnd) sets out the Government's policies for

improving the contribution of our schools to the preparation of young people for working life.

Developments in full-time education

6 There have been developments of major significance within the education system. The White Paper "Better Schools" describes the measures taken by the Government, together with its partners in the education service, on the curriculum, examinations and teaching quality in England and Wales. All these are designed to develop in pupils and students, at all levels of ability, the positive personal qualities which will provide the necessary broad, balanced and practical foundation for vocational specialisation and for training in a technological society.

7 Among the measures to improve the system of examinations and assessment is the introduction of the Certificate of Pre-Vocational Education (CPVE) which will provide courses of general education with a strong vocational bias for young people who choose to stay on in full-time education for one year after the compulsory period. The CPVE, which is described in paragraphs 112-115 of Cmnd has been developed for use in FE colleges as well as schools. The new GCSE examinations will place more emphasis on practical competence and problem-solving approaches.

8 There is in the non-advanced sector of further education (NAFE) a constant flow of new courses, some

nationally and others more locally available; and adjustments are made to the pattern of vocational qualifications as judged apt by the examining and validating bodies on which employers are represented. Further impetus towards the evolution of courses in NAFE will come from the involvement of the MSC through the new funding arrangements announced in paragraph ... of Cmnd 9135 ("Training for Jobs") and by improvements in the system of vocational qualifications which the Government intends to secure through the measures described in paragraph 32 below.

9 Links between schools and industry are being established and reinforced. A range of projects has been developed, including the Micros in Schools Scheme, the Microelectronics in Education Programme and British Schools Technology, aimed at providing a more relevant education and developing an understanding of enterprise and wealth creation.

10 In Scotland two major development programmes are in progress:-

a all courses for 14-16 year olds in schools are being revised to incorporate a much greater emphasis on problem-solving and on the use of practical and oral skills in the application of knowledge. Each young person will have a series of well-defined goals. Achievement by pupils of all abilities will be tested

against nationally-defined levels of performance and recorded on the new standard grade of the Scottish Certificate of Education;

- b the revision on a modular basis of all non-advanced further education qualifications is nearing completion. A flexible system of modular programmes now exists for general vocational preparation for young people, whether at school or college full or part time in the YTS, and for adults requiring training or retraining. Competence and attainment are validated to national standards and modules successfully completed are recorded on the new National Certificate awarded by the Scottish Vocational Education Council.

Technical and Vocational Education Initiative

11 In late 1982, the Government announced the Technical and Vocational Education Initiative (TVEI). Its main purpose is to explore the best ways of managing the education of 14 to 18 year olds so as to increase the number obtaining work-related qualifications. The TVEI has powerfully re-inforced moves towards the development of a more relevant curriculum and closer collaboration between education and industry.

12 The initiative is administered through the MSC. 62 projects (57 in England and Wales and 5 in Scotland) have already commenced. In October 1984 those Local Education Authorities (LEAs) and Education Authorities (EAs) which had

not yet started projects were invited to submit bids for starting in 1985 or 1986. So far, 19 LEAs or EAs have submitted firm proposals for 1985 and the indications are that a similar number are interested in starting in 1986. Thus, by 1986, nearly all Education Authorities will be taking part in the Initiative. There is now emerging a nationwide TVEI network of projects within the education system, each different in detail but with a similar set of objectives, similar management structure and working within broad and agreed national guidelines. This network is important as an instrument for change within the educational system. Each project starts with a broad programme, including technical and vocational elements, which becomes progressively more specialised. Each is open equally to boys and girls, and to young people of all abilities. Each project leads young people to seek the qualifications and skills which will be of value to them at work. Each is involving industry in a number of ways, and in every case industry is formally participating in the development of the project.

13 These new developments are attractive to young people and parents. Many TVEI projects have been oversubscribed. There is substantial curriculum development in all TVEI projects. And a major effort has been made with in-service training and retraining of teachers and tutors.

Developments in youth training

14 So far as young people are concerned, the most significant training development since the Second World War took place with the launching of the Youth Training Scheme (YTS) in April 1983. The Scheme has been a success, not least because of the support of employers, trade unions, the education service and many others.

15 The achievements of the YTS are already considerable:-

- a over 700,000 young school leavers have entered the Scheme since its start and this figure will rise to over a million by early next year;
- b 4,000 managing agents - many of them private sector employers or groups of employers - and 1,500 sponsors of non-employer based schemes ("Mode B") have come forward to provide over 400,000 approved places;
- c an increasing proportion of places are reaching the quality standards laid down;
- d returns show over 60% of entrants to the Scheme moving forward into work;
- e nearly 170 Information Technology Centres (ITeCs) are currently operational; when complete later this year,

the network will provide places for some 6,000 young people;

- f advances have been made to secure the safety and health of young people taking part in the Scheme.

16 Perhaps still more significantly, the YTS has:

- a provided structured, work-based training including a minimum of 13 weeks off-the-job which was a new feature for many school leavers;
- b introduced training to many sectors of employment where no such opportunities existed before;
- c encouraged a significant move away from time-based training patterns towards flexible and individually-tailored training;
- d emphasised the contribution of education and training to young people's personal development;
- e provided a major advance in the competence of trainers - over 100,000 trainers will have passed through accredited training centres by the end of this year.

17 Work continues to improve the Scheme further. The great majority of those schemes and opportunities which do

not currently meet the quality criteria will do so by the end of the year. Better methods to chart training performance and achievement are being developed. The YTS certificate is being improved with recognition for achievement in mind. Work is in hand to enable trainees to secure credit towards the award of CPVE. Quality standards are being raised.

International Comparisons and the Case for Change

18 Yet, for all these developments, much still remains to be done.

19 Of all the leading industrial countries it is only in Britain that the majority of 16 year olds seek to enter the labour market direct. In the United States the great majority of young people stay on in high school to get their high school diploma. In Japan, some 95% of all young people remain in full time education until the age of 19 or 20 at which point they enter into a systematic vocational training programme provided by the employer as they enter the world of work. In West Germany, some 60% of all young people leaving lower secondary school enter upon an "apprenticeship" largely paid for by employers and lasting on average 3 years. At the age of 18 or 19 they emerge as qualified workers with recognised qualifications.

20 In this country apprenticeship has traditionally provided the main source of occupational skill training -

certainly in manual occupations. In recent years, however, apprenticeships have failed to provide an adequate response to our emerging skill needs. In many instances rigidities have discouraged entry and linked skilled status to time-serving rather than competence. Partly as a result of this and partly as a result of recession, the number of apprentices recruited has dropped sharply so that only some 40,000 were recruited last year. And apprenticeship was never established in certain important sectors of employment.

21 The results of our lagging so far behind our competitors are very serious:

- a British employers have to recruit from a population which at age 18 and over includes a higher proportion of young people with no formal qualifications or with very limited vocational occupational or academic attainments;
- b young people in the United Kingdom are not as well prepared for the continuing education and training in adult life which must be an increasingly important feature of modern economies;

22 In short, unless we move ahead further the United Kingdom still has relatively little prospect of creating the highly skilled and innovative workforce required to meet the

employment needs of the existing and new technologies or capable of independent wealth creation through the development and application of new ideas, new technologies and new enterprise.

23 Three features stand out when we compare the situation in this country with that to be found in countries which are our keenest competitors:

- a it is clear that employers in all our major competitor countries are making a significantly larger contribution to vocational education and training than has been the case in the UK;
- b it is clear that in virtually all our competitor countries young people are treated as learners at least until the age of 18. This is reflected in their status (instead of a contract of employment there is often a contract of training), in the nature of their remuneration and in the level of that remuneration;
- c it is clear that the UK is currently spending a relatively large sum of public money in an attempt to deal with the symptoms of the problem rather than in tackling it at source.

The Government View

24 The Government believes that the time is now right to offer new opportunities for vocational education and training to young people up to the age of 18. The objective is clear: to produce by age 18 a very much larger flow than at present of qualified young workers capable of meeting the skill requirements of a modern economy either directly or after some further training. In particular, the Government believes it to be right that we should set ourselves the target that all young people should enter the labour market with a qualification relevant to employment, and that qualification could be either general or work-related.

25 To that end, the Government now proposes 3 significant and inter-related initiatives:

- a development of initiatives already in hand within full time education.
- b development of the YTS to provide a two year training scheme leading to recognised qualifications for 16 year old leavers;
- c establishing a working group to review vocational qualifications in England and Wales;

Development of Existing Initiatives in Full-time Education

26 Many young people will of course remain in full-time education until the age of 18 (and beyond) to achieve the general, technical or vocational qualifications appropriate to their needs. Others will move from full-time education to the new Youth Training Scheme. It is therefore important that developments in full-time education should be compatible with the new Scheme and that the two should proceed on a complementary basis so that for example, credit can be given in the Scheme for qualifications received in full-time education.

27 For this reason, the Government is considering the wider application of the lessons of the Technical and Vocational Initiative. The existing pilot schemes are laying a foundation which we must build on. The Government's objective is that all young people in school should have the opportunity of following a more relevant and practical curriculum leading to the achievement of recognised standards of competence and qualification.

28 Meanwhile, there is an urgent need to increase the numbers of teachers equipped to disseminate the successful elements of the TVEI and thus reinforce the Government's broad objectives for the school curriculum. Accordingly the Government has decided that sums of £5 million in 1985/86 and £20 million in 1986/87 should be allocated to support TVEI related in-service training pending the introduction of the

new scheme of funding for in-service training described in "Better Schools". The interim scheme will be administered by the MSC who will report on its operation to Education and Employment Ministers.

Extension of the YTS

29 The Government has invited the MSC to carry out consultations with employers, trade unions, local authorities and others concerned and to report back to the Government by the end of June 1985 on the content, funding and administration of an expanded and developed YTS which would:

- 1 aim to produce better qualified young entrants to the labour market;
- 2 offer 2 year programmes to 16 year old school leavers and one year programmes to 17 year old leavers and would give increased opportunities for vocational training leading to recognised qualifications;
- 3 be primarily employment-based. Those young people who entered provision of the kind currently found in Mode B of the YTS would normally move to employment-based provision within 12 months;
- 4 begin on 1 April 1986. There would initially be a continuation of the existing YTS guarantee of an offer of at least a one year place to all unemployed 16 year

olds. The MSC has been asked to advise on the most practicable arrangements which could be made for providing a second year of training for as many as possible of those 16 year old leavers who will be entering the YTS in 1985/86.

5 aim to provide as many places as possible for other 16 and 17 year olds within the resources available with the target of guaranteeing in due course an offer of a 2 year place for all unemployed 16 year olds and a one year place for all unemployed 17 year olds.

30 The Government intends the new scheme to become and remain a permanent feature of vocational education and training provision in this country. The Government intends to abolish the Young Workers Scheme as from 1 April 1986 when the new scheme will be introduced so that resources to help the under 18s should be concentrated on encouraging employment linked to good quality training.

31 As the scheme expands, unemployment among young people under 18 should become a thing of the past. The need for support for young people by way of supplementary benefit will diminish. The question whether or not they should continue to have title to SB is not one that can be settled now but must wait until the scheme is fully underway.

32 Vocational education and training - particularly vocational education and training of young people - are not an overhead but an investment. Many employers already recognise that the skills of their employees and potential employees are their most valuable assets, requiring long-term and sustained investment in training and retraining, and take pride in providing and upgrading skills. The Government welcomes recent indications from the Confederation of British Industry that these attitudes are beginning to be more widely shared.

33 Accordingly, the Government expects employers to bear the major part of the additional costs of the new scheme. They have a great deal to gain from it: an assured supply of qualified young workers; a more versatile, more readily adaptable, more highly motivated and therefore more productive young workforce; better utilisation of skills and more cost-effective expenditure on training.

34 Nevertheless the Government accepts that employers should not expect to meet the whole of the additional costs of launching the new scheme. In order to establish the new scheme, the Government is prepared to make available additional resources of up to £125 million in 1986/87 and £300 million in 1987/88, subject to a satisfactory outcome of the consultations which MSC will be undertaking. Added to the present provision for the YTS this means that money

available to the scheme from the Exchequer will total £925 million in 1986/87 and £1100 million in 1987/88.

A Review of Vocational Qualifications

35 We have a comprehensive, complex system for the certification and assessment of vocational knowledge and skills. Broadly, there are three parts to the system:

- a the educational, validating and examining bodies, amongst which are the Business and Technician Education Council, the City and Guilds of London Institute, the Royal Society of Arts, the Scottish Technical Education Council and the Scottish Business Education Council (soon to be united into the Scottish Vocational Education Council) and the Regional Examining Bodies;
- b the professional examining bodies, including old established and chartered bodies and newer, non-chartered bodies;
- c other standard setting bodies and arrangements for certifying competence in vocational skills eg the Industry Training Boards, or statutory testing facilities as, for example, for HGV drivers.

36 There are many good features in present arrangements: credibility and acceptance by employers in a number of sectors; the stability of the system; a considerable

diversity of courses available. But there are also marked weaknesses which are becoming more serious as the pace of change increases and as the demand grows for the mobility of skills.

37 Notwithstanding the provision by some examining and certifying bodies of arrangements for testing knowledge and skills without prescription of time or learning methods, the system as it stands does not generally provide adequate opportunity for:

- a individual achievement certified by one body or part of the system to be recognised by other parties or parts of the system;
- b testing of skills and competence rather than certification of knowledge;
- c recognition of learning achieved outside formal education and training situations;
- d flexible patterns of attendance and learning;

38 In particular, present arrangements need to be improved to give greater recognition to the ability to apply knowledge and understanding, and to secure opportunities for progression. The present system - diverse and extensive as it is - is neither comprehensive nor coherent. It is well

regarded and well used but it is not well understood. It is market oriented but could be more responsive and flexible. A system in which existing arrangements are better integrated will help both young people and adults.

39 The Government is therefore now inviting the MSC to establish, with the Departments concerned, a working group to include representatives of employers, employees, examining bodies and local authorities to review the structure of vocational qualifications in England and Wales. Its terms of reference will be:

To recommend a structure of vocational qualifications which

- is relevant to the needs of people with a wide range of abilities
- is comprehensible to users
- is easy of access
- recognises competence and capability in the application of knowledge and skill
- provides opportunities for progression, including to higher education and professional qualifications

and to design a timetabled programme which has the support of employers, examining and validating bodies and others concerned.

The review will not extend to Scotland because the comprehensive reform of vocational qualifications described in paragraph 13)b) is already well advanced there.

40 The first task of the review will consider criteria for an effective system of qualifications and to use those criteria as a basis for assessing existing arrangements. This will need to be conducted from 3 points of view: that of the employer customer; that of the provider (particularly the college); and that of the student. Such an approach is intended to point up issues and in particular omissions and gaps.

41 The Group will be asked to complete its work within a year. It will also be asked to prepare an interim report for the Government by the end of September this year. The Government would wish to see that interim report including a statement which can be agreed with the major validating and standard setting bodies and endorsed by the Government, of objectives to be achieved in seeking major reforms of the examination and certification systems for vocational education and training.

A coherent approach to work-related education and training

42 These three new initiatives taken together, powerfully re-inforce the Government's commitment to the pursuit of the New Training Initiative objectives and, in particular, to the development of vocational education and training - an

approach which will help to put us on terms with our competitors overseas.

43 That approach has 8 major thrusts:

- a developing the information base: on supply of and demand for skills and knowledge, and on opportunities and access to them;
- b improving the educational foundations: to enable individuals to develop and demonstrate the personal skills, competence, knowledge and understanding needed for working life;
- c ensuring that further and higher education and professional institutions are geared to today's needs: to ensure the supply of technicians, technologists and the key professions and a system of qualifications which is accessible, allows for progression, can be understood by employers and allows credit for achievement, including experience;
- d developing adult education and training both full- and part-time: to ensure that individuals may have the opportunity to add to, extend or update skills and knowledge in response to technical change or change in labour markets;

- e encouraging responsiveness: so as to ensure that the interests of employers and other consumers are to the forefront of the concerns of the providers;
- f securing competence of teachers, further education lecturers, trainers and tutors who can stimulate and develop new approaches to learning: especially important here are the development of new methods and teaching approaches and the use of the new technologies;
- g providing advice and guidance: which must be accessible to individuals and employers alike.

44 The development of our vocational education and training policies on these lines offers great advantages to all concerned but will also require much of them.

45 Improving competence and professionalism are vital if employers are to compete more successfully and to win back markets that have been lost. But they require a new attitude to investment in training; a willingness to do more for more people; and a readiness to make the resources of the workplace available for learning and work experience, especially for young people.

46 These new approaches offer a better start in working life for all young people and greatly increased opportunities

for careers progress of adults. They also involve acceptance by all concerned that those undertaking the training may not be able to command the full wages paid to more experienced workers. Some traditional approaches and values will need to be modified or abandoned, new techniques adopted, and fuller use made of resources.

47 The Government is committed to a sustained effort to improve vocational education and training for young people over a considerable period. It believes it to be essential to economic success and to social well-being in this country. It is fully committed. It looks now for that full commitment from others too.

CONFIDENTIAL



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

The Rt Hon Tom King MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1

20 March 1985

EDUCATION AND TRAINING FOR YOUNG PEOPLE

I attach a draft White Paper on Education and Training for 14 to 18 year olds. The draft draws together the decisions on a new two-year training scheme and in-service teacher training, announced in the Budget, and our proposal for a review of occupational qualifications. It puts these within the framework of existing policies on vocational education and training for this age group, with cross references to Keith Joseph's document "Better Schools" which is to be published on 26 March.

As you know, the draft reflects a considerable amount of work on the part of our officials and those of other interested Departments. I hope therefore that there will be no need for major amendments at this stage. I should however be glad to have any comments on the draft by lunchtime on Friday.

I am copying this letter and the draft, with a similar request for comments, to E(A) colleagues, to Norman Fowler and to Sir Robert Armstrong.

CONFIDENTIAL

TWO YEAR YOUTH TRAINING SCHEME: LINES TO TAKE

Original fl billion budget underspent

The training the young people on the scheme are getting is the same as we planned it would be; no corners have been cut to save money. The only reason the scheme has cost less than fl billion per year is that less young people entered training than we had allowed for - partly because more found jobs than we had expected, a wholly welcome development.

fl.1 billion not enough for a two-year scheme

As the Chancellor made clear, the fl.1 billion in 1987/8 - a substantial outlay of taxpayers' money by anyone's standards - is simply the Government's contribution towards the cost of the new scheme. We are looking to employers to make a major contribution as well. (We can't say what the total cost will be - that depends on the details of the Manpower Services Commission's proposals for the scheme - but it will certainly be a lot more than fl.1 billion.)

What share of the cost will employers be paying? / what will the allowance be? / what kind of training will be provided?

We have asked the Manpower Services Commission to make detailed proposals on the funding of the new scheme, the level of allowances, the type of training to be provided and the qualifications it will lead to. Until they have had time to draw up their proposals, we cannot know the answer to these questions.

TWO YEAR YOUTH TRAINING SCHEME

Background

1. Gordon Brown MP (Lab, Dunfermline East) wants to find out the details of the extended Youth Training Scheme announced by the Chancellor on Tuesday. He seems to imply too little Government money is being put in, and that this will be 'cheap' training (see article attached).
2. When it was first launched, up to £1 billion was made available for the scheme, but since less young people than expected have needed places, the actual cost is £800 million per year. Now an extra £300 million will be available in 1987/8 for a two-year scheme. But this £1.1 billion is not the total cost - the Government is looking to employers for a major contribution.

Excerpt from "The Guardian", 21 March 1985.

Growth in YTS jobs 'funded on cheap'

By David Hearst

THE GOVERNMENT was accused of yesterday of trying to fund a big expansion of the Youth Training Scheme on the cheap, using money previously budgeted, but not spent on the first and second years of the scheme.

Mr Tom King, the Employment Secretary was pressed for a detailed statement of how the Government would fund the addition of an estimated 135,000 YTS places by giving young people on this year's scheme a second year's training. Mr Gordon Brown, Labour MP for Dunfermline East, and a member of the Commons select committee on employment, said the government was proposing to spend little more than the money originally budgeted for the first year of the scheme.

In 1983-84 the Government planned to spend £1 billion on a scheme offering 450,000 training places. In practice, the Manpower Services Commission only managed to fill 370,000 places, at a cost of £800 million. This year it planned to fill 385,000 places at a cost of £827 million.

The Department of Employment said when the expansion was announced on Tuesday that the Government would provide an extra £125 million in 1986-7 and £300 million in 1987-88.

Mr Brown said: "Mr King is proposing to create a second year of training for the price of the original budget."

Mr Brown tabled a series of questions pressing Mr King on what share of the extra cost of the scheme employers will be expected to fund, how much the present training wage of £26.25 will be increased, and what element of training employers are expected to provide.



Gordon Brown

Caxton House Tothill Street London SW1H 9NF

Telephones: Direct lines — Press Office 01-213 7439 (24 hour answering service) Public Enquiries 01-213 5551

Exchange — 01-213 3000 Telex 915564 DEPEMP

8 March, 1985

YOUTH TRAINING SCHEME PROGRAMME AND GRANTS ANNOUNCED

Tom King, Secretary of State for Employment, announced today that he has approved the Manpower Services Commission's recommendations for the Youth Training Scheme programme in 1985/86 and for increases in the grants under the Scheme.

Mr King, replying to a Parliamentary question from Mr Robert Hayward, MP for Kingswood said:

"The Manpower Services Commission has submitted to me its recommendations for the scale and balance of provision for the Youth Training Scheme in 1985/86 and the level of the grants and allowances.

"I have approved the Commission's recommendation that the Youth Training Scheme in 1985/86 should be a programme of 379,000 places, comprising 297,000 Mode A, 68,000 Mode B1 and 14,000 Mode B2 places. This should provide sufficient places for all eligible young people who are likely to come forward.

"As regards grants to Mode A managing agents, I have approved the Commission's recommendations that the managing agent's fee should be increased from £100 to £110 per place from 1 April and that the contribution to training costs should be increased from £637.50 to £660 from 1 September. I have also approved the Commission's recommendations for increases in the Mode B grants in line with the Mode A increases.

"I have not yet made any decision on the level of the trainee allowance, which was increased to £26.25 per week in September 1984, but I have informed the Commission that any increase in the allowance will result in a corresponding increase in the Mode A block grant."

NOTES TO EDITORS

1 Mode A of the Youth Training Scheme provides financial support to employers and other organisations for training both employed and unemployed young people. Managing agents who offer complete programmes currently receive a block grant of £1,950 per trainee, together with an additional £100 per trainee (the managing agent's fee) to help cover the administrative costs of organising training programmes.

2 The Mode A block grant covers the cost of the allowances paid to the trainees and also includes a contribution to the cost of the training (eg college fees, supervisors wages).

3 Mode B covers schemes solely for unemployed youngsters. There are two distinct types:

Mode B1 comprises Training Workshops, Community Projects and Information Technology Centres (ITeCs). Funding is on a cost recovery basis subject to ceilings fixed on the basis of the number of approved places on the Scheme.

Mode B2 comprises linked schemes of work experience and integrated off-the-job training and further education.

4 There were over 364,000 entrants to the Scheme in the first ten months of 1984/85.

YOUTH TRAINING SCHEME

You have set David Young and Tom King a tough negotiating objective. They must get a comprehensive training scheme which enables us to abolish supplementary benefit for 16-17 year olds, but at a net cost of only £300 million in 1986/7.

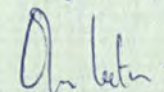
Nigel Lawson is worried that, in the event, a comprehensive scheme will cost more than this. And he will oppose any policy based on what he considers to be unreal public expenditure figures.

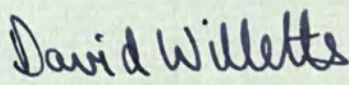
Nigel's worries will disappear if Tom King and David Young succeed in persuading the employers to provide a comprehensive YTS for £300 million. But the chances of achieving this will be compromised if the abolition of SB is announced at the beginning of the negotiation, because employers will think that the Government is in effect committed to a universal YTS scheme whatever the price.

The best bargaining tactic is to decide on the removal of SB now - giving no ground to the faint-hearted - but to announce it only at the end of a successful negotiation with the employers. At the start, you could say that in principle you want to see the end of SB for 16-17 year olds, but that achieving this depends on the outcome of the negotiations.

We recommend that:

1. you should decide now to abolish SB for 16-17 year olds following the negotiations, but say publicly that this depends on a successful outcome.
2. Tom King and David Young should be commissioned to drive the hard bargain - £300 million for a comprehensive scheme offering guaranteed places to 16 and 17 year olds.


OLIVER LETWIN


DAVID WILLETTS



CONFIDENTIAL

P.01513

PRIME MINISTER

Education and Training for 14 to 18 year olds.

(E(A)(85)14, together with E(A)(85)8 and 9)

BACKGROUND

A — The Employment Secretary's paper setting out revised proposals for a comprehensive education and training initiative for 14 to 18 year olds (E(A)(85)14) responds to the remit from E(A)(85)4th Meeting which discussed the proposals emerging from the Minister without Portfolio's MISC 107 Group. (Those proposals were set out in B — E(A)(85)9, and the main issues were picked out in Lord C — Young's paper (E(A)(85)8); my earlier brief P.01503 covers both these papers). E(A) invited the Chancellor of the Exchequer to assume for the purposes of his Budget that it might be necessary to provide public expenditure on such an initiative at a level no greater than indicated in E(A)(85)8; Lord Young was meanwhile asked to bring forward revised proposals for the initiative which would be more cost-effective, and to reconsider the possible withdrawal of entitlement to Supplementary Benefit (SB) from 16-18 year olds. Before his departure for China, Lord Young discussed with you the outline of a possible Government statement on the initiative, which took account of E(A)'s concerns; the revised proposals underlying this are now set out more fully in the Employment Secretary's paper. Decisions are urgently required so that the Chancellor of the Exchequer can take proper account of the initiative in the preparation of his Budget, which will be the occasion of the first announcement of the Government's proposals.

MAIN ISSUES

2. The main issues before the Committee are:

CONFIDENTIAL



CONFIDENTIAL

- (i) whether to go ahead with the scheme as summarised in paragraph 11 of Mr King's paper;
 - (ii) the scale of Government funding, and the contribution to be expected from employers;
 - (iii) policy on the entitlement of 16-18 year olds to SB;
 - *(iv) whether to establish a review body to consider the structure of occupational qualifications;
 - *(v) whether additional funds should be allocated in 1985/86 and 1986/87 to support in-service teacher training required for the Technical and Vocational Training Initiative (TVEI), in advance of the establishment of the proposed new system of specific grants to local authorities for such training (which H Committee ^{approved} ~~is considering~~ on 6 March);
 - *(vi) whether the Manpower Services Commission (MSC) should be developed as a National Training Authority (NTA).
- * These MISC 107 proposals were not addressed by E(A) on 25 February.

Government funding, the burden on employers, and SB entitlement.

3. The main unresolved questions from the earlier discussion are all inter-related. MISC 107 based its estimates of the gross extra public expenditure costs of the initiative to be borne by the Government (£125 million in 1986/87 and £310 million in 1987/88) on the following assumptions:

- (i) that 16-18 year olds would retain entitlement to SB;



CONFIDENTIAL

- (ii) that employers would bear 30 per cent of the costs of training allowances during the first year and 60 per cent during the second;
- (iii) that the allowances would be £26.25 per week during the first year, and £30 during the second;
- (iv) that Mode B (ie non-employer-based) training places would be restricted to 15 per cent of the total.

E(A) essentially wanted a scheme which would involve additional costs not exceeding the amounts specified above, but which would enable the Government to withdraw entitlement to SB. MISC 107 estimated the net extra costs (beyond those indicated above) of providing sufficient training places to make possible the withdrawal of SB entitlement at £260 million and £210 million in 1986/87 and 1987/88 respectively, with assumptions (ii) to (iv) unchanged.

4. As is made clear in paragraphs 7-8 of E(A)(85)14, meeting this constraint requires employers to pay more, by

- (i) providing more places (ie so as to absorb people who would otherwise require a Mode B place or claim SB); or
- (ii) bearing a larger share of the costs of the allowances. Alternatively
- (iii) the amounts of the allowances could be reduced.

The Chancellor of the Exchequer does not regard these as realistic possibilities: he doubts whether employers can be expected both to provide 300,000 new places (in addition to the 225,000 currently provided under the present Youth Training Scheme (YTS)) and to make a bigger contribution to the costs per place. Equally it is doubtful whether



CONFIDENTIAL

allowances below those paid under the present YTS would be generally accepted. The Chancellor's position, therefore, is that he is prepared to accept the proposed scheme only if any extra costs are matched by offsetting reductions elsewhere on expenditure directed towards improving the functioning of the labour market.

5. No firm estimates of cost can be made until consultations have been held with representatives of employers about the characteristics of the scheme and the contribution they would be willing to make to it. Mr King proposes to try to resolve any conflict of objectives in the initial announcement, and in the subsequent consultations to be undertaken by MSC, by avoiding any specific indication of the Government's intentions about the level of the allowances, the share to be borne by employers or the proportion of Mode B places. The Government would announce the decision in principle to withdraw SB entitlement when places would be guaranteed to all unemployed 16 and 17 year olds, and the total additional provision for the new scheme, leaving the other elements to be negotiated, with the level of the allowances in some sense the residual.

6. There must be a serious risk that the consultations will demonstrate that it will not be possible, at the specified price, to provide enough places to permit a guarantee to all unemployed 16 and 17 year olds and thus the removal of SB entitlement. The Government will then be obliged either to find more money or drop the removal of SB entitlement. If the Sub-Committee wish to avoid this situation, there are the following alternatives:

i. agree now that the extra money will have to be found by savings elsewhere in the employment programme
(Mr King would find this very difficult); or

*Chancellor's
option*

ii. refrain from saying anything now about a guarantee of places and the removal of SB entitlement.

*Policy limit
option*

Education and qualifications

7. There is no dispute about the need for an urgent review of

CONFIDENTIAL



CONFIDENTIAL

occupational qualifications, although it hardly seems possible that changes would be implemented in time for the start of the new scheme in 1986. There may, however, be disagreement about additional expenditure on in-service teacher training, the costs of which are excluded from the additional expenditure on the scheme contemplated by the Chancellor and the Employment Secretary. After 1986/87 the proposed new specific grant to local education authorities (LEAs) should give the Education Secretary sufficient leverage to ensure that the desired priority is given to TVEI - related in-service teacher training; meanwhile MISC 107 proposed that additional money be made available to LEAs through the MSC. Treasury Ministers have not accepted that there should be a net addition to public expenditure on this account and are likely to press for offsetting reductions in other MSC expenditure.

8. Nor is there complete agreement on the respective roles of the MSC and the Department of Education and Science (DES) in securing appropriate educational provision in schools and colleges, both to prepare pupils for the new YTS and to serve as an integral part of the scheme in enabling trainees to obtain recognised occupational qualifications. The education input to the new scheme will need to be made consistent with the Education Secretary's initiatives to reform the school curriculum and the examination structure, and the respective responsibilities of DES and MISC will need to be clarified in relation to the work done by schools and colleges as part of the new scheme. Further consideration should be given to this machinery of government question by the Employment and Education Secretaries in consultation with the Chancellor of the Duchy of Lancaster, before general decisions are taken about the role of MSC as a National Training Agency.

Announcement

9. Although it is common ground that the salient points of the expanded YTS should be announced in the Chancellor's Budget speech, it is not yet agreed whether the fuller announcement should be included,

CONFIDENTIAL



CONFIDENTIAL

along with other matters," in a post-Budget Employment White Paper or in a separate White Paper on Training and Jobs, or in both. You will probably wish to get this settled as soon as possible in an informal meeting of the Ministers mainly concerned. — *Fixed for Monday 11 March*

HANDLING

10. The Secretary of State for Employment will wish to introduce the revised proposals, and the Chancellor of the Exchequer will need to address their financial implications in the context of his Budget strategy. The Secretaries of State for Education and Science, Employment and Trade and Industry will have views on the education and qualifications questions, which also have a financial dimension as well as raising machinery of government issues.

CONCLUSIONS

11. You will wish to reach conclusions on the following issues:

- i. whether to go ahead with the new YTS as set out in the Employment Secretary's revised proposals, and in particular with a cost limit of £125 million in 1986/87 and £310 million in 1987/88;
- ii. whether the initial announcement, prior to consultations with employers and other interests, should include a commitment to the provision of enough places to make possible the early abolition of SB entitlement for 16-18 year olds;
- iii. if so, whether any additional costs to meet the commitment should be met by offsetting savings from the employment programme;
- iv. whether to establish a review body to consider the structure of occupational qualifications, which would be asked to report to the Government in September 1985;
- v. whether additional funds should be allocated in 1985/86 and 1986/87 to support in-service teacher training required for the TVEI, and if so how the money should be found;

CONFIDENTIAL



CONFIDENTIAL

vi. whether to commission work to clarify the respective responsibilities of the MSC and the DES for the educational aspects of the Government's initiative prior to the publication of the relevant White Papers.

PL

P L GREGSON

6 March 1985

CONFIDENTIAL

SECRET

ME MINISTER

EMPLOYMENT RELATED POLICY ANNOUNCEMENTS

I have discussed the schedule of policy announcements with Peter Gregson and the Policy Unit. The components are:

- The Budget
- An employment White Paper
- A schools White Paper
- 14 - 18 year olds
- Social security reviews
- Deregulation
- The switch
- Re-packaging of DTI support measures

One way to deal with this is to hold a meeting with:

Lord President
Chancellor of the Exchequer
Secretary of State/Employment
Secretary of State/Environment
Secretary of State/Education and Science
Secretary of State/Social Services
Secretary of State/Trade and Industry
Minister without Portfolio (if back in time)

This meeting could look at a schedule prepared by the Policy Unit or Cabinet Office setting out a schedule. Attached is a sketch of how such a schedule might look.

There are difficulties of timing. Tom King needs to get on with consulting colleagues about the text of his document if the option of publishing it immediately after the Budget is to be kept open.

Could I suggest the following timetable:

SECRET

i) Mr. King be authorised to send his document tomorrow to colleagues listed above, with references to Budget sensitive items bowdlerised or edited out.

ii) At the meeting of E(A) on Thursday you mentioned the need to construct a schedule of announcements, for which a ^{smaller} ~~similar~~ meeting is to be set up.

iii) A meeting of those listed above to be arranged for Monday or Tuesday next week to consider a schedule.

Agree?

Andrew Turnbull

5 March 1985

SECRET



Employment Committee

Prime Minister (2)

To note

AT 6/3



COMMITTEE OFFICE HOUSE OF COMMONS LONDON SW1A 0AA
(01-219 3284)

Press Notice

The Employment Committee have decided to conduct an inquiry into the economics of special employment programmes - the measures taken by the Government in response to mass long term unemployment - and written submissions are invited from interested persons and organisations on this subject.

The Committee would prefer submissions to be sent to the Clerk to the Committee by Easter, but, if this is not possible, could the Clerk be informed of any likely delay.

mf

5th March 1985

Prime Minister⁽²⁾

Oliver suggests that you at least keep open the option of a paper on jobs. He believes there is room for this as well as the Budget announcement and a Joseph Young White Paper on Training and Education. The timing of these announcements will need to be coordinated carefully.

AT.13

PRIME MINISTER

1 March 1985

MEETING WITH TOM KING

You will be meeting Tom King on Monday. He will want to discuss at least three issues:

1. Publication of a Paper on Jobs. Tom King believes that, as part of a series of announcements (including the Budget and measures for 14-18 year olds), the Government should issue a Paper setting out arguments and policies on job-creation. Following the last, rather lack-lustre document, a lot of effort has been taken to produce an effective and readable Paper; the Permanent Secretary has been the principal draftsman, with close personal involvement from Tom King himself and some help from Ferdy Mount. The document does not follow the lines that we suggested, but to judge from the drafts we have seen, the results are good enough to be worth publishing. (Tom will be bringing a copy with him for you to read).
2. Community Programme. Originally, the plan was to expand the CP by 250,000 places. Following a meeting, you asked Tom King and the Chancellor to discuss these plans, and they have now revised the figure downwards. The new proposal is to expand the programme by 100,000 places - almost doubling it. If the extra 100,000 places remain after May 1986, the cost will rise to a maximum of £160 million net. There are several reasons for agreeing to this proposal.
 - It is a sure and cheap way of reducing the unemployment count.

- It helps the labour market by attacking excessive wage rates. The present Programme officially pays the 'rate for the job'. But the planned rule changes will start to exert downward pressure on some private sector wage levels. It can become one of the few effective ways of pricing people back into jobs and strengthening competition.
- It improves discipline and morale among the long-term unemployed. The Community Programme often succeeds in finding employment for the hardest cases. This may be the only way to avoid the creation of a pool of permanent unemployed. One third of the people on the scheme find jobs when they leave it.
- It would be a move in the direction of 'workfare'. Providing a large number of Community Programme places for the long-term unemployed (at near benefit rates) makes it easier to introduce American-style supplementary benefit reductions, just as the extension of YTS makes it politically possible to remove supplementary benefit for 16 to 18 year olds.

But they don't want to do it

3. Youth Training Scheme. Tom King now agrees that it is sensible to try to drive a hard bargain with the employers, reducing the cost and proportion of Mode B places, removing SB for 16-18 year olds and providing a YTS waiting allowance of £13 per week. He will be sending you an E(A) paper about this on Monday.

You might want to allay any remaining fears that he may have about the deliverability of this

proposal by reminding him that this is a bargaining stance: if the employers will not agree to the deal, the Government can always think again.

We recommend that you should:

1. Welcome the idea of a Paper on jobs, subject to its proving readable and well-argued, *subject to coordination with other announcements eg Budget and Joseph / Young White Paper on Training and Education.*
2. Agree to expansion of the Community Programme along the lines proposed by Tom King.
3. Remind Tom that it is not the end of the world if the employers refuse to agree to the YTS deal, since the Government can change its offer.

Oliver Letwin

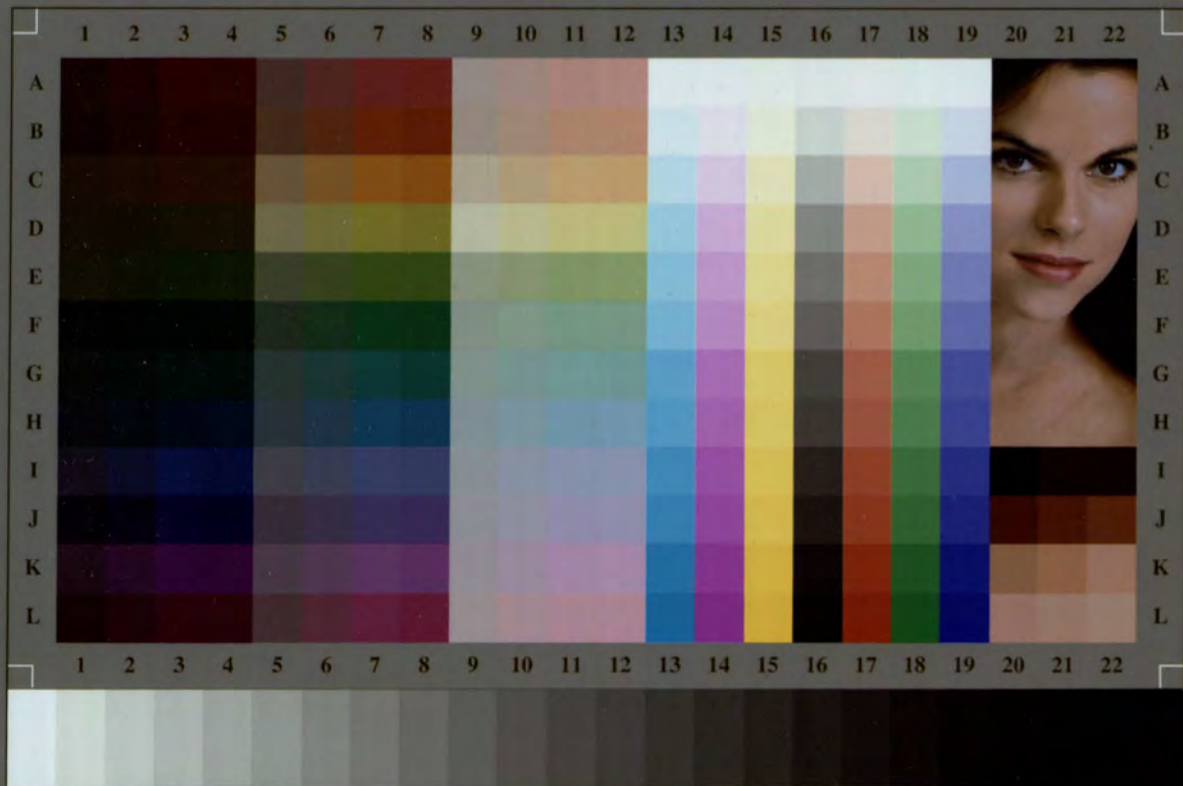
OLIVER LETWIN

PART 11 ends:-

ss/scotland to mwp 27-2-85

PART 12 begins:-

OL to pm 1-3-85



IT8.7/2-1993
2007:03

[FTP://FTP.KODAK.COM/GASTDS/Q60DATA](http://FTP.KODAK.COM/GASTDS/Q60DATA)

Q-60R2 Target for
KODAK
Professional Papers

