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Manpower

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PRIME MINISTER

Youth Training Scheme
(E(82)50)

INTRODUCTION

This paper by the Secretary of State for Employment seeks the Committee's endorsement to proposals for a system of youth training drawn up by the Manpower Services Commission (MSC) following the publication last December of the Government's White Paper on Training (Cmnd 8455).

2. The Government's proposals in Cmnd 8455 envisaged a youth training scheme (YTS) focussed mainly on unemployed school leavers aged 16 and 17. The scheme would last for 12 months (6 months for those who had previous work experience) and would offer broadly-based training, consisting of a mixture of work with approved sponsors (firms, local authorities, etc), further education, guidance and assessment. The White Paper also proposed that 16 year olds should no longer receive Supplementary Benefit (SB) in their own right (£15.80 per week from next April); they would be regarded as being dependent on their parents and thus, except where parents were already on SB, the only payment in respect of them would be Child Benefit (£5.85 per week). For the YTS an expenses allowance of £15 per week for 16 year olds was proposed and £25 per week for 17 year olds (who, when unemployed, would remain eligible for SB). Finally, young people who unreasonably refused a place on a training course would, where relevant, lose SB for 6 weeks.

3. The MSC's proposals differ from the Government's in the following respects:

i. They recommend that by 1984-85 all young people aged 16 and 17 should be within the scope of the YTS ie that it should subsume the first year of an apprenticeship. This implies a rather greater level of Government financial support beyond 1985 than did the White Paper scheme, because a drop in youth unemployment would not necessarily be fully reflected in the costs of the YTS. There is also the danger that the Government might be drawn permanently into supporting some of the training in employment which should be an employer's responsibility.



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ii. The MSC argues that unemployed young people on the YTS should be paid the equivalent of the Youth Opportunities Programme allowance - £25 per week - revalued to 1983-84 prices, plus travel costs in excess of £4 per week; those in employment would be paid their normal rates of pay.

iii. The MSC proposes that the SB arrangements should not be changed, and there should be no compulsion, through the temporary withdrawal of benefit, to join the YTS.

MAIN ISSUES

4. The main issues for Ministers are:

- i. whether the MSC's proposals are in general an acceptable variant of the Government's original proposals;
- ii. what should be the level of the YTS allowance;
- iii. what should be the policy on withdrawal of SB;
- iv. what should be said about the policy from 1985 onwards.

General acceptability of the proposals

5. The Secretary of State for Employment argues that, because of the unanimous support for the MSC's proposals from both sides of industry and the Select Committee on Employment, the Government has in practice no alternative but to accept them subject to minor modifications. The Government cannot say that the resources are not available because the costs are broadly the same. Moreover the Government must rely on the cooperation of employers in particular to implement the new scheme. In his minute of 11 June to you (not copied to the Committee) Mr Sparrow endorses the Secretary of State for Employment's view that a slightly modified version of the MSC's proposals should be accepted and argues that this will help to achieve the Government's objectives for reducing unemployment, lower youth pay, reform of apprenticeships and a more coherent approach to youth training.



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The level of the YTS allowance

6. On the level of the YTS allowance the Secretary of State for Employment proposes two modifications of the MSC's proposals: an allowance of £25 (ie the present YOP allowance not revalued); and that the Government's opening position should be a refusal to meet travel expenses over £4 per week, although he expects to have to give way on this. Treasury Ministers are, I understand, being briefed to endorse this.

7. This implies some shift in the Government's view that 16 year olds should be dependent on their parents. The original proposal of a £15 allowance was designed to cover expenses not maintenance, which is the clear purpose of the allowance proposed by the MSC. But anything less than the Secretary of State's compromise proposal is likely to be rejected by both the CBI and the TUC. In order to provide the resources for the increase the employers will meet more of the training costs. As Mr Sparrow has argued, the £25 allowance will apply to normal trainees as well as extra unemployed recruits and may help in this way to reduce youth wages. The Secretary of State for Education and Science will no doubt argue that such a high YTS allowance is bound to affect adversely the rate of staying on at school. But beyond the introduction of a general Youth Benefit - which has previously been rejected - there seems no easy way in which his point could be met.

The withdrawal of SB

8. The Secretary of State for Employment proposes that the withdrawal of SB from 16 year olds should be delayed for a year from the start of the YTS in September 1983 and reviewed again in August 1984. However, as envisaged under the original scheme in respect of 17 year olds, 16 year olds who unreasonably refuse a training place would have their benefit reduced for 6 weeks.

9. The Secretary of State for Social Services endorses this approach; the delay is not expected to jeopardise the planned public expenditure savings on his programmes. I understand, however, that Treasury Ministers are being briefed to argue in favour of withdrawal as planned, as a quid pro quo for agreeing to the other aspects of the proposals. They may, however, suggest the variant that where a 16 year old leaves the YTS for some good reason his SB should be immediately restored, thereby ameliorating the degree of compulsion involved. This amounts to insisting that young people should give the YTS a reasonably good try.



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10. Since immediate public expenditure savings are not at issue, the question for Ministers is whether the principle that 16 year olds should be regarded as dependent on their parents overrides the employers' objection that compulsion to join the YTS is highly undesirable and the importance of launching the YTS with the widest possible support; the TUC, in particular, would not support a scheme involving compulsion.

11. The proposal to withdraw SB from 16 year olds is one of the two purposes of the short (but highly controversial) Social Security Bill which the Cabinet have approved for inclusion in the Legislative Programme for 1982-83. If the Committee endorses the Secretary of State for Employment's proposal for a year's deferment, the question arises whether legislation should also be deferred or whether it should proceed to timetable. The Secretary of State is apparently of the view that it should be postponed, by implication to the 1984-85 Session.

12. Mr Sparrow has argued in his minute (not circulated) that it would be better to drop the withdrawal of SB from 16 year olds altogether on the grounds that deferment of the decision would jeopardise support for the YTS and that the prospect of a review in Autumn 1984 could make this an issue in the General Election.

Resources beyond 1985

13. The Secretary of State for Employment proposes that the Government should offer no commitment at this stage about the level of public expenditure support for the YTS beyond 1985. It should be made clear when the Government announces its reaction to the MSC proposals that this and the distribution of training costs between Government and industry will need to be looked at again. The implication of this is that there is no commitment to bring all 17 year olds within the YTS by 1984-85 as the MSC proposed. This will no doubt provoke complaint but seems unlikely to give rise to a major dispute.

HANDLING

14. You will want to invite the Secretary of State for Employment to introduce his paper. I suggest that you might then focus the discussion under the following headings:

- i. Is the content of the MSC scheme broadly acceptable?

The Secretaries of State for Employment, Education and Science and Industry, the Chief Secretary, Treasury and Mr Bailey (if you agree

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that he should attend in Mr Sparrow's absence) will probably wish to contribute to this part of the discussion.

- ii. Should the YTS allowance be £15, £25 or higher as the MSC proposed?

The Secretary of State for Employment and the Chief Secretary, Treasury will wish to comment. The Secretary of State for Education and Science may wish to make his point about the implications for the rate of staying on at school; and the Secretary of State for Industry may have points to make about the implications for the general level of wages for young people.

- iii. Should the withdrawal of SB from 16 year olds be deferred?

The Secretaries of State for Employment and Social Services will want to argue in favour of this, and the Chief Secretary, Treasury will argue against. The Secretaries of State for Industry and the Environment and, if present, Mr Bailey will also wish to contribute to this part of the discussion.

- iv. The resources to be devoted to training beyond 1985.

There may be no need to discuss this but if it is pursued the Secretaries of State for Employment, Industry and Education and Science and the Chief Secretary, Treasury may wish to comment.

CONCLUSIONS

15. You will want to reach conclusions on:

- i. whether or not the MSC scheme is broadly acceptable;
- ii. the level of the YTS allowance, and whether travelling expenses in excess of £4 per week should also be met;
- iii. whether the decision to withdraw SB from 16 year olds should be deferred pending a further review in August 1984; and, if so, whether the legislation on this, proposed for the 1982-83 Session, should be similarly deferred.



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iv. if the decision is to defer, whether 16 year olds who unreasonably refuse a YTS place should lose benefit for 6 weeks, as is the case for 17 year olds;

v. whether, as the Secretary of State for Employment proposes, the resources to be devoted to training beyond 1985 and the split between the Government and employers should be the subject of a further review;

vi. the timing of the announcement of the Government's decisions.
(The Secretary of State for Employment proposes an announcement towards the end of June. You may wish to ask him to circulate the text of his proposed announcement to the Committee for clearance in correspondence.)

PLG

P L GREGSON

14 June 1982