

Confidential



Manpower A

Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

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

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

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

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

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

*Wiggins*

for (G.H.)

23 July 1980

Approved by the  
Chancellor & signed in his absence.

CHANCELLOR

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

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

Main Conclusions

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

Comment

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

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

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

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

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

/ - the lack

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

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

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

# Anglo-German Foundation for the Study of Industrial Society

## YOUTH UNEMPLOYMENT AND THE BRIDGE FROM SCHOOL TO WORK

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### INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

#### THE APPRENTICESHIP SYSTEM

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

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

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

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

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

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

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

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

#### CONCLUSION

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

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

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

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

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



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

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

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