



Manpower

Ref. A04309

PRIME MINISTER

Unemployment and Young People, and Industrial Training
(E(81) 20, 22 and 23)

BACKGROUND

The CPRS' main paper (E(81) 22) is in response to your request of 8 December that they should undertake a detailed review of long term unemployment and the young, and make recommendations. On 5 November you had raised the question whether the large amounts of money the Government are already spending on young people could not be remodelled so as to give a greater incentive to useful work and training, to make the labour market more flexible, and to reduce unemployment. The CPRS were asked in their review to consider points raised both in the Treasury's initial response (including compulsory national service) and in minutes of 12 December from the Secretary of State for Employment and ³⁰20 December from the Secretary of State for Social Services, both of whom suggested that CPRS should also feel free to put forward suggestions about long term adult unemployment.

2. The Secretary of State for Employment's memorandum (E(81) 20) proposes a new training initiative. It follows the Committee's discussion on 18 November (E(80) 40th Meeting, Item 2) when it was agreed that he should encourage the Manpower Services Commission (MSC) to prepare for publication, jointly with the Government, a document setting out proposals for the development of vocational preparation for young people, the reform of apprenticeship and the widening of opportunities for adult training; and that he should arrange for the official interdepartmental Manpower Group to bring together current work on improving links between training and education, taking account of proposals for financial support for 16-18 year olds.

3. The CPRS has put round a short collective brief (E(81) 23) on the Secretary of State for Employment's memorandum.



4. You will also have seen the report to the Home and Social Affairs Committee of the MISC 45 Official Group on the case for introducing a Graduated Young Persons' Benefit (H(81) 17). The Secretary of State for Employment will shortly circulate to E (EA) a paper on the question whether juveniles should be removed from the jurisdiction of wages councils.

5. Although the CPRS report is about unemployment, its main proposal involves training, and thus overlaps with the Secretary of State for Employment's proposals which exclusively concern training; the papers are therefore on the Agenda as a single item. They both raise a wide range of major policy issues, with a good deal of complicated detail. I suggest that you should guide the Committee to a second reading discussion with the aim of narrowing down the policy options which merit further work and agreeing modifications, if any, to the approach to the consultative document on the new training initiative which the Secretary of State for Employment wants to publish in April. It might be sensible for further work on the policy options to take in also the proposals to H on young persons' benefit. It could be carried out either by a Ministerial Group, or by officials, or by a mixed Ministerial/Official Group. I suggest, however, that you should consider this further in the light of the Committee's discussion; I will offer further advice on this.

The CPRS Proposals (E(81) 22)

6. The CPRS start from the judgement that the prospects for youth unemployment are sufficiently serious to require radical, new approaches and policy initiatives. They believe that current initiatives are helpful but suffer from the lack of a coherent framework, and they consider that the money currently spent on young people through Supplementary Benefit and through YOP could (as Mr Lankester's letter of 5 November suggested) be remodelled to reduce unemployment and provide more training.

7. The CPRS' proposals come under three main headings, and they recommend a package of measures with an estimate net Exchequer cost of £120 million (para 19 of their summary).



8. First, they recommend a mandatory year of foundation training whereby all those not continuing in full time education at 16+ would either go into an approved traineeship or apprenticeship or be required to undergo a training year incorporating work experience, preparation and day release. This would entail some form of compulsion, whereas the Secretary of State for Employment, in the training context, advocates a voluntary approach. This proposal would in current circumstances:-

- (i) Reduce registered unemployment by about 200,000, over and above the expected effect of the Youth Opportunities Programme.
- (ii) Cost about £85 million a year net provided it was coupled with a move to lower levels of financial support for young people.
- (iii) Not be introduced before autumn 1983 unless special priority were to be given to the necessary legislation early in the 1981-82 Session.

9. The CPRS mention (paragraph 30 of their report) two ways in which the training year could be applied to all 16 year old school leavers (except those who continue in full time education or who obtain an approved traineeship in employment). The first would be to make participation compulsory in the same (or similar) way as education is for the under 16s. The second would be to make financial support from the state conditional on participation in the training year. If any form of compulsion were ruled out, CPRS recommend that Ministers should consider offering a training year on a voluntary basis, again coupled with changes in the system of financial support. Either way they recommend that there should be an expanded programme of skill training to prepare for the up-turn in the economy.

10. Second, they propose improvements in opportunities in the ordinary labour market. Their main proposal under this head is for steps to widen the differential between the wages of young workers and adults. They point out that the Government could act directly by moving to lower levels of benefits and of Youth Opportunities Programme and training allowances. These changes could include the introduction of the youth benefit, discussed in H(81) 17, or some variant of it - under the H(81) 17 proposals all 16 and 17 year olds in full



time education or out of work, and possibly those on YOP, would receive a basic allowance of £4.75 a week (ie the present rate of child benefit) and be eligible for a means-tested supplement, bringing the maximum payment up to £15.25 a week (ie the present rate of supplementary benefit for those ages). Legislation would be needed in the 1981-82 Session to give effect to the changes from autumn 1982.

11. The main subsidiary proposals under this second heading are for:-
- (i) A campaign to persuade the CBI to seek wider differentials between youth's and adults' wages.
 - (ii) Giving young people access to a wider range of jobs through better notification of vacancies and part-time jobs.
 - (iii) Removing, when possible, the tax bias in favour of the two-earner married couple.
 - (iv) Reviewing the commitment on the abolition of the pensioners earnings rule.
 - (v) Considering the scope for more flexible retirement in both private and State schemes, as well as possible longer term changes in pension age.

The question, which E(EA) is due to consider, whether juveniles should be relieved from the jurisdiction of Wages Councils is also relevant.

12. Third, CPRS propose changes in opportunities outside the labour market. They recommend against compulsory military or community service but in favour of a significant expansion of opportunities for community work. This would not exclude young people but it would have special emphasis on the long term unemployed, mainly men and young adults in regions of highest unemployment. If payments were based on benefit plus a small premium CPRS judge that the present Community Enterprise Programme Scheme could be quadrupled to 100,000 places at an additional net Exchequer cost of £35 million. Legislation would not be required.

13. The proposals under these three heads could each be pursued separately but the CPRS see merit in treating them as a coherent package to tackle unemployment.



The Secretary of State for Employment's Proposal (E(81) 20)

Flag C
Flag A
14. The Secretary of State for Employment attaches, at Annex C to his paper, a draft consultative document on a new training initiative; there is a short summary of it at his Annex A. The draft will be discussed by the MSC on 24 February. Subject to their views and to the views of Ministers the aim is to publish it in early April and to invite comments by the end of September after which decisions for action would be taken. The Secretary of State strongly recommends that the document should be published jointly by the Government and the MSC so as to engage the continuing and voluntary cooperation of the TUC, CBI and the educational and local authority interests.

15. He specifically invites the Committee to endorse the three main objectives summarised in paragraph 4 of his cover paper: to provide by 1990 the opportunity of either full time education or traineeships for all 16 and 17 year olds; skilled training to recognised standards; and better training opportunities for adults. These changes would involve the breaking down of the restrictions inherent in the present system of apprenticeship.

16. The Secretary of State strongly advises a voluntary, rather than compulsory approach - his paragraph 11 - at least until such time as the voluntary approach had demonstrably failed.

17. He is very willing to put forward specific proposals for increased Government expenditure now on skilled training for young people, as suggested by the CPRS, if the Committee agrees that the extra money should be made available for this - his paragraph 10.

18. He attaches at Annex D to his paper a report by officials on the existing links between education and training. He recommends that there should be further work on this preparatory to a second report in September which Ministers would consider at the same time as the outcome of the consultations on the paper on the new training initiative.

HANDLING

19. You might open the discussion yourself by explaining to the Committee that your aim is not to cover all the details in these, and related, papers but



to have a second reading discussion to narrow down the policy options worth further study and to decide on the next steps for the consultative document on the new training initiative.

20. Since the CPRS paper is the more wide-ranging you might invite Mr Ibbs to speak first and then the Secretary of State for Employment to reply, and to deal in particular with his paper. Of the other Ministers the Chancellor of the Exchequer and the Secretaries of State for Education and Science, Industry, Social Services, Scotland, Wales and Northern Ireland in particular will wish to comment. You will wish to cover the following questions.

21. In the context of high unemployment does the Committee support a voluntary or compulsory approach to training, and particular do they wish the CPRS' proposals for a compulsory Training Year to be pursued further?

(i) The CPRS' proposals have attractions (significant impact on unemployment: relatively low cost). Ministers would need to think carefully about the implications of compulsion and of the reduction in financial support for 16 year olds who fail to obtain traineeships in employment. For example, a 16 year old who could have found a job without training with a willing employer - perhaps in his own family's business - would no longer be allowed to do so.

(ii) Ministers need to consider whether the voluntary approach is likely to produce results on the training front (or to have an impact on unemployment) and whether it is realistic to think of containing expenditure on YOP at its present level in the face of rising unemployment and a commitment to develop foundation training.

(iii) If the Committee is willing to pursue the CPRS proposal it will be necessary to consider the implications for the draft consultative document and to give a more positive steer to compulsion.

22. If compulsion is ruled out, is there support for developing a training year on a voluntary basis?

(i) As for a compulsory scheme, the cost implications would have to be considered.

(ii) If so, again the consultative document will have to be revised.

7/1 Compulsion
Voluntary



23. Either way, is there a case for an expanded programme of skill training?
- (i) The Secretary of State for Employment is willing to pursue if more money is made available to him.
24. Should there be further work aimed at a lower level of benefit and of training allowances?
- (i) Reductions are necessary if Ministers want to make a major impact on unemployment at little extra cost - this applies whether they adopt a new Training Year or respond to increasing unemployment by further expanding YOP.
- (ii) There is a case for reductions and rationalisation anyway, and proposals such as those discussed in H(81) 17 would be considerably easier to introduce if put forward in the context of substantial improved training arrangements.
25. Does the Committee endorse the proposals for further consideration of the five points listed in paragraph 11 above for increasing the employment opportunities for young people in the ordinary labour market?
26. Does the Committee endorse the objective of a significant expansion of opportunities for community work?
- (i) From 25,000 to 100,000 places a year at an additional cost of £35 million a year assuming that payments were based on benefit plus a small premium.
27. Subject to discussion of the CPRS questions noted above, does the Committee endorse the objectives in paragraph 4 of the Secretary of State for Employment's paper E(81) 20?
28. Do they agree that the aim should be to publish the consultative document jointly with the MSC early in April and to invite comments by the end of September?
29. Are there any other issues which the Committee wishes to be examined in the course of further work?
- (i) In particular do they want further work on the scope for substituting part-time work for full-time work, other forms of work sharing, and the special problems of areas of high unemployment (ie as mentioned in paragraph 8 of the CPRS' paper)?



CONCLUSIONS

30. In the light of the discussion you will wish to record conclusions on the questions listed in paragraphs 19-27 above, and in particular on:-

(i) The instructions to the Secretary of State for Employment on the next steps for the preparation of the consultative document on the new training initiative.

(ii) The arrangements for further work on these issues; on the basis that you will decide yourself, in the light of the discussion, how this work should be organised.

RA

ROBERT ARMSTRONG

23 February 1981