

Ref. A05870

PRIME MINISTERIndustrial Training  
E(81)96, 98-100, 106 and 109

## BACKGROUND

The Secretary of State for Employment's proposals in his 4 papers are summarised in paragraphs 4 and 6 of E(81) 96; to help Ministers deal with this mass of paper, we have indicated on the agenda for the meeting that these paragraphs serve as an annotated agenda for discussion of this item. They should be read with the Chief Secretary's letter of 30 October to the Secretary of State for Employment, which summarises the package which he and the Secretary of State now jointly recommend (all the figures are summarised in the Annex). Broadly the Chief Secretary is willing to accept substantial additional bids for training, in particular for a comprehensive youth training scheme, in return for the Secretary of State for Employment's withdrawal of a number of bids for expenditure on special employment measures (the second item on the agenda).

2. The Secretary of State for Employment's 3 other papers, E(81) 98, 99 and 100 set out the details of his proposals; their conclusions do not need to be looked at in addition to those summarised in E(81) 96. The Secretary of State for Education and Science, in E(81) 106, summarises his objectives for teenagers in full time education and for the role of the education services in the development of training schemes. The Central Policy Review Staff in E(81) 109 offer their comments on particular proposals.

3. Since these proposals follow from earlier discussions by E in the summer, and they directly involve a number of Ministers, you agreed that they should be taken by E and not processed through the Home Secretary's MISC 62 Group. One of the main objectives of the meeting will be to

take sufficiently firm decisions on all the proposals for the outcome to be taken into account in the present public expenditure exercise. The agreement now reached by the Chief Secretary and the Secretary of State for Employment should considerably ease the task.

4. Public expenditure considerations apart, the Secretary of State for Employment wants to make a statement early in November on the financing and future of the Industrial Training Boards (ITBs), and to develop the details of his other proposals with a view to further consideration by Ministers leading to a general statement on the reform of training at around the turn of the year. This should mean that the Committee will be able to avoid going into details on particular proposals on Monday and can concentrate on the main issues and on the public expenditure aspects.

1. COMPREHENSIVE YOUTH TRAINING SCHEME

(NB. this is summarised in more detail in paragraphs 5 to 15 of E(81) 98).

5. Following the Committee's discussions last summer, additional provision was made to meet commitments to offer places under the Youth Opportunities Programme (YOP). In the debate on 27 July, you said that the Government was looking at the YOP to see how it could be improved and was considering further the provision of a better training scheme for the young which would eventually replace the existing programme; and that the aim was to reach the position where all young people on leaving school either move into further education, find a job or are given the chance of vocational training or community service. (Hansard Col 835).

6. The Secretary of State for Employment now recommends the introduction of a comprehensive youth training scheme from September 1983 with the following main features -

- i. All 16 and 17 year olds unemployed on leaving school, or becoming unemployed during their first post-school year, would be eligible for up to one year's training (which in length and

quality would be intended to be a marked improvement on YOP).

As agreed with the Chief Secretary, there would be no guarantee of places for eligible 17 year olds, so as to avoid the scheme being too open ended.

ii. Supplementary Benefit (SB), currently £15.25, would be withdrawn from all 16 year olds who -

a. when unemployed would be regarded as dependent on their parents who would draw Child Benefit (CB), currently £4.75, and

b. when on a training scheme, would get an allowance of £8 and £4.75 paid to them and not their parents.

iii. 17 year olds would get SB plus expenses - £20 in all, at current prices.

7. The Chief Secretary is prepared to accept these proposals. If they are approved, there will be no additional expenditure in 1982-83 and the position in the two later years will be (£ million)

	Additional	Total
1983-84	<u>284</u>	<u>874</u>
1984-85	<u>612</u>	<u>1,020</u>

These estimates assume that in 1983-84 there would be sufficient courses to take 300,000 young people off the register leaving a further 230,000 under 18s who could experience some unemployment.

8. The changes in the SB and CB arrangements would require primary legislation in the 1982-83 Session. The distinction between 16 and 17 year olds would be controversial, and resented by the former. There is a good case for paying young people in training relatively low



allowances, though there will no doubt be some complaints from the unions that they provide for cheap labour. As the CPRS point out, it is for consideration whether Child Benefit should be paid direct to 16-18 year olds in education, rather than to their parents, as a possible encouragement for children to stay on at school.

II. OTHER TRAINING MEASURES

9. The Chief Secretary and the Secretary of State for Employment are willing to agree on net additional public expenditure for these proposals of -

	£ million		
	1982-83	1983-84	1984-85
	12	36	41

Further work will be necessary to put some flesh on the bones of these proposals and at this stage the Committee can probably deal with them relatively quickly.

10. There are two proposals for better training of young people in jobs -

4b proposes expansion of Unified Vocational Preparation (UVP) places. The CPRS question whether, without more financial incentive, employers will co-operate in providing more places.

4c is to provide for maintaining apprentice training support at around 25,000 places. This support would be made increasingly conditional on acceptance of greater flexibility in apprenticeship arrangements; the CPRS propose that companies and unions should be given a set timetable for this.

*35,000  
Area  
raising skills  
etc  
Grant Ministry*

*Full MSC*

11. There are then two proposals for more expenditure on adult training which is seen as the best remedy to deal with potential skill shortages in the up-turn. These proposals (described in detail in E(81) 99) are -



4d for re-allocation of present resources and for some additional expenditure to provide for an Open Tech programme for technician training (NB. this will be run by a small unit and would not be a major institution on the lines of the Open University). The CPRS advise that the functions of the Open Tech, and its relations with ITBs, need further clarification.

4e is for some additional provision for the development of new training initiatives.

12. The Secretary of State for Employment recognises that these schemes, including the comprehensive youth training scheme, might not lead to the necessary voluntary response from employers with the result that the State would increasingly have to bear the burden. To deal with this he recommends, in his paragraph 6, further study of taxing employers who do not train. The CPRS point out that the acceptability of this would be greater if it coincided with a reduction in other tax burdens on industry.

13. Finally, the Secretary of State for Employment recommends, in paragraph 4f, linking education and training by introducing a national body which would be regularly consulted by the Manpower Services Commission (MSC) and by the Department of Education, and by development of local arrangements. Subject to working out the details, the Secretary of State for Education and Science believes this to be very much on the right lines. However, the CPRS argue (E(81) 109) paragraph 3e) that more fundamental changes are needed. It should not be necessary to have any detailed discussion of it at this stage.

14. More generally, the Secretary of State for Education and Science in E(81) 106 seems sympathetic to the Secretary of State for Employment's proposals, subject to two points -

i. When in due course he announces his public expenditure plans for education he wants to say that some of the total money agreed for the MSC will, if necessary, be transferred to his budget for the purpose of encouraging young people to stay in further education and to develop appropriate courses for them (his paragraph 6). This needs further examination, though if it is a matter of switching funds within totals it does not necessarily have to be settled at this meeting.

ii. He wants both the MSC and the Department of Education involved in the development of all the new training courses; this will need further examination (though not at the meeting) but it should be acceptable for DES to be closely involved in the setting up of the new arrangements.

### III. INDUSTRIAL TRAINING BOARDS

15. The former Secretary of State for Employment announced last November the Government's aim to reduce statutory ITBs to a few key sectors and to phase out Government funding of operating costs. At his request the MSC published a sector by sector review in July as a basis for further comments by the end of September.

16. On the basis of these further consultations the Secretary of State for Employment recommends (paragraph 4g of E(81) 96 and in more detail in E(81) 100) that the number of ITBs should be reduced from 23 to 7 - namely, clothing, construction, engineering, hotel and catering, rubber and plastics, road transport and the offshore sector of the petroleum industry. These boards are to be retained because it is judged that for the most part voluntary training arrangements in their sectors would not work adequately. To ease the transition to the new arrangements, and the burden on employers who will be losing Exchequer support, the Secretary of State recommends, and the Chief Secretary accepts, additional provision of £30 million in 1982-83 to meet some transitional costs (he has been asked to find most of the additional money needed in 1981-82 from within his present programme). The Secretary of State warns that the proposed abolitions will come in for a good deal of criticism.

17. Subject to his consideration of any further views from the MSC, the Secretary of State for Employment invites the Committee to agree that he should announce these decisions as soon as possible in the new Session. Provided this proposal has the general support of the Committee I suggest that any details, including questions of the future of particular boards, might be dealt with separately by the Ministers concerned.

## HANDLING

18. You might first remind the Committee that, in order to meet the timetable for the public expenditure exercise, they will need to take decisions during the meeting on the expenditure implications of all the training measures discussed in these papers, of the special employment measures in E(81) 97, and of the proposals on Regional Development Grants in the papers under the third item on the agenda. To do this, and to avoid the confusion of delving into all of the Secretary of State for Employment's papers, you propose to base the discussion on paragraphs 4 and 6 of E(81) 96 and with reference to the Chief Secretary's letter of 30 October. Since, with the exception of decisions on the future of the ITBs, the Secretary of State for Employment does not wish to announce anything on the other measures until the turn of the year, your aim will be to deal with them in fairly general terms at this stage and primarily with a view to clarifying the public expenditure implications. More detailed points on the arrangements can be discussed further, and separately, by the Ministers concerned. Most of the Committee's time in discussing this item should be given to the comprehensive youth training scheme.

19. You might then ask the Secretary of State for Employment to give a short explanation of the general background to his proposals and then to take the Committee through paragraphs 4 and 6 of E(81) 96. The Chief Secretary, Treasury, the Secretary of State for Education and Science and Mr Ibbs may each wish to make some general comments before the detailed discussion gets under way, but it would make for more manageable



discussion if they were to save particular points for when the Committee reached the proposal in question. It will be important to hear the views of the Secretary of State for Social Services on the comprehensive youth training scheme and the proposals with the legislation to change the Supplementary Benefit arrangements.

## CONCLUSIONS

20. You will wish to record conclusions as the Committee works through the proposals, on each of the recommendations in paragraphs 4 and 6 of E(81) 96.

21. With reference to the Secretary of State for Education and Science's paper, E(81) 106 you will wish -

i. To clarify his proposal that he might indicate publicly that some MSC money will, if necessary, be diverted to the Education programme in 1982-83 for training purposes.

ii. To agree that the Secretary of State for Employment and the Secretary of State for Education and Science should consult closely in further work on the proposals to ensure that there is an effective partnership between the Education services and the MSC.

ROBERT ARMSTRONG

30 October 1981