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C LJR

PRIME MINISTER

**EMPLOYMENT EXERCISE**

*in meeting folder*

We will be discussing at our meeting later today the paper attached to the letter of 3rd January from Tom King's Private Secretary to yours. This refers in Chapter 5 to the options for extending training provision for 16 to 18 year olds which are currently being considered by MISC 107.

It may be helpful to you and other colleagues to have by you the attached note, prepared by the Enterprise Unit, summarising the Group's discussions to date and the kind of scheme it seems likely to come up with. I should emphasise that the Group has yet to consider its draft report and Departments are not therefore committed to specific proposals. I think, however, that the note gives a fair and useful indication of thinking within the Group as a whole. I am sorry that, due to my absence from the office, I was not able to circulate the note earlier.

I am copying this to Nigel Lawson, Keith Joseph, Peter Walker, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, John Redwood and Sir Robert Armstrong.



Lord Young

14 January, 1985

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EDUCATION AND TRAINING AT 14 TO 18: A NEW INITIATIVE

An inter-departmental group was set up in October under the chairmanship of the Minister without Portfolio to examine possible changes in existing provision for 14 to 18 year olds. The Group (MISC 107) has made considerable progress towards outlining proposals for developing more coherent arrangements for this age group and expects to report its conclusions to E(A) next month. This note is a short summary of the Group's thinking and likely conclusions.

2. There is a strong case for a further initiative on 14 to 18 year olds:

- (a) despite the substantial numbers of school leavers now receiving training within the Youth Training Scheme, there are still some 200,000 youngsters under 18 who are unemployed at any one time;
- (b) existing schemes including the Youth Training Scheme (YTS), Technical and Vocational Education Initiative (TVEI) and Certificate of Pre-Vocational Education need to be co-ordinated and reinforced so as to produce a better return on the existing investment;
- (c) £200 million a year is currently spent unproductively on supplementary benefit payments to 16 and 17 year olds who are neither employed nor in training;
- (d) the United Kingdom lags seriously behind its major competitors in the standard of training in its work force. This hinders our ability to provide jobs for the future. The UK is the only country in which a majority of young people leave school at 16.

3. Subject to further consideration of costs and how these might be funded, MISC 107 has agreed to recommend a new training scheme that would build on the existing YTS. It would offer two year places for youngsters leaving school at 16 and one year places for those leaving at 17. Like YTS, the scheme would be mainly employer-based. It would also be voluntary in that neither employers nor youngsters would be required to participate in it, and employers would be free to continue to offer normal



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employment outside the scheme to youngsters in this age group. The scheme would however be designed to be comprehensive so that it should be regarded as the normal route into employment for those who chose to leave full-time education.

4. The scheme would not be a "special measure" but a proper training scheme leading to recognised occupational qualifications such as those currently offered by e.g. the City and Guilds of London Institute (CGLI), Business and Technician Education Council (BTEC) and Royal Society of Arts (RSA). All trainees would be expected to aim for a specific qualification. In this sense the scheme would reflect the best features of the apprenticeship system, which has substantially collapsed over the last ten years. MISC 107 will recommend that a working group be set up to examine the existing structure of qualifications and take action to develop new or revised courses where these are needed. It will be important to secure recognition for on-the-job experience and develop skills in assessing trainees' progress.

5. In more detail:

- (a) the scheme would be open to employed and unemployed young people. The aim would be to guarantee places to all unemployed school leavers by September of the year in which they left school (on the lines of the current December guarantee of a place on YTS);
- (b) trainees would receive allowances. MISC 107 is likely to recommend a two-tier structure. If allowances in year 1 were at the same level as the current YTS allowance (£26.25), allowances in year 2 might be, say, £30;
- (c) it is estimated that the scheme would provide for some 420,000 young people each year. This compares with the current intake to YTS of 330,000 (numbers are adjusted in each case to relate to individual entrants, rather than numbers recorded as "starting" in the scheme, to eliminate double counting). The total size of the scheme would however be more than twice that of YTS, because the majority of trainees would stay for 2 years instead of 1;



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(d) costs would depend critically on the scale of employer contribution, together with any offset from savings from other programmes. If employers were prepared to fund 60 per cent of the trainee allowance - in recognition of the scheme's contribution to meeting the costs of training their existing employees and the "value added" by additional trainees - the gross cost to Government might be some £360 million a year, in addition to the costs of YTS in its existing form. There would however be offsetting savings, including possibly some £240 million on SB. This offers the prospect of keeping first year costs (1986/87) within £100 million. These figures assume a high profile of recruitment into the scheme of both employed and unemployed young people; a lower recruitment profile e.g. for the employed would bring down the costs still further.

6. MISC 107 has considered two other options. One is for a scheme providing training up to trainees' 18th birthday, except where young people are already entitled to a longer period of training under existing rules. This would be significantly cheaper than the scheme outlined above. But it would be unlikely to appeal to employers or young people because of its arbitrary impact on the length of training to which individual young people were entitled; and it would be difficult to reconcile with sensible longer-term training arrangements. A second option would be to provide some form of community service, not necessarily involving training, for unemployed young people up to age 18 who have completed YTS. This has no obvious advantages compared with the scheme proposed by MISC 107, except its relative cost. There is no consensus within the Committee in favour of either of these options.

7. A training initiative on the lines proposed would have major repercussions on the further education system. MISC 107 has also discussed how to build on existing initiatives to develop vocational education at 14 to 16. The urgent need is for better in-service training for teachers, particularly to disseminate the lessons of TVEI. MISC 107 is being invited to recommend



additional funding of some £10 million per annum in 1986/87 to help finance such training. It would be important to see that this spending was properly targetted. Additional resources would be needed if the Group wished to recommend further extension of TVEI.

8. Introduction of a new training scheme offering places for all 16 and 17 year olds would enable serious consideration to be given to withdrawing supplementary benefit from this age group. From consultations we have been able to undertake so far, it seems possible that employers would be prepared to offer an adequate number of places to enable us to honour a September guarantee (though we shall probably still need some places - possibly up to 20 per cent - based on training workshops or community projects, at least in some areas). There is no evident justification for continuing to offer SB as of right to 16 and 17 year olds who have the guaranteed option of a training place under the proposed scheme.

9. Removal of independent entitlement to SB for 16 and 17 year olds would reduce public spending by some £245 million a year. Much of this reduction would be achieved by adopting a 2 year training scheme, even if rights to benefit were not specifically removed, since young people on the scheme would receive a training allowance and not SB. The PSBR effect would however be offset to the extent of £135 million by reduced tax and NI contributions payable by trainees. A new allowance-based training scheme should also contribute substantially to reducing young people's expectations about pay, not only at age 16 to 18 but at higher ages.

10. MISC 107 has not sought to develop a detailed specification for the proposed scheme. This would essentially be for MSC to work out in conjunction with all the interests concerned following publication of the Government's proposals, with the aim of launching the new scheme in September 1986. Both CBI and TUC have indicated their support for the concept of a 2-year training scheme, though their response to specific proposals would be influenced by the Government's attitude on SB.

Enterprise Unit

11 January 1985.