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P.01503

PRIME MINISTER

Education and Training for 14 to 18
year olds:

FLAGS A+B. E(A)(85)8 and 9

BACKGROUND

The Report of the Minister without Portfolio's MISC 107 Group (E(A)(85)9) makes proposals for a new approach to the education and training of 14-18 year olds, with the objective of consolidating existing initiatives and moving towards a position in which unemployment is no longer an option. MISC 107's report on this subject is summarised below.

2. Present position. The Youth Training Scheme (YTS) was introduced in 1983 to provide a year's training and work experience for 16 and 17 year olds. 80 per cent of placements are with employers; trainees are paid £26.25 a week; 60 per cent go on to employment or further education or training; but the YTS does not lead directly to occupational qualifications. For those still at school, the Certificate of Pre-Vocational Education (CPVE) and the Technical and Vocational Education Initiative (TVEI) are starting to improve the technical and vocational preparation aspects of curricula and to provide work-related qualifications. But the United Kingdom continues to lag behind the most successful industrial countries in the provision of education and training; children leave school 2-3 years earlier, employers devote less effort to training, and an individual's first years at work too rarely lead to occupational qualifications.

3. New training scheme. The report's objective is the establishment of a comprehensive job-related training scheme, building on the YTS, leading from an initial broad base to



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specific occupational qualifications. The new scheme would secure a greater commitment to and investment in training from both employers and individuals and should reduce and eventually eliminate unemployment among under-18s. Trainees would receive weekly allowances of £26.25 in the first year (as under the YTS) and £30 in the second - more than Supplementary Benefit, but less than pay in normal employment.

4. Educational qualifications. The report proposes a review of pre-vocational and vocational qualifications with the objective of restructuring them to meet the circumstances of trainees in the new scheme. The effect would be to encourage more practical courses and cater adequately for people of lower ability. Meanwhile in-service teacher training - to be fostered by specific Government grants - would be developed so as to produce a more practical and relevant curriculum (building on the lessons of the TVEI pilot schemes) and to encourage more and better links between schools and business. The Manpower Services Commission (MSC) and Department of Education and Science would work together on these tasks with the former developing further as a national training agency.

5. Costs and Supplementary Benefit (SB). Although the question of SB entitlement for 16-18 year olds is dealt with in Mr Fowler's social security review, it will be convenient to settle it in E(A), because of the link with youth training, rather than MISC 111. It affects both the cost of the new training proposals and their acceptability to employers and young people. The other factor affecting costs is the proportion which employers bear of the training allowance.

6. Because on average each additional training place costs the Government more than the SB scale, withdrawing entitlement to SB is estimated to add £260 million to the costs in 1986-87, and £130 million in 1990-91. These estimates of the scheme's costs assume that employers will bear 30 per cent of allowances in the first year and 60 per cent in the second; the Government will need to negotiate hard to increase the employers' share of the costs. The net extra PSBR costs (allowing for teacher training costs and consequential changes in tax, etc receipts) are estimated as follows -

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	<u>1986-87</u>	<u>1990-91</u>
If Supplementary Benefit is retained	£160 million	£380 million
If Supplementary Benefit is removed	£420 million	£510 million

Against this, abolition of the Young Workers' Scheme, under which Employers are subsidised to recruit 17 year olds at under £50 a week, would save £35 million; but this scheme may be redirected at a different age group.

MAIN ISSUES

7. The main issues before the Committee are:

- i. whether to go ahead with the new scheme;
- ii. whether or not SB entitlement for 16-18 year olds should continue, at least for the time being;
- iii. the costs, and how they should be met;
- iv. whether or not the Government should guarantee the availability of places;
- v. the starting date;
- vi. the proposals on education and qualifications;
- vii. announcement of and consultations about the proposals.

8. Policy acceptability. Do the proposals offer a sufficient prospect of meeting the need to improve the motivation, skills and employment prospects of people under 18? Is the Group's analysis of present deficiencies accepted? Would an alternative approach have been preferable? (Annex 2, paragraph 10 of MISC 107's report briefly looks at a community service system, but points out that it would not improve training and the absence of employer contributions would make it costly for the Government. Rather similar considerations apply to a straight extension of the YTS, which the Group also considered).

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9. Supplementary Benefit (SB) entitlement. Withdrawal of entitlement to SB would make it harder for young people to develop the habit of dependance on the State. But it would require the creation of additional training places, many of which would have to be in Government workshops, and could reduce the proportion of the training allowances employers would be willing to bear, since they would no longer only have the well-motivated volunteers to absorb. The Group concluded on balance that SB entitlement should be retained for the present. If it were withdrawn, the question would arise of paying a 'waiting allowance' to trainees while they were temporarily unplaced.

10. Costs and funding. The Group set out with the aim of not increasing public expenditure, but concluded that training leading to worthwhile qualifications is bound to cost more than the YTS. The Committee will wish to assess the basis of the calculations of the costs of the new scheme, and to consider what level of contributions should be sought from employers. We understand that the Chancellor of the Exchequer is provisionally prepared - subject to the overall budgetary position as it is clarified over the next few days - to accept the expenditure implications of the scheme as part of his strategy for a Budget with an employment theme.

11. A guarantee of placement. Ideally the Government should commit itself to fund a place for every willing trainee. Such a guarantee would be inconsistent with the operation of a cash limit on the expenditure; but if SB entitlement remains a guarantee is arguably not essential. Will it be sufficient for the Government to say that a guarantee would be given as soon as possible within available resources?

12. Starting date. Can the scheme start operating fully in 1986, (ie offering second year placements to 1985 school-leavers) or should it be deferred for a year to cut initial spending?



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13. Education and qualifications. Is the Committee generally content with the proposal for development of school curricula; the interim funding of in-service teacher training; a new system of specific grants for teacher training; a working group on qualifications; and the development of the MSC's role as a training coordinator? Detailed points can be remitted to the Education and Employment Secretaries to consider.

14. Announcement and consultation. The proposal is for a general announcement in the Budget Statement, followed by a detailed document; thereafter the MSC would be asked to consult employers, trade unions, local authorities and other interests and report back to the Government by July. Arrangements will need to be settled about the involvement of other Ministers in the presentation of the proposals, and about the nature and timing of the document.

15. Legislation. Confirmation should be sought at the meeting that new legislation is required only to secure specific grants for in-service teacher training.

HANDLING

16. You will wish to invite the Minister without Portfolio to summarise the case for the MISC 107 proposals. The Secretaries of State for Employment, Trade and Industry and Education and Science will wish to indicate their views on the industrial and educational aspects of the scheme. The Chancellor of the Exchequer will need to give his views on the scheme in relation to his Budget strategy, and the Secretary of State for Social Services will wish to comment on the future entitlement of 16-18 year olds to SB against the background of the current review of social security.

CONCLUSIONS

16. You will wish to reach conclusions on the following issues:

- i. whether to go ahead with the scheme;
- ii. whether or not supplementary benefit entitlement for 16-18 year olds should continue, at least for the time being;



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- (iii) the costs, including their allocation between Government and employers, and their implications for public expenditure planning;
- (iv) whether or not places should be guaranteed on the scheme to all applicants;
- (v) the starting date;
- (vi) the proposals on education and qualifications;
- (vii) any requirements for new primary legislation;
- (viii) arrangements for the announcement of and consultation about the proposals.

PLG
P L GREGSON
Cabinet Office.
22 February 1985

*Implications from
other countries about*

*① whether any thing
comparable to S.B. for
school leavers, if so, how
much*

*② Grants for training allowances
& spent by whom?*

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