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From the Private Secretary

1 July 1985

bc DL

Dear David,

2 YEAR YTS

The Prime Minister has seen your Secretary of State's letter of 27 June to the Chancellor of the Exchequer. Subject to the views of colleagues she is content with the scheme which the MSC have negotiated. She has commented that the draft statement makes no reference to the fact that employers are meeting part of the costs of expanding the scheme.

I am copying this letter to Private Secretaries to members of E(A), and to Joan MacNaughton (Lord President's Office), Hugh Taylor (Home Office), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (DHSS), Alex Galloway (Paymaster General's Office), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely  
Andrew Turnbull*

(Andrew Turnbull)

David Normington, Esq.,  
Department of Employment.

*dl*





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Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
SW1P 3AG

27 June 1985

*Dear Chancellor*

**2 YEAR YTS**

1. I have today received proposals from the Manpower Services Commission for the new 2 Year Youth Training Scheme that you announced in the Budget. Our officials have already been discussing the details. It is clearly excellent news that the Commission have been able to reach unanimous agreement, and the establishment of the new Scheme will be a most important and welcome new development. There are clearly advantages in an early statement to the House, as was suggested in Cabinet today. As you know, I proposed a statement on Wednesday, but the general feeling was in favour of Monday. I am therefore sending this letter summarising the proposals, together with a draft statement, to all colleagues concerned.
2. You announced in the Budget statement that £925 and £1100 million would be available in 1986/87 and 1987/88 respectively for the introduction of a 2 Year Youth Training Scheme subject to satisfactory proposals being developed. Simultaneously I asked the Manpower Services Commission to consult and bring forward proposals to the Government for such a Scheme by the end of June. They have been working extremely hard to reconcile the various interests and to bring forward within the very tight timetable a package which the CBI, TUC, and other interests represented on the Commission support and which is within the resources we have made available.
3. The details of the proposed Scheme are outlined in the attached Annex, but the key features are that it will mean providing up to 600,000 training places a year; the Scheme will take some time to build up but there will be some second year places for youngsters joining YTS this year; there will be a minimum of 20 weeks off the job training over 2 years; allowances will be £27.30 in the first and £35 in the second year; trainees rights and responsibilities will be spelled out in a training agreement; and all will have a chance to gain a vocational qualification or a credit towards one.





In addition there are some other general points which occur to me.

4. The first is that although I believe the Commission's proposals to be soundly based on both the experience of running a 1 year YTS and the views expressed during the consultation period, there are inevitably still a number of questions remaining which cannot be resolved until the Scheme actually gets going. The three major issues are whether employers will come forward with a sufficient number of places to meet the extra demands of the 2 Year Scheme; how attractive the Scheme will prove to be to young people and how long they will stay on it; and whether the proposed new funding regime will be sufficiently flexible to cater for the needs of disadvantaged young people and those in areas where there are not sufficient suitable employers to provide the required number of places. We cannot and never could be totally certain on any of these three points until the Scheme has started, but the fact that the package has been agreed unanimously by all the members of the Commission is clearly a major help to us in securing wide-spread commitment to the Scheme.

5. The Commission have prepared their proposals on a reasonable set of assumptions to stay within the overall financing limits we have set them. The key assumptions are the number of young people coming on to the Scheme and their average length of stay; if there is less take up than expected we will underspend, if more join the Scheme or stay longer than at present seems likely there are steps we can take to prevent an overspend. But these are factors we have to live with already with one year YTS. I believe the proposed package, after account is taken of points made in this para and para 4 above, is deliverable within the resources provided, and I will make it clear to the Commission that the costs of the Scheme must be contained within the resources already allocated.

6. The Commission's report to me recommends that the Commission's objective would be to "provide from 1st April 1987 a guarantee of an offer of a suitable 2 year place for all 16 year olds who would otherwise be unemployed and a 1 year place for all 17 year olds who would otherwise be unemployed". Given the inevitable uncertainties I think at this stage we should maintain our existing guarantee arrangements as confirmed in our White Paper "Education and Training for Young People" which said (paragraph 29d) that there would

"initially be a continuation of the existing guarantee of an offer of a 1 year place to all unemployed 16 year olds -- with the target of guaranteeing in due course an offer of a 2 year place for all unemployed 16 year olds and a 1 year place for all unemployed 17 year olds".





7. We can reconsider our position when we see how successful we have been in generating places to meet demand. An extension to the guarantee would in any case be a useful card to keep up our sleeve and would be better played later next year.

8. I cannot emphasise strongly enough that the MSC proposals have to be seen as a negotiated package. In the negotiations between the interests on the Commission - particularly the CBI and TUC - the various interests have had to compromise on their positions. For example, the TUC would prefer the 1st year allowance to be a good deal higher but they are prepared to accept it, particularly if an increase to £27.30 is implemented from September this year (there is already financial provision for such an increase). Against that, the 2nd year allowance is a little higher than the CBI would ideally have liked - but for us to tinker with the main elements of the proposals could wreck the deal which has been struck. So, I hope colleagues will agree that we should accept the package as a whole in the knowledge that on the best estimates we have it can be contained within the resources available, will be supported by all the parties concerned and will enable us to take substantial credit for a major step forward in vocational training for young people.

9. I would be most grateful for confirmation that you and colleagues are content that I should announce that we accept the broad shape of the package including the proposed levels of grants and allowances - whilst making it clear that there is a need for further consultations on some points.

10. It would be most helpful to have any comments by close of play tomorrow if possible, and certainly not later than 10.00 am Monday morning.

11. I am sending a copy of this letter to the Prime Minister, other members of E(A), and to the Lord President, the Home Secretary, the Secretaries of State for Education and Social Services, the Paymaster General, the Chief Whip and to Sir Robert Armstrong.

*Your sincerely,*

Approved by the Secretary of State  
and signed in his absence



1. Number of entrants and lengths of stay - assumptions
  - a. About 360,000 in each of 1986/87 and 1987/88.
  - b. Average length of stay for 2 year entrants about 74 weeks and for 1 year entrants about 42 weeks.
  - c. The scheme will be open (as at present) to both employed and unemployed young people.

2. Number of extra places needed

Not specified in the report, but perhaps about 600,000 places will be needed compared with about 400,000 at present available for the 1 year Scheme.

3. Funding regime proposed

- a. A basic monthly grant of £160 will be paid for each filled place provided (this of course includes the contribution to the trainee allowance).
- b. In addition a managing agents fee of £110 (+ VAT) will be paid for each of the 2 years in respect of every contracted place.
- c. In addition to the basic grant a premium of £110 per month per filled place will be available for those places (perhaps 60,000 or 10% of the total) providing a minimum of 12 weeks "simulated work experience" over the 2 year period for disadvantaged young people, and in areas where there are not enough suitable employers to provide a 2 year work experience and training programme. It is hoped that as many as possible of the young people on such schemes will be placed for work experience with local employers during the 2nd year of training and that such employers will make a contribution towards the young people's costs.
- d. The present pattern of payment of travel expenses and lodging allowances will be continued (but payment for vacated or unoccupied places will be dropped).

4. Trainee allowance

It is proposed that the trainee allowance will be £27.30 per week for the 1st year entrant and £35 <sup>per week</sup> in the 2nd year. The extra costs of the 2nd year allowance will be met by employers.

5. Training agreement

It is proposed that all young people on the Scheme would have a training agreement. This would be an agreement between the trainee and the organisation responsible for his programme and would clarify respective rights and responsibilities and would set out the nature and objectives of the training opportunities with a programme and timetable for that training, which would have to be carried out by competent instructors and supervisors. It will also lay out the responsibilities of the trainee for following an agreed programme, for attendance and for maintaining reasonable standards of behaviour. The MSC hope to produce a model agreement before the end of the year which from 1st April



1986 would cover the core elements of rights, responsibilities and protection and would be further refined over the next year to take account of developments on programme content and qualifications.

6. Content and qualifications

There will be a minimum of 20 weeks off the job training over 2 years. As at present the training programme will contribute to broad occupational competence but there will be an increased focus as the programme progresses on specific vocational skills and all trainees will have the opportunity to acquire a vocational qualification, or credit towards such a qualification. Further work on qualifications and content will be much influenced by the interim report of the Review of Vocational Qualifications, which is expected in September of this year.

7. Quality

More work will be put into improving quality on the Scheme and the Commission hope that from 1 April 1987 only "approved training organisations" will be eligible for contracts with the MSC to provide places. Criteria will be laid down which organisations will have to meet before being accredited - with a particular emphasis on the experience and competence of training and supervisory staff. MSC staff will also be further trained and more staff will be devoted to quality advisory work in the field - within approved manpower ceilings.

8. ITeCs

The report recognises that the funding regime proposed, even with the premium payment, is unlikely to be able to meet the special needs of Information Technology Centres (ITeCs). The MSC will look at their problems urgently and separately, within the overall funding limits.

9. 1985/86 YTS entrants

We asked the MSC to advise on the "most practicable arrangements which could be made for providing a second year of training for as many as possible of this year's 16 year old entrants." The report recognises both the difficulties of providing meaningful 2nd year places and the importance of trying to overcome the difficulties, and suggests that the aim should be to provide as many as possible places for this year's YTS full-term leavers who would otherwise go into unemployment. These places would be developmental/pilot places funded on the same basis as proposed for the main programmes. Because of the problems of early delivery of such places and possible regional imbalances, no guarantee of a second year place can be given to this year's entrants.

10. All grants and allowances quoted above are at rates which will apply during 1986/87.



DRAFT STATEMENT

TWO YEAR YOUTH TRAINING SCHEME

1. With permission, Mr Speaker, I would like to make a statement on youth training.
2. The House will remember that my Rt Hon. Friend the Chancellor of the Exchequer announced in his Budget statement that the Government were making extra resources available to fund a 2 year Youth Training Scheme. on the same day I asked the Manpower Services Commission to consult and develop proposals for such a Scheme to be operative from 1st April next year and to report to me by the end of June.
3. On 27th June the Commission unanimously approved proposals for the 2 year Scheme which have now been submitted to me.
4. I am pleased to inform the House that I am satisfied that the broad framework of the proposals will meet our objectives and I have today authorised the Commission to proceed with implementation to take effect from 1st April 1986 within the resources already allocated.
5. The proposals are designed to give greater training opportunities to young people and to encourage more young people to take vocational qualifications on a quality training programme. In this the Scheme will be building on the foundations so well laid by the current Youth Training Scheme, which more than  $\frac{3}{4}$  million young people have entered so far. YTS has opened new horizons for both young people and employers and has brought home to many the contribution which training can make to improving employability and productivity. Here, I should pay tribute to the work of employers and work people, and all the others concerned in building YTS as we now know it.
6. The main features of the Scheme will be as follows:
  - About 360,000 16 and 17 year olds will enter the Scheme each year, and about 600,000 places will be occupied at any time.



- There will be a quality training programme leading to vocational qualifications and there will be at least 20 weeks off-the-job training over 2 years, in addition to the planned programme of work experience and on-the-job training.
- There will be a training agreement between the trainee and the employer, setting out their respective rights and responsibilities, including the detail of each young person's training programme.
- Trainees will be paid an allowance of £27.30 and £35 in their first and second years respectively, *employers to meet costs in 2nd year*
- A basic grant of £160 per month will be payable to employers in respect of each trainee.
- We recognise the special needs of some areas and some young people who may find it difficult to find employer-based training places and a premium payment of £110 per trainee will be paid in such cases to those providing alternative training.

In approving this broad framework I have informed the Commission that I agree that the existing trainee allowance will be increased to £27.30 with effect from 1st September this year, and that rate will apply for the first year of the new Scheme.

7. Having determined the broad framework of the Scheme there is much work to be done to fill in these details but I look forward with confidence to the delivery of a quality scheme on time.

8. But I would like now to pay tribute to the Commission and its staff for having brought forward unanimous proposals within such a tight timetable.

9. The widespread commitment to the present Youth Training Scheme has been of great assistance and I know that although there is a very real challenge to be faced all interests involved will now pull together to make it a success.



10. Once the two year Scheme is established we will have achieved a major improvement of the opportunities for training and work experience for our young people.

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11. I am glad to have been/to report so positively to the House on the Manpower Services Commission's recommendations and I will keep the House in touch with progress as the Scheme develops.





