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12 February 1981

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

UNEMPLOYMENT AND YOUNG PEOPLE

Memorandum by the Central Policy Review Staff

1. The CPRS report 'Unemployment and young people' is attached. Our proposals are designed primarily to relieve youth unemployment but we have recognised the concern about older long term unemployed (including family men) and some of our proposals would help them to some extent. A summary of the main issues and options, and of our main proposals, is annexed to this note. (A full list of recommendations is to be found at the end of the report itself.)
2. We were asked to report by mid February. In the time available we have not been able to pursue all our proposals as fully as we would have wished. But we think that they have been developed sufficiently to seek decisions in principle from Ministers, and guidance on priorities for further work.
3. We have not discussed macroeconomic or industrial policies. But unemployment at its current level is of course a direct consequence of the current recession, and only the economic upturn, when it comes, can bring back the jobs that are needed.
4. But we believe the problem of unemployment, particularly for young people, is not a short term one. The underlying trend of unemployment has been rising for 10 years or more. Skill requirements are changing. Young people are in competition with many others, including married women. In our view the problem of unemployment for young people - particularly early school leavers with little or no qualifications - is unlikely to go away even in the longer term and requires radical new approaches and policy initiatives.
5. Our main proposals (which are described in the annexed summary, with cross references to the main report) are -
  - (a) a mandatory training year of work experience and work preparation for 16+ school leavers who do not choose to continue in full time education;

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(b) measures, including changes in benefit and allowance levels, aimed at widening the differential in the relative wages of young people and adults;

(c) an expanded programme of opportunities for community work for the long term unemployed, not excluding young people but with special emphasis on family men and young adults in regions of highest unemployment.

The 'training year' proposal would have a major impact on youth unemployment (200,000 off the register over and above the effect of YOP). It would also be a way of implementing important elements of the new training initiative. It could draw together a number of separate initiatives into a coherent policy for the age group.

6. Although the proposals could be separately pursued, we believe that the best approach would be to combine them into an overall package. Presentations of this could have considerable advantages.

7. We put forward a number of other suggestions - on the need for more skills training for able school leavers who cannot find jobs, on access to a wider range of jobs for young people, on reducing the tax 'bias' in favour of the two main couples, on reviewing the commitment to abolish the earnings rule, and on flexible and early retirement.

8. There are other topics relevant to longer term unemployment which we have not been able to explore in the time available but which may be worth further study. They include the scope for substituting part-time for full-time work, other forms of work sharing, and the special problems of areas of highest unemployment.

9. Cost of main proposals. The 'training year' proposal is estimated at current levels of unemployment to cost around £85 million a year. (Unlike YOP it would cost less if unemployment were to rise because of savings on benefit.) The commitment to a training year would be permanent, but the aim would be to get the cost borne by employers when the upturn comes. A Community Work Programme could provide 100,000 places (instead of 25,000 currently proposed under the Community Enterprise Programme) at an additional net exchequer cost of about £35 million. This programme could be scaled down - or discontinued - when the economy improves. Measures to widen the wage differential would not involve net expenditure and in isolation - assuming they would include steps to reduce the

levels of benefits and allowances - would produce savings. Thus the 'package' we suggest (in paragraph 6 above) would cost around £120 million.

10. Timing. The time constraints on introducing the 'training year' proposal are (a) legislation (which could be controversial), and (b) the need to build up sufficient training opportunities, to achieve a modest expansion of further education, and to develop suitable courses. If priority could be given to legislation, we believe that the training year might, with sufficient commitment, be introduced in autumn 1982. (There is much existing experience, under YOP in particular, on which to build.) But if legislation had to take its chance in the 1981/82 session, a more realistic date would be autumn 1983. An expanded programme of community work would not require legislation, and could be introduced later this year. Some steps to widen the wage differential could be taken immediately, but legislation to change the system of financial support (assuming this would be in the 1981/82 session) could not take effect till autumn 1982.

11. Link with the New Training Initiative (NTI). If the 'training year' proposal were favoured, this would require some reconsideration of the NTI and the form of the consultative document. But we do not think this would necessarily mean that the launching of consultations would need to be delayed.

#### Questions for Ministers

12. We recommend that at this stage Ministers should decide whether or not they favour our three main proposals (paragraph 5 above) in principle, either as a combined 'package' (the course we would prefer) or separately. If they favour either the proposals as a whole or some of them, we suggest that officials should be asked to consider the proposals concerned in greater detail, and to report back as soon as possible and in any case by the end of April.

13. Ministers may also wish to indicate which, if any, of the other suggestions or topics referred to in paragraphs 7 and 8 above they wish to be further examined either by departments or by the CPRS.

Cabinet Office, SW1  
12 February 1981.

UNEMPLOYMENT AND YOUNG PEOPLESummary of the main issues, options and proposals  
(cross references are to the main report)The context

1. There are now 2.2 million registered unemployed.\* By the summer over 1 million will have been unemployed for over 6 months, and over 500,000 for over a year. All age groups in the working population are severely affected.
2. Unemployment as it affects young people has some special features. The percentage unemployed for over 6 months is lower than for other groups (though it is rising faster). But the overall unemployment rate of young people under 18 is over twice the average, and the rate for young adults (18-24's) is also significantly higher than for other adults under 60.
3. The prospects for young school leavers (16/17 year olds) are bleak. The MSC forecasts (which may be on the pessimistic side) suggest that there could be nearly half a million unemployed under 18's in early 1982 (excluding the effects of special measures) and 600,000 by early 1983. By the end of 1983, between 50 per cent and 70 per cent of the labour force under 18 might never have had a proper job. The effect in terms of future training skills, attitudes to work, and opportunities for crime and other forms of social disruption is uncertain. But it is undoubtedly a matter for justifiable concern.
4. Our report, following our remit, is mainly concerned with young people. But we recognise that there is equal, or perhaps even greater, concern about some other groups (e.g. long term unemployed family men). We do not try to rank the unemployed in an 'order of merit'. We have tried to steer clear of proposals that would help the young simply at the expense of other groups and some of our proposals would help the older unemployed as well as the young.

Existing policies and developments

5. A lot is being done already to help youth unemployment, notably through the Youth Opportunities Programme (YOP) which in 1981/2 aims to place 440,000 young people. The planned expansion of YOP means that by next year it will be dealing with over 1 in 3 of school leavers (paragraph 17 i and Annex B).

\*Seasonally adjusted, excluding school leavers, January 1981.

6. There are also a number of current initiatives relevant to the training and education of young people and their transition from school to the world of work (graph 17 i to vi). They include a commitment to launch a new training initiative to develop 'vocational preparation' traineeship in industry; proposals for increased provision for vocationally relevant courses for 16/17 year olds continuing in full time education (in school or further education); and an assessment of the present system of financial support for 16-18 year olds.

7. Our report takes account of these developments, and aims to build on them.

#### Our proposals

8. These fall under three main heads - training and education, opportunities in the ordinary labour market, and opportunities outside the ordinary labour market. Our most important single proposal concerns training/education, but we believe that action under each head is desirable and would complement action under the others.

#### (a) Training and education

9. Our main proposal (paragraphs 22 to 37) is for a mandatory year of foundation training. Those who do not continue in full time education at 16 plus would go into an approved traineeship or apprenticeship or be required to undergo a training year incorporating work experience, work preparation and day release (building on experience of YOP provision).

10. The proposal would meet two important objectives. So far as unemployment is concerned, it would in current circumstances reduce registered unemployment by around 200,000 (over and above the reduction already made by YOP) by eliminating unemployment of those aged 16+, and by providing around 100,000 more jobs for those aged 17+. It would also be a major step forward in implementing, and giving effect to, the new training initiative, with all that this implies in terms of improving the skills and flexibility of the future labour force. A lower level of financial support for young people - which in our view would be desirable in any case but easier to justify in this wider context than in isolation - would mean that the overall net Exchequer cost of the 'training year' could be relatively low, around £85 million. The cost would be less if the level of unemployment rose (and the effect on the register would be larger): the cost would increase if unemployment falls, but we suggest means by which more of the training (and the costs) could be put back onto employers. The scheme would be more cost effective than YOP (around £800 per unit reduction in unemployment as compared with £1,400)

11. Similar objectives could be pursued without compulsion, by offering a training year to unemployed school leavers and trying to encourage both training and staying-on rates in full time education on a voluntary basis (coupled with changes in the system of financial support). But the effects on unemployment would be much less; the changes in financial support would be more difficult to present and justify in this context; and the Government's training objectives would at best take longer to achieve (paragraphs 38 and 39, and Annex D).

12. We in any case recommend that an expanded programme of skill training should be considered. It would be designed primarily to provide training against the upturn for the more able young school leaver, who would otherwise be unemployed, and would make use of spare training capacity in both the public and private sectors (paragraph 42).

#### (b) Opportunities in the ordinary labour market

13. Over the last 15 years or so, the differential in relative wages between young workers and adults has narrowed significantly. This has undoubtedly reduced the number of jobs available for young people. Our main proposal under this head (paragraphs 45 to 48) is that Government should take steps to widen the differential, if possible, or at least to prevent further narrowing. It can act both directly, by changes in the system of financial support (lower levels of benefits, and of YOP and training allowances) and, possibly, by removing juveniles from the jurisdiction of Wages Councils; and indirectly, by urging the CBI and TUC to take account in collective bargaining of the serious implications of the differential for youth unemployment.

14. We also recommend giving young people access to a wider range of jobs through better notification of vacancies and part time jobs (paragraph 53); removing (when this becomes possible) the tax bias in favour of the two earner married couple (paragraph 54a); reviewing the commitment on the abolition of the pensioners' earnings rule (paragraph 54ii); and considering the scope for more flexible retirement (in particular early retirement on reduced pension) in both private schemes and the state scheme as well as possible longer term changes in pension age (paragraphs 55 to 58).

#### (c) Opportunities outside the labour market

15. We examine, but reject, the case both for compulsory military service and for compulsory community work (paragraphs 61 to 63, and 70).

16. We believe however that there is room for a significant expansion of opportunities for community work covering a wide range of environmental, housing, social services, and cultural activities (paragraphs 65 to 69 and 71). Problems of union attitudes and supervision and management exist but should not be overriding. Opportunities, as those under the proposed Community Enterprise Programme (CEP), should be made available to the longer term unemployed generally, (with special emphasis on regions of high unemployment) not exclusively to young people. Older unemployed may be more suitable than young people for some types of community work, and young people are likely to get better 'work experience' working alongside adults.

17. We believe that, despite union attitudes, many of the long term unemployed (older as well as younger) would welcome the opportunity of constructive work for the benefit of the community without the incentive of payment of 'rate for the job' (which was the basis of STEP and is proposed for CEP). The alternative we propose - benefit plus a small premium - would release resources which would allow the proposed CEP programme to be doubled at little or no extra cost, or to be quadrupled at an additional net exchequer cost of £35 million.

18. We recommend that Ministers should consider a major initiative to expand community work for the unemployed on this basis to 100,000 places (as compared with the 25,000 places proposed under CEP). (Paragraphs 72 and 73).

#### An overall package

19. Although the three main proposals which emerge - the mandatory training year steps to contain or widen the wages differential, and an expanded community work programme - could be separately pursued, we believe there would be merit in treating them as a coherent package (paragraphs 74 to 76). We estimate that this could be done at an additional net Exchequer cost of around £120 million, around £85 million for the training year, and £35 million for community work. (The net cost of the training year would be reduced if unemployment continued to rise.)

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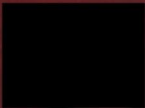
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# Unemployment and Young People

Report by the Central Policy Review Staff

FEBRUARY 1981

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UNEMPLOYMENT  
AND YOUNG PEOPLE

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UNEMPLOYMENT AND YOUNG PEOPLE

PART I: INTRODUCTION AND BACKGROUND

INTRODUCTION

1. At the end of last year Ministers asked the CPRS to carry out a study of unemployment, with special reference to young people. We were asked to produce at least an interim report by mid-February. We are grateful to all departments (and the MSC) whom we have consulted, and who provided us with a great deal of information against tight time limits. We were able to fit in a number of visits (including MSC special programme activities in Liverpool, Birmingham and Coventry), and discussions within Whitehall, and on a personal basis with some 'outsiders' (including people in local government). Departments have had an opportunity (though a short one) to comment on our report and we have taken account of a number of their points. But the views reflected in the report are of course ones for which the CPRS is itself responsible.

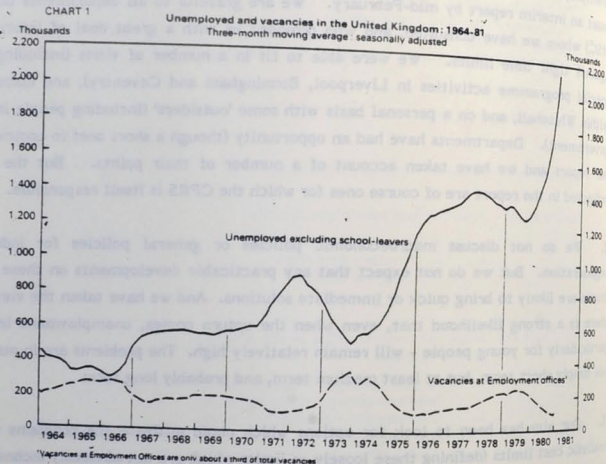
2. We do not discuss macroeconomic policies or general policies for industrial regeneration. But we do not expect that any practicable developments on these wider fronts are likely to bring quick or immediate solutions. And we have taken the view that there is a strong likelihood that, even when the upturn comes, unemployment levels - particularly for young people - will remain relatively high. The problems are in our view not simply short term, but at least medium term, and probably long term.

3. Our aim has been to look for options which could mitigate the problems within realistic cost limits (defining these loosely as limits which are not obviously inconsistent with the Government's wider economic objectives). In the time available we have not been able to explore all the options reviewed in the report in as much detail as we would have wished. In particular we have been able to look only briefly at the problem of long term unemployment among adults, although some of our proposals are relevant to adults. But we think that a number of possibilities have been developed to the stage at which Ministers can now usefully decide whether they favour them in principle, and give a steer to further work. We start by outlining some of the main features of current and prospective unemployment, particularly for young people.

BACKGROUND

Unemployment in general

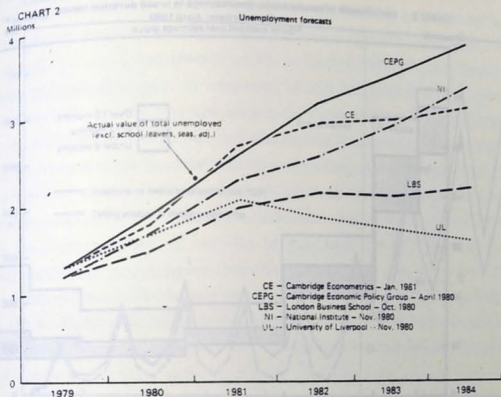
4. Unemployment has been on a rising trend for well over a decade (Chart 1). The increase has been particularly sharp in the last year. Last month (January 1981) a total of 2.2 million people\* were unemployed, 9.3 per cent of the labour force. This level of unemployment is unprecedented in the post-war period.



5. Forecasts of the future course of unemployment differ widely (Chart 2). None suggest that there is any early prospect of a return to pre-1978 levels.

6. The Manpower Services Commission's forecasts (which we use elsewhere in this report) assume total unemployment of 2.75 million by the end of 1983. But several forecasting bodies are more pessimistic: they expect the total to exceed 3 million some time between 1982 and 1984 (Chart 2). The increase will hit all regions but the resulting level of unemployment will be twice as severe in the worst hit regions (North West England and Wales) as in the best (South East).

\*United Kingdom, seasonally adjusted and excluding school leavers.



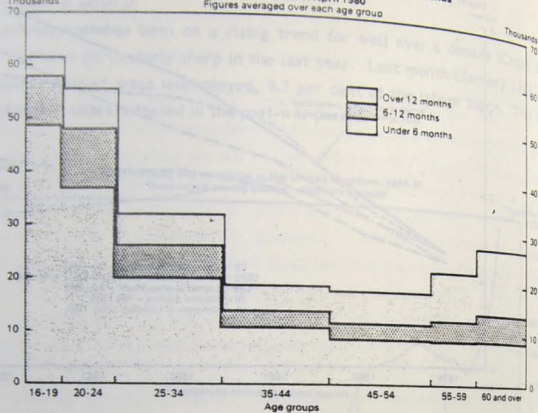
7. Long term unemployment is also likely to increase significantly over the next two years, even if total unemployment does not rise as much as is widely predicted. This is because of the inevitable time lag before employers start to recruit again after an upturn. The numbers who have been unemployed for more than 6 months are likely to exceed 1 million for the first time (in the post war period) this spring. The numbers who have been without jobs for a full year are likely to pass the half million mark this summer: on the MSC's forecast they would reach three quarters of a million by late 1983.

Unemployment and Young People

8. The impact of unemployment at these levels on young people, as on other groups in the working population, is serious, but it has a number of special features (see Chart 3). The key points are -

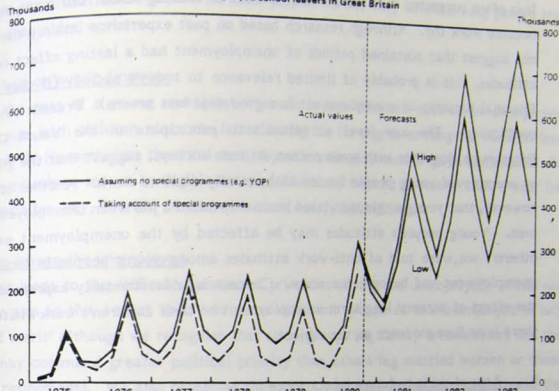
- a. Unemployment rates are disproportionately high among the whole of the under 25 age group (well over 10 per cent in October 1980) compared with 5 per cent for the 35-54 age group;

CHART 3  
Levels of total unemployment by age in broad duration bands  
in Great Britain: April 1980  
Figures averaged over each age group



- b. the young predominate particularly among the shorter-term unemployed (under 6 months), but longer term youth unemployment (over six months) is already significant - over 1 in 5 of those unemployed under 25 - and is growing faster than for other age groups.
- c. Over the year to October 1980, youth unemployment (under 18s) rose faster than unemployment in general. This occurred despite the operation of the Youth Opportunities Programme (YOP) which is taking an average of 95,000 young people off the unemployment register in 1980-81.
- d. The main cause of youth unemployment is the recession, but the demographic peak of young people and the rise in their relative wages over the last 15 years or more are also contributory factors.
- e. Because of depressed recruitment conditions a further big increase would be likely in youth unemployment, particularly among school leavers, in the absence of special measures (Chart 4).

CHART 4  
Unemployed school leavers in Great Britain



- f. There is considerable uncertainty about forecasts on youth unemployment, but if the MSC's most pessimistic forecasts were borne out 70 per cent of the entire labour force below the age of 18 could be without an ordinary job by the end of 1983. About 55 per cent might not have had an ordinary job since leaving school. Total unemployment (excluding the effect of special measures) among the under 18's could reach 490,000 by the beginning of 1982 and 590,000 by the beginning of 1983 (compared with 172,000 in 1980).
8. Current plans allow for 440 thousand young people in 1981-82 and subsequent years to pass through the Youth Opportunities Programme (YOP).
9. Annex A contains relevant further details on unemployment generally, and unemployed young people in particular - including age distribution, characteristics of the young unemployed and regional and ethnic variations.
- Some consequences of youth unemployment
10. Some of the possible implications of unemployment, particularly of young people are set out below:

a. Attitudes to work

It is often suggested that failure to find work on leaving school will lead young people to become work shy. Although research based on past experience (mainly the 1930s) does not suggest that sustained periods of unemployment had a lasting effect on later work attitudes, this is probably of limited relevance to today's society (if only because the financial hardship of unemployment is a good deal less severe). Present day evidence is conflicting. The low level of refusals to participate in the Youth Opportunities Programme, together with some recent attitude surveys, suggest that the great majority of unemployed young people (under 18s) actively want to work. Another study showed, however, that young single men tried less hard to find a job when unemployed than family men. Young people's attitudes may be affected by the unemployment experience of others: we were told of anti-work attitudes among young people in localities where unemployment had become the norm. Concern is understandably expressed, too, about the effect of parents' long term unemployment on their children's work attitudes, though there is no firm evidence on the subject.

b. Loss of skills to future labour force

To the extent that the decline in jobs for young people is associated with a decline in training opportunities, there may be a permanent loss of skill to the future labour force, especially under the apprenticeship system which usually has to be entered at 16.

c. Crime and vandalism

There is research evidence of links between unemployment and criminal behaviour. The problem is determining which comes first: people who are liable to commit crimes are also likely to find it difficult to get jobs. Nevertheless, from the point of view of law and order, the fact that unemployment leaves some potentially troublesome youngsters with nothing to do is a cause for justifiable anxiety. Chronic youth unemployment is recognised to be a major obstacle to the restoration of order in Northern Ireland.

d. Ethnic minorities

Ethnic minorities experience above average levels of unemployment and high unemployment has recently spread to areas with large ethnic minorities, (see Annex A). There are risks that this could encourage racial resentment among the minorities concerned, while at the same time race relations more generally may suffer from widespread unemployment in all groups.

e. Financial hardship and health problems

These are important consequences of unemployment, but they affect young people less severely than older workers.

f. Effect on public finances

Clearly the cost of a young unemployed person is less than the cost of an unemployed married man with children, since the latter is eligible for a greater range of benefits (see paragraph ). Nevertheless the total cost of youth unemployment is quite significant. An unemployed school leaver is eligible for supplementary benefit at nearly £800 a year (so that benefit for, say, 100,000 16 year olds costs nearly £80 million).

Priorities among the unemployed

11. This leads to the difficult question of priorities among the unemployed. It has not been our aim in this report to try to place different groups of the unemployed in any 'order of merit' although we recognise that some groups (eg family breadwinners and the young) may command greater political priority than others (eg married women or those nearing retirement). We also recognise that much is already being done to mitigate the plight of the young unemployed. We have therefore generally sought to suggest policy options which, so far as possible, are likely to help young people without aggravating the position of other parts of the work force. We also make some proposals which would either help the unemployed (including the young) generally or are more specific directed towards the adult unemployed.

Cost of unemployment compared with job creation

12. It is sometimes suggested that, given the public costs of unemployment, Government should do more to reduce unemployment by creating additional public sector jobs (eg through a major programme of public works). It is true that an increase in unemployment caused by a reduction in private sector employment has a substantial effect on exchequer costs and tax revenues. A Parliamentary Answer last autumn gave £6,000 as the total financial cost of the additional unemployment of a married man with two children. (The equivalent cost for an average unemployed person is £3,500.) These figures are, if any thing, under-estimates, and they undoubtedly have some relevance in assessing the case for supporting existing jobs in the private sector.

13. But it does not follow that the public sector could justifiably spend a similar amount on, say, a programme of public works to generate replacement jobs. The gross wage which could be offered at no net cost (taking account of benefit savings and tax and NI contributions set offs) would be no more than £3,090 (about £50 above benefit level) for a registered unemployed married man with 2 children, and only £1,340 (£90 above benefit level) for a registered unemployed person of average characteristics. The latter is the more relevant figure for a conventional programme of public works (eg road building) which could not in practice be targetted exclusively on family men on relatively high benefit; it clearly would not be seen as a viable adult wage level. Moreover these figures do not include costs of materials or administration. It follows that the option of a public works programme is no panacea. It could be pursued but only at a very substantial exchequer cost. The option is not discussed further in this report, because we have regarded options with significant macro-economic or reflationary implications as outside our remit.

14. Special employment measures, on the other hand, such as the Youth Opportunities Programme (YOP) and the Community Enterprise Programme (CEP) provide an alternative form of employment much more cheaply than conventional public works, (although they still entail a net exchequer cost of about £1,400 per job). These are discussed in the report.

## PART II: POLICY OPTIONS

15. The rest of this report considers various policy options for reducing the level of unemployment among young people, and, to a limited extent, older age groups. We have grouped the options under three main heads. Section A (paragraphs 21 to 42) centres on training and education; section B (paragraphs 43 to 59) on the scope for creating more opportunities in the ordinary labour market, and section C (paragraphs 60 to 73) on creating opportunities outside the ordinary labour market. We conclude - section D (paragraphs 74 to 77) with some comments on our proposals as a whole. We started by giving particular thought to what could be achieved in the private market. But, although this undoubtedly offers some scope, it is in our view unlikely to produce results which are quick or, except in the longer term, readily perceptible. We therefore start with training and education because, so far as young people are concerned, this is the area where in our view there are options which deserve serious consideration by Ministers and which could have both a significant and relatively immediate impact on unemployment levels.

16. To have an impact on the problem of youth unemployment in the relatively short term, it is sensible, where possible, to build on existing programmes and initiatives. It is therefore important to set the context for our proposals by briefly outlining the relevant current policies and developments.

### EXISTING POLICIES AND CURRENT DEVELOPMENTS

17. The Government are already doing a great deal to mitigate youth unemployment. They are also considering several initiatives affecting young people in the transition from school to work and adulthood, which are relevant, and provide a basis for further developments. The main items are -

#### i. Youth Opportunities Programme (YOP)

The dominant element of the present scene is the Manpower Services Commission's Youth Opportunities Programme (YOP), which provides a spell of work preparation or work experience to any 16-17 year old who is unemployed for a long period. In 1980-81, at a public expenditure cost of £210 million, YOP is taking an average of 95,000 young people out of unemployment. There are now plans to improve the training content of YOP and to expand the programme to cover 440,000 young people at a total cost of £310

million taking an average 130,000 off the register. About two thirds of YOP places consists of spells of work experience at an employer's premises (unhappily known as WEEP). A fuller outline of YOP is given in Annex B. The extent to which a WEEP place is substituting for recruitment is a matter of concern. We suggest some measures in Annex B that would reduce this and therefore increase the cost effectiveness of YOP.

#### ii. New training initiative

The Government hope to move towards an ultimate objective of universally available traineeships for young entrants to employment. They have agreed in principle to launch jointly with the MSC a new training initiative (NTI) which would link a commitment to develop traineeships within industry with the objectives of reforming apprenticeships and opening up opportunities for adult training and retraining. The development of traineeships within industry would be modelled broadly on unified vocational preparation (see iii below), with YOP providing traineeships for the unemployed. Ministers will shortly be invited to consider a draft consultation paper on NTL. This will deal inter alia with the mechanisms by which these objectives are to be achieved, the nature of the Government's contribution and the timing.

#### iii. Unified vocation preparation

Since 1976 the MSC and the Education Departments have jointly run a small experimental programme of unified vocational preparation (UVP) courses for young entrants to employment. UVP schemes are chiefly organised by Industrial Training Boards and vary in nature and length between industries. The central feature of the schemes is about 40 days off the job training and education, within the first year of employment. The trainee is an employee, and the employer pays a full wage, the state supplying free education and a £4 subsidy for each day off the job. The aim is to expand the scheme from the present 3,500 places to about 20,000 by 1983-84.

#### iv. Vocational preparation in schools and colleges

Efforts are being made to increase the vocational content of courses in schools and FE colleges, both before and after the age of 16, eg through the foundation courses of the City and Guilds of London Institute, and through the new pre-vocational courses which are planned for 16-17 year olds continuing in full time education. The MacFarlane Committee has asked LEAs to bear this objective in mind in reviewing their institutional arrangements for educating 16-18 year olds.

#### v. Links between education and training

Ministers will shortly receive a report from the Manpower Group on the scope for improving links between education and training. The report is likely to recommend further work on the subject including clarification of financial responsibilities and possible changes in organisation.

#### vi. Financial support for 16-18 year olds

There has been much concern in recent years about the anomalies in the arrangements for supporting 16-18 year olds who are not in employment. Those in full time education are supported by their parents, with family income support through child benefit, Family Income Supplement (FIS), national insurance and supplementary benefit (SB). The unemployed are entitled to SB (£15.25 per week) in their own right. YOP trainees get £23.50 per week. H Committee will shortly receive a further report from officials (MISC 45) on the pros and cons of a youth benefit (YB) which would eliminate the differences in financial support for unemployed 16-17 year olds and those in education. YB would support both groups on the same basis. It would consist of two elements - a flat rate broadly equivalent in value to child benefit, and for poorer families a graduated additional element related to family means. (We give views on these proposals in Annex E).

18. We support the objectives of the various initiatives described above for the education, training and vocational preparation of young people. But we think they suffer from the lack of a coherent framework. For example the related decisions to develop work preparation courses in schools, to double YOP and improve its training content, and to expand traineeships in industry have been taken separately and presented independently. There are two dangers of this piecemeal approach

- the available resources may not be used to best overall effect;
- the impact will be considerably less than if they are considered and presented as a coherent whole.

19. It is moreover far from clear that the Government have sufficient mechanisms to deliver the various objectives, particularly the development of universal foundation training and the reform of apprenticeships. On the former, even to achieve the present modest expansion targets for UVP (see paragraph 17 iii.) will require an energetic

campaign to persuade employers, based on the evidence of direct benefits to employers who have already participated in YVP. Unless the Government were prepared to employ wide coverage of Industrial Training Boards and direct the use of levy exemption powers (which would not fit easily with decisions already taken on ITB's) they will not be able to force the pace. On the vital issue of getting trainees to pay for their training in lower wages the Government can seek to cajole employers and trade unions (see paragraph 44) but the outcome must be uncertain. The same holds good for reforming apprenticeships. The Government have a limited amount of leverage in the £30 million through which it provides marginal support for first year apprenticeship training. Strings could be attached to this support in future eg the abandonment of age restrictions on entry and the adoption of broader, standards-based training. But this would affect apprenticeships only at the margin.

20. As a minimum we believe that when the Government launches the new training initiative (NTI) it should do so on the basis of a wide ranging policy document covering the full range of initiatives. But what is really needed in our view is an integrated initiative which relates the various developments both to each other and to the growing problems of youth unemployment. This forms the core of our main proposal in section A below.

SECTION A: TRAINING AND EDUCATION OPTIONS

21. Major anxieties about current levels of youth unemployment coincide with concern about training (particularly of young people) and the launching of a New Training Initiative. There is in our view an opportunity to bring these two themes together. But the worsening prospects for youth unemployment (with the possibility that by the end of 1983, as much as 70 per cent of the labour force under the age of 18 might be unemployed or on YOP - MSC forecasts, paragraph 8f) are, in our view, sufficiently serious to demand a radical new approach. Our remit made it clear that compulsion was not to be ruled out. We consider it later in relation to both military service and community work and reject it in those contexts. But we do see a good case for compulsion which introduces a mandatory year of foundation training for school leavers emerging from compulsory education at the minimum school leaving age. This would make a major impact on youth unemployment. It would draw together the various strands outlined above. It would also achieve a major training objective which would take much longer to achieve - if it was indeed achievable - by voluntary means.

a. A universal training year

22. The essence of the proposal is to reduce the size of the labour force by raising to 17 the age of entry to the normal labour market. (We define 17 as one year after the present minimum school leaving age.) In return every 16 year old who did not opt for continuing full time education would be entitled to a year of foundation training. He or she would have the choice of

- an approved traineeship or apprenticeship offered by an employer;
- a training year broadly on the lines already envisaged for the development of YOP (see Annex B), incorporating work experience, work preparation, and day release.

Initially TY would provide most of the additional training (as YOP is increasingly tending to do at high levels of unemployment) but in time we would expect the balance to shift to employer traineeships. Those aged 17+ would no longer be entitled to YOP (which would be subsumed into TY), but those who had left school at 16 would have had, through TY, as long or longer a period of training than YOP offers and, in addition, would be able to compete for jobs currently filled by school leavers aged 16+.

23. We estimate (see Annex C) that the training year (TY) would reduce the level of registered unemployment by about 200,000 above the 130,000 reduction resulting from YOP, at the present level of unemployment. (On the MSC forecasts for 1982/83, the register effect would be nearly 300,000). About half the effect would come from the elimination of unemployment among 16 year olds. The other half would come from the take up by people aged 17 and over of about 100,000 jobs formerly filled by 16 year old school leavers. It seems reasonable to assume that most of these jobs would be taken by unemployed teenagers aged 17 and over.

24. Young people on the training year would receive only a modest sum in their own right, allowing parents on lower incomes to claim additional support (as under the Youth Benefit proposals). We suggest about £10 per week for each young person on the training year ie about £5 on top of Child Benefit; (the current SB level for 16 year olds is about £15 per week). This could be supplemented by a contribution (say £5 initially) by employers who were providing work experience (see paragraph 28 ii.) Each additional pound provided by the state for TY trainees would increase the cost of the scheme by about £15 million. Families with children in full time education would only receive Child Benefit as at present.

25. On these assumptions, the scheme could be implemented without a major increase in net exchequer cost - about £75 million more, we estimate, than present plans. Unlike YOP, the net cost would fall rather than increase <sup>at</sup> higher levels of unemployment, and, as unemployment fell, we think it should be possible to shift more of the costs back to employers (see paragraph 28 ii). On this basis TY would be much more effective than YOP in terms of reducing unemployment. It would also be much more cost effective than the total net cost of TY per unit reduction in unemployment would be about £800 per year compared with £1,400 per year for YOP at present (Annex C gives the estimate of the costs and savings involved).

#### Feasibility

26. About 170,000 additional training (ie YOP) places would have to be found. We would expect over half of these to arise, first from making better use of the existing places, and second from some employers who, denied the chance to recruit a 16 year old, would provide WEEP places (see Annex C). We assume that each training year would include at least 6 months of work experience, (mostly on employers premises), training courses provided in a variety of institutions, and continuous day release for further education. We think the required expansion of YOP type places ought to be feasible; as only 1 employer in 10 currently provides work experience for YOP trainees, there is a large untapped resource. We understand that, in broad terms, MSC officials consider that such an expansion should be achievable. For further education, at present the MSC buys about half its requirements for YOP from the private sector; assuming that proportion was maintained for TY, the required expansion of public sector FE would be just under 10 per cent of present provision (see Annex C.) Falling rolls mean that it should be possible to find the physical capacity to meet such an expansion.

#### Advantages of TY

27. It seems to us that TY would have the following advantages -

i. It significantly reduces unemployment:

It would eliminate unemployment among 16 year olds entirely and would reduce a unemployment among other young people by about 100,000 on this years figures: a total register effect of 200,000 above the 130,000 register effect of YOP at present. At no increased cost, the register effect would be much higher were the level of unemployment to rise. The reduction in unemployment among the post 16s would be due to jobs no longer being taken by 16 year olds. Since it would be a national programme all areas would benefit. But the effect for the post 17s would be less marked in areas of high unemployment, although in these areas the direct register effect of removing the 16 year olds would be greater. (We make other recommendations to help the high unemployment areas in paragraphs 71 to 73.)

ii. It provides a coherent policy for young people in transition from school to work  
TY would enable the Government to bring together the separate strands of policy for young people in a single major Government initiative. It would:

- achieve the desired conversion of YOP from a stop gap measure to a programme of structured training opportunities;
- incorporate the development of traineeships in employment modelled on UVP;
- implement the new training initiative as it affects young people - universally available training for all school leavers;
- incorporate the reform of financial support (for 16 year olds but not 17 year olds) on 'Youth Benefit' principles as part of a total package which reduces youth unemployment and does more for young people (presentationally this should be more attractive than benefit changes taken on their own);
- embody the approach to pre-vocational education which the Government is advocating for full-time education through the "17+ courses/examination".

28. TY would also provide a means of getting the NTI effectively "off the ground" and giving it considerable initial impetus. Its advantages in this context would be:

i. It provides levers to encourage training reforms within industry

By taking powers to approve forms of training for 16 year olds provided by employers, the Government would be able to exert pressure for the gradual reform of apprenticeships and the extension of traineeships within employment. Criteria for approval of new traineeships would be tightly drawn and could include a minimum of two days a week full time training or education. We envisage that initially all recognised apprenticeships would be approved, but a date (perhaps 2 years ahead) could be set after which further criteria, relating to content of training and perhaps wages, could be applied.

- ii. It can provide a mechanism for swinging back to employers the financial burden of providing foundation training, as the employment situation improves

Through YOP, the Government is already shouldering the burden of work preparation and foundation training for a very large and growing part of the school leaver population. The NTI aims to swing the responsibility back to the employers but it is not clear how this would be achieved. TY would face the same problem, but to deal with it, we suggest that a financial lever should be built into TY by requiring employers who are WEEP sponsors to supplement the trainee's allowance. MSC's initial reaction is that, in the context of a universal training year, this would be unlikely to lead to a significant reduction in WEEP sponsors. The employer's supplement could initially be set at a low figure but could be adjusted over time so that the cost, together with the diminishing supply of young workers, would lead employers increasingly to prefer to recruit a 16 year old and provide a foundation training themselves, rather than engage an older trained person or provide a WEEP place.

- iii. It makes young people "pay" for their training

Young people on TY would receive a modest allowance well below a normal wage. It would be possible, in time, to prescribe a low training wage for those being trained by their employer (including apprentices). This would be a means of achieving a particularly desirable objective of the NTI - the lowering of the training wage - which is unlikely to be achieved voluntarily.

- iv. It provides a training for young people who are taking jobs below their ability

The present high unemployment levels, and low level of employer training, means that the middle range ability school leavers are being selected for jobs at the bottom end of the range, while the lower ability leavers get some form of training through YOP. This is not likely to achieve the best use of the nation's potential manpower when the economy recovers. TY would provide these middle range ability young people with training.

- v. It makes more effective use of YOP facilities

Under TY a programme would be mapped out for every young person in the knowledge that he would not be leaving at unpredictable moments to take up a job. Without this assurance present aspirations for a structured training of good quality on YOP are unlikely to be fulfilled. The reduction in turnover compared with YOP would allow more efficient rise of training and work experience places.

#### Possible objections to TY

29. There are a number of objections that must be considered:

- i. Possible loss of productive potential

By substituting training for work (whether the training is done by employers or the state) TY will permanently reduce the available supply of labour. We would hope however that it would lead to productivity gains from the creation of a better trained work force more ready to adapt to the needs of the future. Although it removes about one third of one year's age group from the labour supply, TY is unlikely in our view to lead to a shortage of labour in an upturn as

- unskilled 16 year olds are not likely to be critical to output;
- the 'approved' traineeship, allowing more work than TY, leaves an escape route;
- married women provide a flexible alternative supply of labour.

- ii. Union opposition to reduction in allowances

The TUC supports universal traineeships but is likely to oppose a substantial reduction in the wages and allowances of trainees on grounds of exploitation and cheap labour. It is not clear how large a reduction would be viewed as a fair quid pro quo for traineeships. It would not be possible to get TY off the ground in the face of outright union resistance. We have not been able to assess what the likely reaction of the unions (or the TUC) would be to TY, but it is a factor that would need to be borne in mind when developing more firm proposals. A great deal would depend on positive presentation of the total package, and on persuading the unions that the beneficial effects on unemployment problems and training objectives justify the overall approach.

iii. Loss of money and independence for young people

There would be bound to be resentment among some young people (and perhaps their families) who could have found jobs in the normal way at 16; this would be greater in areas where there was a higher chance of employment, ie the lower unemployment areas. Many would not be persuaded that a basic traineeship was an investment for their future, nor that for one year it would be better than a job with no training, particularly if the training allowance was appreciably less attractive financially than YOP currently is. Among the young people on YOP to whom we spoke we found unanimous agreement that it was much better than being on the dole, and also much better than being at school; but there was also a high level of agreement that a 'real job' would be better still. Such views will have something to do with status as well as finance, and TY would go a long way to removing the status problems. Much would depend on how the scheme is presented and marketed, and on the success in developing training schemes of good quality. As TY would be a once for all change, any resentment would be felt most acutely by those caught in the first year of the change.

iv. Another year of "School"

We think that as long as TY was not based on an education institution, the young people would not view it as a continuation of school. YOP already deals with the bottom end of the ability range and has a refusal rate of less than 1 per cent. The extra tranche of young people coming on to TY would be the middle ability ones who may be more highly motivated than the current YOP clientele.

Forms of compulsion

30. There are two possible methods of implementing TY. The first is to make attendance compulsory in the same way as education is for the under 16s, with similar sanctions and enforcement arrangements. The second is to make TY an entitlement, not an obligation, but to make no financial support available to those who do not attend. Under both approaches it would be illegal for an employer to engage a 16 year old, except for an approved traineeship (other than on the terms under which school children under 16 can currently be employed).

Organisation

31. If TY were favoured in principle, important decisions would be required on institutional responsibilities for launching it and organising, co-ordinating and delivering TY provision subsequently. This would require a detailed assessment of the options, and we ourselves have not developed any final or precise solution.

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32. But we are convinced that a successful TY would require lead responsibility to lie either with the MSC and its area organisation, or at least with an organisation which made use of existing MSC experience and staff resources. There are several reasons for preferring this to an organisation based on education authorities -

i. Although education is an essential thread in the TY package, the main emphasis is on training and work. It must be, both in substance and in presentation, work related rather than school related.

ii. TY would build on the experience of YOP which has been co-ordinated and developed by the MSC.

iii. TY would require central funding and - although delivery would be local and locally organised - a degree of central control and direction.

iv. For the education element of TY, the private FE market, as well as public FE should play a full part. (Under YOP the MSC buys about 50 per cent of the FE privately rather than from LEAs.)

v. It is arguable that for a work-based TY it would be an advantage to have the tripartite structure of the MSC; the strength of this argument would depend on how far the trade unions welcomed TY and were willing to co-operate.

33. We are inclined to think that the most viable structure would be to give the lead responsibility for organising and delivering TY to a body which brought together present MSC responsibility for both YOP and other training services (at least so far as these affect young people) and made use of the existing MSC regional organisation. As with YOP at present, the function would be primarily one of 'brokerage' in that actual provision would be through a wide variety of agencies and sponsors (employers, local authorities including LEA's, voluntary sector, private FE etc). It would be for consideration whether a special title, eg Youth Commission, would be desirable.

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34. A Rayner scrutiny on the future organisation of the Training Services and Special Programmes Division of the MSC has recently been completed. We understand that this favours bringing closer together responsibilities (both at the centre and regionally) for YOP and training services generally. We think the general lines of the scrutiny are not inconsistent with our own approach, although the pros and cons of different organisational structures would need to be reassessed in the context of TY.

35. There is also the distinct but essential function of planning, guiding and placing school leavers during their TY. The careers service seems the most logical base for this, as it is for YOP. The careers service is at present under LEA control; its quality is highly variable from area to area, and its activities are divided between guidance for children still in school and placement work for school leavers. Its functions in the latter area have been growing, and have been reinforced by posts directly funded by DE (already 1 in 8 of careers staff). If TY were to be favoured we think it would be necessary to review the role of the careers service in the context of TY. This would need to cover two main issues - first, the balance between in-school work and post-school placement (arguably one could rely more for in-school work on career-advice specialists from schools' own staff); and second, the relationship of the careers service (or at least that part of it concerned with post-school placement) to the organisation responsible for TY and to existing MSC job centres. It is at least open to question whether a continuing LEA based service would be the most appropriate way of ensuring an efficient relationship between those responsible for TY and those responsible for individual placement and guidance.

#### Conclusion

36. We believe the current combination of concern about high, and growing, youth unemployment, with concern about the need to secure better training for young people (and the difficulties of making substantial progress on a purely voluntary basis) make a strong case for giving serious consideration to the option of a compulsory TY as outlined above. We believe that, despite some problems, a practicable scheme can be devised without excessive cost. The time constraints are legislation (which could be controversial), and the need to build up sufficient training opportunities, to achieve a modest expansion of further education, and to develop suitable courses. If priority could be given to legislation, we believe that the training year might, with sufficient commitment, be introduced in autumn 1982. (There is much existing experience, under YOP in particular, on which to build.) But if legislation had to take its chance in the 1981/82 session, a more realistic date would be autumn 1983. Whatever the date of introduction, the problems which TY would help to tackle are not short term ones.

37. If Ministers are attracted by the idea, we recommend that officials should be asked to consider the proposal urgently and to report as soon as possible with a more fully worked up proposal, and with advice on feasibility and timing.

#### b. A voluntary approach

38. TY aims to reduce unemployment by withdrawing 16 year olds from the labour force, and requiring them to remain in full time education or training, thereby releasing jobs for those aged 17+. Some progress to the same objective could be made by voluntary means although the impact on unemployment would be much more modest than with TY (a possible register effect of 70,000 compared with 200,000 for TY). The approach would involve -

- substantial reductions in benefits and YOP allowances;
- offering a training year to unemployed school leavers through YOP;
- measures to increase the staying on rate in full time education;
- measures to encourage more training (which could mean that employers would need to increase recruitment to maintain output).

39. This would be equivalent to a further expansion of YOP financed by substantial cuts in the level of benefits and allowances. This approach is outlined in Annex D. It would be considerably less effective than TY in reducing unemployment; it would also be less cost effective. We think it would also be less effective in achieving the training objectives. But if TY were not favoured, we would recommend that the voluntary approach should be considered.

#### c. Training for skills

40. Whether or not the idea of a training year is adopted we think there is a good case for giving more emphasis, in the context of measures to tackle youth unemployment, on training for skills. The main objective would be to increase, as a temporary counter-cyclical measure, the supply of skills which might be scarce when there is an upturn in the economy. A secondary objective would be to ensure that the more able unemployed young people from high unemployment areas were able to develop their potential to the full. This would not only lead to a more effective use of the nation's manpower, but would provide the young people with marketable skills which would better equip them to move to areas offering better job prospects.

41. We have 2 specific recommendations -

i. The Ministry of Defence should be authorised to reinstate as soon as practicable a substantial programme of apprentice recruitment, over and above the Department's immediate needs. Since this programme would be in direct response to youth unemployment, we consider that the extra apprentices and their instructors should not count towards MOD staff limits. We understand that the MOD could accommodate between 500 and 700 extra apprentices a year.

ii. The MSC's threshold programme of computer training for school leavers should be given the same priority for public expenditure purposes as YOP. At present its funds run out after 1981/82. This seems short-sighted given the large current need for computer skills across all sectors of the economy. It would seem logical for the scheme to be merged with YOP.

42. Beyond this, we have not in the time available devised a complete set of proposals for training for skills. In view however of the growing numbers of more able young people among the unemployed, and the large amount of spare training capacity available in further education colleges, in nationalised industries and in large firms, we believe the time is right for an urgent review of the contribution which the Government is making to training for skills, through the various arms of the MSC (including YOP) and apprentice recruitment by Government Departments. We recommend that the Department of Employment should be invited to come forward as soon as possible with proposals for a skills training package, biased towards the areas of high unemployment. We suggest an upper cost limit for such a package of say £50 million a year.

SECTION B: MORE JOB OPPORTUNITIES IN THE ORDINARY LABOUR MARKET

43. Whatever other measures are taken, it would clearly help if more job opportunities for young people could be made available in the ordinary labour market. But, unless genuinely additional jobs can be provided, more jobs for young people may mean fewer jobs for other groups in the working population. The 'displacement' effect of any measures in favour of the young need to be carefully weighed. It is no good helping young people to find employment if this is likely significantly to worsen unemployment among other groups - eg family breadwinners, or younger adults - which command equal or greater priority.

44. The options considered below try to take this into account. They are as follows-

- a. Action to widen differentials between young people and adults.
- b. Government subsidies for youth employment (including eg the remission of national insurance contributions)
- c. Giving young people access to a wider range of jobs
- d. Reduce financial incentives to work for married women and pensioners
- e. More early retirement.

a. Action to widen wage differentials between young people and adults  
45. The wages of young people (in particular boys) relative to adults have risen significantly over the last twenty years (see Annex A). A priori, it seems likely that this has reduced market demand for their labour, and some available studies tend to confirm this. Moreover employment of young people seems to be more sensitive to relative wages than the employment of adults. There is some evidence to suggest that a 1 per cent rise in youth earnings relative to adult earnings may, even in the fairly short term, reduce youth employment by between 1 per cent and 2 per cent. The effect seems stronger for boys than for girls.

46. If it were possible to widen the differentials again, almost certainly additional employment would be created, but there would also be an adverse effect on other groups. Some studies found evidence of substitution between boys and men. But another study found that women (both full time and part time) were the main substitutes for youths. There is anecdotal evidence which supports this. There is foreign evidence (from Denmark in particular) that too wide a disparity in wages between juveniles and young adults promotes juvenile employment at the expense of severe unemployment and redundancy problems among the slightly older age group. On the other hand, the current United Kingdom relativities are high compared with many other countries, eg Germany, where the disparity does not seem to give rise to major problems. Clearly the appropriate relativity is a question of balance.

47. Our own judgement is that, given both the significant increase in relative youth wages and the higher than average unemployment problem among young people, there is a good case for at least trying to prevent any further relative wage increase, and, if possible, reversing some of the increase which has taken place. The latter is likely to have some adverse effect on adult employment (some, perhaps particularly in service industries, at the expense of married women, but also affecting men). But additional jobs would also be created.

48. The Government's ability to influence wage levels for young people is limited. But we recommend an approach on the following lines -

i. Levels of benefit and allowances The floor for wage bargaining for young people must be influenced by benefit levels, and also by the level of the YOP allowance and training allowances. (A table setting out the present range of benefit and allowance levels is given at Annex E). We argue in Annex D that for training/educational reasons these levels for the 16/17 age group should be substantially reduced. Such a reduction would in our view also be justified as an indirect means of bringing down relative wage levels. Specifically we suggest

- Benefit changes on the lines devised by the interdepartmental group on financial support for 16-18 year olds - the Youth Benefit proposal. 16/17 year olds living at home (the great majority) would be regarded as primarily dependent on their parents when not in work. They would have no independent entitlement to supplementary benefit, but would be entitled to flat rate Youth Benefit with additional financial support related to family means. (In Annex E we discuss alternative forms of YB.)

- although a reduction in the YOP allowance would be controversial, we think it should be set at a level which maintains a similar premium (about £8 over SB) as at present.

- Changes in entitlement to unemployment benefit for those under 18 should be considered. Entitlement should either be postponed to 18, or should be reduced for those under 18 (eg by relating benefit to contributions actually paid rather than to credits). This can be justified on the basis that young people under 18 can properly be treated as dependent on their families for

support. In our view a reduction in UB is needed because, even though only a minority of unemployed 16-17 year olds claim UB, it is possible for some to get an entitlement to UB after only a few weeks work, and a continuing high UB rate paid to a minority would be widely regarded as a floor below which wages and the YOP allowance should not fall.

Training allowances for 16/17 year olds are at present somewhat more than the present YOP allowance: we think these should be similarly reduced - to the YOP level.

But we recognise that changes on these lines will be more difficult to "sell" in isolation, than as part of a wider package.

ii. Wages Councils. It would in our view be helpful if Wages Councils, which set minimum wages in low wage industries where normal collective bargaining does not apply, were either to exclude juveniles from their scope, or to provide for lower minimum levels for them and/or a more gradual rise to adult earnings levels. The Department of Employment was asked to consider this exclusion when the Ministerial Sub-Committee on Economic Affairs discussed the general future of Wages Councils last autumn and decided that they should not be abolished altogether. The DE should be asked to complete their assessment, and their conclusion should be considered in the wider context of this report.

iii. Employers. The Government, through the CBI and other employer organisations, should seek to persuade employers that differentials should not narrow further, and should, if possible, be widened. We believe that there is scope for this, both where young people are outside collective bargaining (around one-third), and even where collective bargaining applies (around two-thirds). Most employers at present pay above nationally agreed minima. And there is some evidence that concessions on juveniles' pay may be too easily given since the effect on an individual employer's pay bill is small. Employers should be urged to take account of the serious cumulative effect of their individual decisions on youth employment prospects generally.

iv. Unions. A similar approach might be made to the TUC, based on the argument that union pressures to improve wages for young people have reduced employment opportunities with damaging results. But, since the evidence on the precise 'displacement' effects of changes in relativities is not conclusive, it would be preferable to link any TUC approach in this respect with proposals to secure better training for young people.

b. Government subsidies for youth employment

49. An alternative option is direct Government subsidies for youth employment. Although this lies more within Government control, a major drawback, as compared with a., is that youth employment is promoted at the expense of Government rather than of young people themselves.

50. There have been experiments in the past with specific subsidies to reduce the relative cost of youth labour in order to increase youth employment, eg the last Government's Youth Employment Subsidy and the Recruitment Subsidy for School Leavers. An analysis of the results suggests that the overall effect was quite small in relation to the size of the subsidy (eg YES was worth a quarter of earnings for up to 6 months but produced rather less than 10,000 extra jobs). However, a Government subsidy scheme (with its rules and regulations) is likely to be less effective with employers than an equivalent reduction in young people's actual wages (if that could be achieved).

51. More recently there has been some discussion of a general remission of national insurance contributions in respect of the 16/17 age group. There is in our view no case for remitting employee contributions, and a general remission of employer contributions would be equivalent to a general subsidy for youth employment at the Government's expense. There is also the risk of leakage into still higher wages for young people. The cost in loss of revenue from employer contributions (affecting current receipts rather than public expenditure) would be £130 million.

52. We do not recommend general Government subsidies on these lines.

c. Giving young people access to a wider range of jobs

53. We have two suggestions -

i. Vacancy notification through job centres and careers service. Apart from apprenticeships, there are few jobs in the modern labour market which are earmarked for young people. They are in open competition with adults, perhaps especially with married women. The LEA careers services provide an employment service for young people under 18. The MSC job centre network provides an employment service for all ages, including the young. Employers can notify vacancies to either. Unless they actively want a young person they are likely to notify only the job centre. Job centres and careers offices are advised to exchange vacancies suitable for young people. It is possible that the interests of young job seekers might be better served if there was a single all-ages job information network, incorporating staff with a special responsibility for finding jobs for young people. We recommend that DE, in consultation with the MSC and interested Departments should consider this.

ii. Part-time work. Many of the jobs which young people used to do are now done by part-timers. Employers tend not to consider young people for part-time work. Some reckon that it would be wrong to offer a young person something less than a full job. But part-time work is in our view much preferable to no work at all. We recommend that job centres and the careers service, particularly in high unemployment areas, should be prepared to offer young people part-time job opportunities. There may also be scope for marketing the services of young people to do part-time and odd jobs of the kind which nowadays get done on the black economy, or by do it yourself, or not at all eg gardening, home decorating. The aim would be to provide a full week's employment for the individual comprising a package of different jobs. This could happen without state intervention, especially if the benefit changes which we propose reduce young people's wage expectations to the point where they would undercut black economy rates of pay. We recommend that the MSC should itself consider setting up schemes of this kind on an experimental basis.

d. Lower financial incentives for married women and/or pensioners

54. We would not wish to recommend measures which positively discriminate against particular groups in the labour market. But there are two groups - married women and pensioners - for whom the Government plays a part in setting the balance of financial incentives to enter the labour market, and where there is a case for reviewing that balance in the light of longer term employment prospects.

i. Married women. The present tax rules unduly favour married couples, when both are working. It is difficult to justify the fact that a two income married couple get allowances well in excess of those due to two single people. It seems probable that the fiscal bias in favour of two income couples promotes a higher participation of married women in the labour market than would be found under a more 'neutral' system. There is a strong case, on employment grounds, for removing this degree of positive encouragement to two earner couples. A somewhat lower rate (or rate of increase) of participation by married women could improve prospects for other groups, including the young. (There is some evidence that married women's job opportunities have expanded at the expense of young people's opportunities). We recommend that these implications for employment should be given full weight when decisions on the taxation of married couples are eventually taken in the light of consultations on the recent Green Paper (although we recognise that the major tax changes involved may have to be deferred until PAYE is computerised in the late 1980's).

ii. Pensioners. There is a Manifesto commitment to abolish the earnings rule for pensioners. But it has already been decided that this cannot be done (on cost grounds) within the current PESCS period. And the real level of the earnings limit has been reduced (as a result of the decision not to increase it in money terms). In current circumstances the case for giving greater incentives for pensioners to stay in the labour market (whether for full time or part time jobs) is difficult to sustain since this would undoubtedly be to a considerable extent at the expense of jobs for other groups (including young people). We recommend that the case for the eventual abolition of the earnings rule should be reviewed, and that some further reduction in the real level of the limit be considered (but not sufficient to discourage part time work, or encourage staying on beyond normal pension age).

e. Early retirement

55. Early retirement is prima facie an attractive option at a time of high unemployment. But a necessary condition is adequate pension provision (or alternative financial support as under the Job Release Scheme). Under the state pension scheme, there is no provision (other than via the JRS) for retirement with pension before 63 for men/60 for women. Reducing the pension age for men would be costly (and in practice irreversible): assuming that in current circumstances two-thirds of jobs vacated would be filled from the unemployed register (with consequent benefit savings), the short term annual cost would range from £300 million, if pension age fell to 64, to £1,800 million, if pension age were reduced to 60. (The costs could double in the longer term if a return to full employment is assumed.) An increase in women's pension age to set off some of the cost would not be acceptable without considerable advance warning, and the immediate savings would in any case be fairly small (though they will increase as the new pension scheme matures).

56. We do not think early changes in pension age for the state scheme can be recommended. But we believe that the longer term objectives of the state scheme need to be reconsidered. By the 1990's it is possible to envisage a common pension age of, say, 63, combined with flexible retirement provisions from, say, 60 to 65 with reduced pension for those retiring early and enhanced pension for those retiring later up to 65. But given the long lead times (in particular the need for long advance notice of an increase in women's pension age), this would depend on decisions being taken in the early 1980s. In order that longer term options should not be foreclosed, we recommend that the scope for both earlier and more flexible retirement in the longer term should be reviewed, taking account of longer term prospects for unemployment levels.

57. We also think that there may be scope for introducing greater flexibility for early retirement at an earlier date than it would be possible to make any change in normal pension age. The Job Release Scheme goes some way already towards this, and appears to be one of the most cost effective of the special employment measures. There may be other ways of enabling people who wish to do so, to retire early on a reduced state pension. In the time available we have not been able to explore ways in which Job Release might be developed, nor to examine other possibilities. We recommend that the scope for a more flexible approach to early retirement within the state scheme should be

urgently considered. We also suggest that the case for continuing to provide enhancement to pension for those retiring after the existing pension age should be reviewed. We note incidentally that flexible retirement in the longer term would almost certainly require an earnings rule in some form; if flexibility is an objective, this seems to strengthen the case for reviewing the commitment to abolish the earnings rule.

58. Under occupational pension schemes, there is evidence of scope for encouraging (or imposing) more early retirement under existing provisions of many schemes within both private and public sectors. Many schemes allow retirement, at employee's or employer's behest, before statutory pension age. This will not necessarily involve additional cost (if pension entitlement is lower), and may have benefits to employers (eg getting rid of the inefficient, or improving the age structure). In the time available we have not been able to examine the possibilities in detail, but recommend that the CSD should take the lead in assessing the scope in the public sector, and that the CBI should be consulted about means of encouraging the private sector to implement more vigorously the provisions for early retirement in occupational pension schemes.

Conclusion

59. We believe the proposals made in this section could have a helpful effect both on unemployment generally including young people (options d., and e.,) and on the young unemployed in particular (options a., and c.,). But the results, even where early action is possible, will not be quick or dramatic, and some proposals (eg changed tax incentives for two income couples, or lowering the standard retirement age for state pension) are longer term only. The proposals in this section are therefore complementary to, and not in our view a substitute for, other proposals which can have a more substantial effect on the immediate problems.

SECTION C: OPPORTUNITIES OUTSIDE THE ORDINARY LABOUR MARKET

60. Apart from provisions for education and training (Section A above), we have considered other approaches by which Government could seek to relieve unemployment, and youth unemployment in particular, by promoting activities which fall outside the ordinary labour market. We have reviewed two options - military service, and various forms of community work. We have not ruled out compulsion, although our conclusion is against it for either option. However, we believe there is large scope for an expansion of

community work, not only for young people, but for the unemployed generally, and that the costs need not be excessive. An initiative on this front would complement the training initiative (paragraphs 22 to 37 above), which necessarily concentrates on young people just out of school, by offering opportunities to a wider range of the unemployed (including family men) with special emphasis on areas of highest unemployment.

a. Military service

61. The earlier Treasury report discussed the option of reintroducing compulsory military service, and we have also reviewed it. It arguably would have two main advantages in current circumstances -

- i. It would have a strong effect on unemployment. Assuming service of 2 years for 18/19 year old males and an annual intake comparable to 1962 (the last year of national service), there would be 430,000 extra servicemen (some 400,000 recruits, plus 30,000 additional regulars for training etc), and about 330,000 fewer unemployed.
- ii. There is some evidence (from a December Gallup poll) that national military service would not be unpopular. Nearly 70 per cent favoured the idea, and even the under 21's (the group that would be affected) showed a majority (52 per cent) in favour.

62. But the disadvantages are in our view overwhelming -

- i. there is no defence or security requirement by reference to which compulsion could be justified. On the contrary, the MOD consider that large numbers of relatively short service recruits would divert the services from existing priorities and hinder rather than promote defence objectives.
- ii. The cost would be very high. The net direct exchequer current costs (taking account of benefit savings and tax and NIC flow backs) have been estimated very broadly at between £1 billion and £1½ billion per year. (This assumes that recruits would be paid about £3,000, but even if this were substantially reduced the cost would be unlikely to be much below £1 billion). There would in addition be initial capital costs in constructing additional accommodation, estimated at about £2½

billion. Even if resources on this scale were available (which they are not) it is far from clear that national service, as opposed for example to major public construction works, would be the 'best buy' from the point of view of easing unemployment.

iii. Compulsory service would mainly affect the 18/19 age group. It could not be imposed on the 16/17 group. The problems of the early school leavers would be left untouched, and there would be no guarantee that they would benefit - as opposed to other groups - from the extra jobs. For those who did find jobs, employment and training would be disrupted by subsequent military service.

iv. Compulsory military service on an acceptable basis would need to be universal in principle, and any exemptions would need to be based on criteria which would command public assent. Selective service on a compulsory basis, eg for the unemployed only, would be divisive and probably unacceptable.

63. We do not recommend compulsory military service.

64. But we think the services can nevertheless make a significant contribution to helping to ease youth unemployment. The Secretary of State for Defence is proposing short enlistments (six months) for 1,000 young people initially (in the 17 year old age group) as an extension to YOP, a report on this proposal will be available very shortly. There is also large potential for increasing YOP work experience placements in defence establishments and for MOD to take on more apprentices (see paragraph 41). We recommend that these options should be urgently considered. (A scrutiny during 1981 under the auspices of Sir Derek Rayner has been proposed by MOD on its arrangements for apprenticeships training and a policy steer for this scrutiny may be needed.)

b. Community work\*

65. Community work of various sorts, normally sponsored either by local authorities or voluntary organisations, already plays a significant role in YOP (about 80,000 entrants - 18 per cent - in 1981/82) and is the basis of both STEP and the proposed Community Enterprise Programme (a development from STEP) for which 25,000 places are planned in 1981/82.

\* The term 'community work' as used in this report includes, but goes wider than, 'community service'.

66. Projects for community work need to meet certain conditions, of which the more important in our view are -

- i. that they can be carried out by people (including young people) with little or no previous training;
- ii. that they involve relatively low (or no) costs of materials, machinery, etc;
- iii. that supervision costs should not be excessive;
- iv. that they can be shown to be 'fenced off' from the ordinary labour market, in the sense that they are activities which would not otherwise be carried out at all in the foreseeable future, either because they fall outside the accepted limits of normal public sector activities or because they are clearly prevented by current expenditure constraints;
- v. that they nevertheless provide some community benefit.

Despite the constraints set by the conditions, we believe that there is room for significant expansion of community work opportunities both for young people and others.

67. On the basis of a trawl of Departments, and our own discussions, some examples of areas for possible expansion are -

Environmental

- clean up of derelict land, particularly in inner cities
- clearing/maintaining canals (for recreational or transport purposes)
- converting disused railway lines to cycle tracks
- work in grounds of hospitals, residential homes, schools

Housing

- maintenance and repairs of difficult to let property
- maintaining old people's/disabled's gardens
- interior decoration for old people
- insulation (in view of the cost, possible objections from private firms, and the possible overlap with the DOE scheme, if the national scheme proposed by DEN were pursued, we think this is probably best followed up as an option available locally)

Social services

- help in the house (or with shopping) for old and disabled (at least 500,000 are housebound, and often living alone)
- teachers' aides in infant, primary and special schools

Cultural

- maintenance/repair of ancient monuments
- museum cataloguing and improvement
- archeological 'rescue' projects

68. Some areas involve closer matching of an individual to the job than others. For example, community care work involving face to face contact with elderly or disabled people requires a degree of personal motivation and suitability. Work involving access to people's houses and belongings cannot be entrusted to all comers. But other areas - in particular environmental work - can be less discriminating. Given adequate supervision, a wide range of opportunities can be opened up for a wide range of people. Many of the possibilities have been exploited to some extent already under YOP or STEP and there is scope for multiplying experience of successful projects, as well as for innovation.

69. There are two major constraints -

- Supervision/management. This is undoubtedly required and cannot be allowed to be too loose. Many local authorities and voluntary bodies will find their resources strained to do more. There are undoubtedly problems. But we think many of them could be solved if the will were there. In particular there is scope for making use of older and experienced people from the unemployed, or the retired, to assist with management/supervision (in the same way that YOP projects at present recruit instructors and supervisors from the older unemployed).
- Union attitudes. This can be a major obstacle, in particular in getting agreement that the condition at paragraph 66 iv., above is satisfied. Some of the public sector unions are particularly sensitive in view of public sector expenditure cuts and redundancies. The fact that the MSC is itself a tripartite organisation not only at national level but at the level of special programme area boards responsible for approving YOP or STEP projects, may sometimes mean that too much weight is given to official union objections (whether or not union membership

would support these). But we do not think that union attitudes are an overriding obstacle to an expanded programme. At the national level the TUC has been asking for an expansion of CEP, and there is often more flexibility in local union attitudes than one would expect. At the least, there is a case for putting the unions 'on the spot' and seeking to ensure that, if unconstructive attitudes are taken, the responsibility is known to lie with the unions rather than elsewhere. Presentationally it may be easier to persuade the unions to co-operate with a coherent package which includes an expansion of community work as a part of wider proposals.

70. We considered the case for some form of compulsory community work (on a universal or selective basis). We do not recommend this for the following reasons

- Compulsion, and in particular selective compulsion eg for the unemployed (with the implication that community work was only for the unsuccessful) would be strongly opposed by the majority of voluntary organisations. Although a small group (linked with Community Service Volunteers) have recently been discussing the idea of a 'national' scheme, they have been ambivalent on the merits of compulsion, and certainly do not command the support of the voluntary movement as a whole. The views of the voluntary sector are important as the Government relies on the sector to act as sponsor of many existing community projects, and would need to seek their help in any expansion. It is also clear that a number of the major Whitehall departments involved - including DE, HO, DHSS and DES - do not favour compulsion in this field.
- There is scope for expansion, but the prospect of developing opportunities quickly for community work on the scale required for a national compulsory scheme is not in our view realistic, even if a major row with the unions were faced and won.
- So far as the 16/17 school leaver age group is concerned, in relation to which compulsion might be most plausibly considered, we do not think it would be right to put the main emphasis on community work. As a group they are arguably not as suitable as other rather older age groups for many jobs involving community care (eg help with old people or in schools), and community work generally is often not easy to reconcile with a variety of work experience and training relevant to the ordinary labour market. As argued above (Section A), we believe that for 16/17 year olds, the main emphasis of any new initiative should be on training for the real world of work.

iv. Community work imposed on an older age group (eg 18/19's) would leave the problems of the 16/17 age group untouched.

71. We do however recommend that an expansion of the community work funded by MSC should be considered on the following lines -

i. The objective should be to offer the opportunity of constructive work for the benefit of the community to more of the long term unemployed generally. ('Long-term' could be defined, as under CEP, as over a year for those over 25; over 6 months for those under 25.)

ii. The main emphasis of an expanded programme should be on areas with high levels of long term unemployment (although it should not be confined to development areas).

iii. Community work within YOP should be merged with CEP, so that, although placements of some 16/17 year olds, for a period in community work, would continue (as under YOP), young people and adults could work side by side. We think this would provide better 'work experience' through community work than is at present offered through separate YOP projects. With the present YOP these placements should normally be for 'second go' participants, rather than for school leavers.

iv. The financial basis for CEP should be reconsidered. At present CEP participants get a negotiated 'rate for the job' not exceeding £84 a week. We believe that many of the longer term unemployed would welcome the opportunity of a regular job benefiting the community without this degree of financial incentive and that it would be sufficient (as for YOP) to offer benefit plus a relatively small premium (to cover expenses etc). Jobs on this basis would remain distinct from unpaid voluntary work, although the financial premium attaching to the former would be reduced. With a £6 premium over benefit, this would reduce the average gross cost of a CEP place from £4,400 to £2,300 per year, and the average net Exchequer cost from £1,400 to £700 a year. This would release resources for a virtual doubling of the programme, and further expansion beyond this would also be much less expensive than at present. The following table illustrates the difference in costings for a given number of places -

	Present system		£ million	
	Gross	Net	'Benefit plus' system Gross	'Benefit plus' system Net
25,000 (proposed 81/2 CEP programme)	110	35	37.5	17.5
50,000	220	70	115	35
100,000	440	140	230	70
200,000	880	280	460	140

The 'benefit plus' approach would enable the CEP workers to have the same status as an SB claimant for the purpose of other welfare benefits. Thus the unemployed family man would know beyond doubt that he would not be worse off on CEP than unemployed.

v. The possibility of providing some community work direct (rather than under the detailed control of the MSC) through such agencies as the Scottish and Welsh Development Agencies, local authorities' social services/housing departments, or by contract with major firms (with reserves of managerial capacity) should be examined.

vi. Although we have rejected compulsion, it is for consideration whether, for young people, (eg those under 25 who might have found themselves in the field for compulsory military service), the offer of suitable community work, when available, should be regarded as equivalent to the offer of a job for the purpose of testing availability for work. Refusal to accept community work could then in appropriate cases involve withdrawal of benefit.

Conclusion

72. We think that there is scope for a major Government initiative to expand opportunities for community work over and above the proposed CEP programme. Unlike the measures proposed in Section A and, to a lesser extent, Section B, the emphasis would not be on 16/17 year olds, but on providing an option of constructive work, on a voluntary basis, to the longer term unemployed generally. (There could be, if desired, special emphasis on the family man or young adults.) We recommend that provision of 100,000 places (quadrupling the proposed CEP provision), on the basis of benefit plus premium instead of "the rate for the job", should be seriously considered. The net cost over and above CEP, would be £35 million.

73. There would undoubtedly be problems with the trade unions. But we think that if the Government were to take an imaginative initiative on this, particularly if it formed part of a wider package, the TUC would have to give the proposals careful consideration.

#### SECTION D: AN OVERALL PACKAGE

74. We have examined in Sections A, B and C above, policy options under three heads, and have put forward a main recommendation under each head. These three recommendations are -

- a mandatory training year for those leaving full time education at 16 plus;
- steps (including reduced financial support for young unemployed) to widen wage differentials between adults and young people;
- an expanded community work programme for the older unemployed (as well as young) concentrated on regions of highest unemployment.

75. The cost of these recommendation is broadly estimated at -

- training year ..... around £85 million (net Exchequer cost)
- wage differentials .. nil
- community work .... around £35 million (net Exchequer cost)

Total                      around £120 million

These costs are modest, and would be less (or even convert to savings) if increased unemployment otherwise led to further expansion of YOP at considerably greater expense.

76. Although any of the three main recommendations could be separately pursued, we believe that there would be merit in treating them as a coherent package, and that it would be possible on this basis to present the proposals more positively and persuasively to all concerned (not least the trade unions).

77. Our other suggestions include a voluntary approach on training (if the mandatory year were not favoured), more training for skills, better access to a wider range of jobs for young people, a reduction in the tax 'bias' in favour of the two-earner couple, a review of the commitment to abolish the earnings rule, and a review of the scope for more early retirement on a flexible basis.

#### SUMMARY OF RECOMMENDATIONS

##### Section A: Training and Education

1. We recommend that officials should be asked urgently to consider the proposal for a mandatory year of foundation training for school leavers emerging from compulsory education at the minimum school leaving age, with a view to reporting as soon as possible with a more fully worked up proposal and with advice on feasibility and timing (paragraph 37).
2. If this were not accepted, we would recommend that a voluntary approach should be considered, consisting of:
  - i. substantial reduction in benefits and allowances for the under 18s
  - ii. offering a training year to unemployed school leavers through YOP
  - iii. measures to increase the staying on rate in full time education
  - iv. measures to encourage more training.
 (paragraph 38 and Annex C).

3. In either case we recommend more training for skills (paragraph 41) by
  - i. an increase, for unemployment reasons, in MOD apprentice recruitment
  - ii. continuing the MSC's threshold programme of computer training.

We also recommend that the Department of Employment should be asked to consider proposals for a skills training package, biased towards the areas of high unemployment and with an upper cost limit of £50 million (paragraph 42).

##### Section B: more opportunities in the ordinary labour market

4. We recommend the following approaches to try to contain, or preferably widen, the wage differentials between young people and adults: (paragraph 48):
  - i. reduce the levels of benefits and allowances
  - ii. consider in the light of the DE assessment, excluding wages of young people from the jurisdiction of Wages Councils
  - iii. a campaign to persuade employers and unions of the damaging implications for young people of too high a relative wage level

5. We do not recommend any general Government subsidies for youth employment (paragraph 52).

6. We have a number of recommendations on giving young people access to a wider range of jobs:

- i. that DE, in consultation with the MSC and interested departments, should consider a single all-ages job information network (paragraph 53 i)
- ii. that job centres and the careers service should be prepared to offer young people part-time job opportunities (paragraph 53 ii)
- iii. that the MSC consider setting up, on an experimental basis, schemes to put together packages of different jobs to make up full time employment (paragraph 53 ii)

7. We recommend that the implications for employment should be given full weight when decisions on the taxation of married couples are eventually taken (paragraph 54 i)

8. We have a number of recommendations bearing on pension and early retirement:

- i. that the case for the eventual abolition of the earnings rule for pensioners should be reviewed, and that some further reduction in the real level of the limit be considered (paragraph 54 ii)
- ii. that the scope for both earlier and more flexible retirement in the longer term should be reviewed in order that longer term options should not be foreclosed (paragraph 56)
- iii. that the scope for a more flexible approach to early retirement within the state scheme should be urgently considered (paragraph 57)
- iv. that the CSD should take the lead in assessing the scope for early retirement under occupational pension schemes in the public sector and that the CBI should be consulted about similar scope in the private sector (paragraph 58).

Section C: more opportunities outside the ordinary labour market

9. We do not recommend compulsory military service (paragraph 63).

10. We recommend that the options for increasing the MOD contribution to YOP or its equivalent, should be urgently considered (paragraph 64).

11. We do not recommend compulsory community work (paragraph 70).

12. We propose that an expansion of the community work programme funded by MSC should be considered on the following lines (paragraph 71).

- i. the opportunity of community work should be offered to more of the unemployed generally
- ii. the emphasis should be on areas of highest unemployment
- iii. community work within YOP should be merged with CEP
- iv. the financial basis for CEP should be reconsidered; in particular a 'benefit plus premium' approach should be examined (this would halve the net cost of the programme).
- v. the possibility of providing some community work direct, not through the MSC, should be examined
- vi. it is for consideration whether the offer of community work to a young person should be regarded as equivalent to the offer of a job for the purpose of testing availability for work.

Specifically, we recommend that the provision of 100,000 community work places (quadrupling the proposed CEP provision), on the basis of benefit plus premium, should be given serious consideration (paragraph 72).

Section D: overall package

13. We recommend treating our main proposals - the mandatory training year, action on wage differentials and expansion of community work - as a coherent package (paragraph 76).

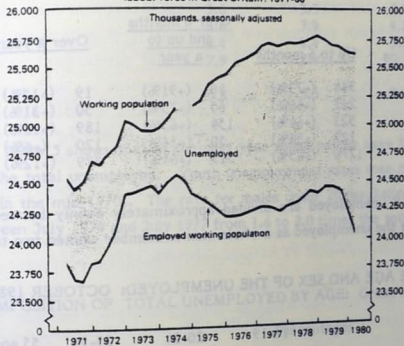
BACKGROUND INFORMATION

Employment trends

A1. The number of people seeking work rose rapidly in the first half of the 1970s, while the number of jobs on offer fell sharply last year (Chart A1).

CHART A1

Working population and employed labour force in Great Britain: 1971-80



Regions

A2. The present recession has had some impact on regional unemployment relativities but the basic pattern remains unaltered (Table 1).

TABLE 1: REGIONAL UNEMPLOYMENT RELATIVITIES

	GB unemployment rate = 100	
	1975 (3Q)	1980 (3Q)
North	139	143
Yorkshire and Humberside	98	106
East Midlands	90	90
East Anglia	88	80
South East	71	67
South West	117	94
West Midlands	102	107
North West	129	127
Wales	137	140
Scotland	127	136

Youth unemployment in context

A3. The proportion of the young unemployed is markedly higher than for older age groups although the proportion unemployed for over 6 months is less (in the case of new entrants to the labour force this is not surprising). However the number of young people unemployed for over six months is growing rapidly (see Table 2).

TABLE 2: NUMBER OF UNEMPLOYED AND DURATION BY AGE: OCTOBER 1980 (Thousands, figures in brackets are percentage increase since October 1979)

Great Britain

Age	Up to 6 months	Over 6 months and up to a year	Over a year	All
Under 20	364 (+73%)	49 (+91%)	19 (+15%)	432 (+71%)
20-24	267 (+60%)	65 (+75%)	50 (+31%)	382 (+58%)
25-34	523 (+64%)	154 (+63%)	189 (+12%)	867 (+49%)
35 and over	122 (+58%)	50 (+36%)	120 (+6%)	292 (+29%)
All ages	1276 (+65%)	319 (+64%)	379 (+12%)	1973 (+51%)

A4. The 16-19 unemployed are divided approximately evenly between boys and girls whereas among the unemployed as a whole men outnumber women two to one (Table 3).

TABLE 3: THE AGE AND SEX OF THE UNEMPLOYED: OCTOBER 1980 (Great Britain)

	16-19	20-24	25-34	35 and over	All ages
Male	234 (54%)	234 (61%)	628 (72%)	257 (88%)	1353 (69%)
Female	199 (46%)	147 (39%)	239 (28%)	35 (12%)	620 (31%)
Total	432 (100%)	382 (100%)	867 (100%)	292 (100%)	1973 (100%)

A5. Table 4 shows unemployment rates among various age groups in October of each year 1978-80. It shows that unemployment affects the whole of the under 25 age group disproportionately. This is to some extent to be expected since many younger workers move around a number of jobs before settling down, and in between they often have periods of unemployment.

TABLE 4: UNEMPLOYMENT AS A PERCENTAGE OF EMPLOYEE POPULATION, BY AGE 1978-80, Great Britain

	Great Britain Percentages		
	1978 Oct	1979 Oct	1980 Oct
Under 18	13.1	11.3	19.9
18-19	10.5	10.0	15.2
20-24	8.3	8.0	12.7
25-34	5.3	5.0	7.6
35-44	3.6	3.3	5.0
45-54	3.6	3.4	4.8
55-59	4.4	4.4	5.8
60 and over	7.9	8.4	10.5
All ages	5.8	5.5	8.4

A6. However Table 5 shows that in the past year young people have become a greater proportion of the total unemployed. Youth unemployment rates rose markedly relative to adult rates in the mid-1970s. The rate for males under 20 (excluding school leavers) increased between July 1974 and July 1977 from 1.6 to 2.0 times the total unemployment rate.

TABLE 5: COMPOSITION OF TOTAL UNEMPLOYED BY AGE: Great Britain

	Percentages		
	1978 Oct	1979 Oct	1980 Oct
16-19	20 <sup>38</sup>	19 <sup>38</sup>	22 <sup>41</sup>
20-24	18	19	19
25-34	45	45	44
35 and over	17	17	15
All ages	100	100	100

The pattern of youth unemployment

A7. Table 6 shows youth unemployment (16-19s) in each region in July 1976 and July 1980. The variations in unemployment within regions are as big as the variations between regions.

TABLE 6: YOUTH (16-19s) UNEMPLOYMENT AS A PERCENTAGE OF TOTAL POPULATION IN THE AGE GROUP, BY REGION, 1976 AND 1980

	percentages	
	July 1976	July 1980
North	19.1	
Yorkshire and Humberside	13.6	22.7
East Midlands	10.7	17.8
East Anglia	8.0	14.1
South East	8.2	10.1
South West	10.1	9.5
West Midlands	15.1	11.8
North West	16.3	18.4
Wales	13.8	19.6
Scotland	13.0	19.4
		17.7

A8. The distribution of youth unemployment among different ethnic groups is summarised in Table 7. The rate of unemployment is highest among young people from families of West Indian, Pakistani and African origin. The difference between the youth unemployment rate and the average for all ages is greater in the case of these groups than it is in the case of whites.

TABLE 7: UNEMPLOYMENT BY ETHNIC GROUPS, 1979

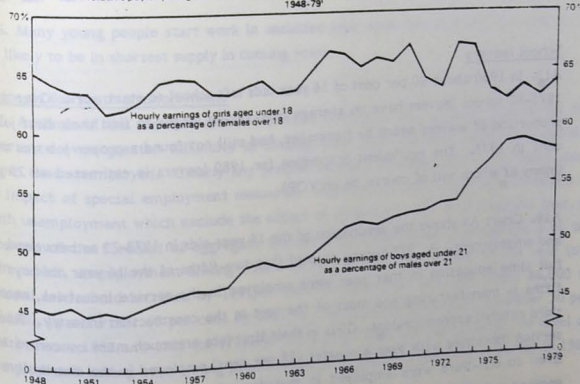
	Number (thousands)		Percentage (rounded)	
	16-19s	All ages	16-19s	All ages
European	171	1200	9	5
West Indian	6	22	20	9
African	1	6	24	10
Indian	2	17	11	6
Pakistani	2	10	24	12
Bangladeshi	-	1	-	6
Other/No reply	2	15	9	5
All	184	1271	9	5

A9. An MSC survey of the young unemployed in 1977 found that about half interviewed had no qualifications at all compared with a quarter of those in employment. Three quarters came from homes where the father was a manual worker. By comparison less than three-fifths of the population as a whole have this background.

### The causes of youth unemployment

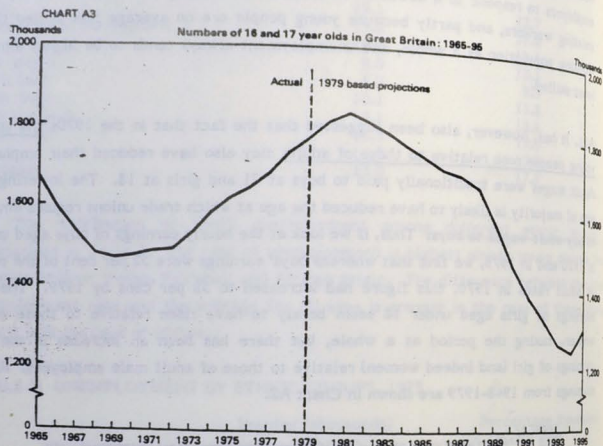
A10. The main cause of the recent increase in youth unemployment is the recession. There has always been a tendency for youth unemployment to be more sensitive to the economic cycle than unemployment as a whole. This is partly because it is easier for employers to respond to a downturn in demand by freezing recruitment than by sacking existing workers, and partly because young people are on average less skilled than the working population as a whole, and unemployment always tends to be higher among the least skilled.

A11. It has, however, also been suggested that the fact that in the 1970s the wages of young people rose relative to those of adults may also have reduced their employment. Adult wages were traditionally paid to boys at 21 and girls at 18. The lowering of the age of majority is likely to have reduced the age at which trade unions require employers to pay adult wages to boys. Thus, if we look at the hourly earnings of boys aged under 21 in 1970 and in 1979, we find that whereas boys' earnings were 52 per cent of the earnings of adult rates in 1970, this figure had increased to 58 per cent by 1979. The hourly earnings of girls aged under 18 seem barely to have risen relative to those of adult women, taking the period as a whole, but there has been an increase in the hourly earnings of girl (and indeed women) relative to those of adult male employees. Relative earnings from 1948-1979 are shown in Chart A2.

CHART A2  
Relative pay of young people in the UK. Average hourly earnings as a percentage of adults: 1948-79\*

\*Adjusted for ROSLA post 1972 by assuming ROSLA had a 5% effect of earnings on young people

A12. Finally, demographic change has not helped youth unemployment. Chart A3 shows the total population aged 16-17 between the years 1975 and 1996. The number of 16-17 year olds peaks in 1981, but the subsequent decline is relatively slow at first.



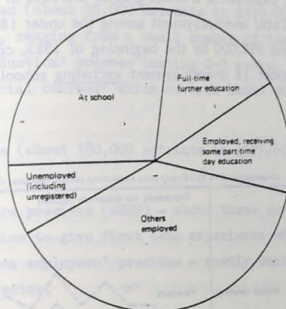
### School leavers

A13. In 1980 about 60 per cent of 16 year olds left school to start work. Over the period 1975-80 school leavers have on average been taking longer to find their first jobs. The proportion of leavers which by December, had still not found a proper job was only 3 per cent in 1975. The equivalent proportion for 1980 leavers is estimated at 25 per cent (many of whom will of course, be on YOP).

A14. Chart A4 shows the destination of the 16 year olds in 1978-79 as between education and employment. A 1978 Survey showed that two-fifths of the 16 year old boys who left full time education in that year were employed in the service industries, nearly two-fifths in manufacturing and most of the rest in the construction industry. About one-third entered apprenticeships. Girls in their first jobs are much more concentrated in the service industries with over a quarter (28 per cent) employed in the distributive trades. Even so one-third were employed in manufacturing. Less than 10 per cent of girls entered apprenticeships.

CHART A4

Destination of 16 year olds: 1978/79  
England and Wales  
Boys and girls aged 16  
in August 1978



A15. Compared with the industrial distribution of employees of all ages 16-year-old boys are less likely to be found in the service industries than all male employees but more likely to be found in the construction industry. Girls are less likely to be employed in the service industries than all female employees but more likely to be employed in manufacturing.

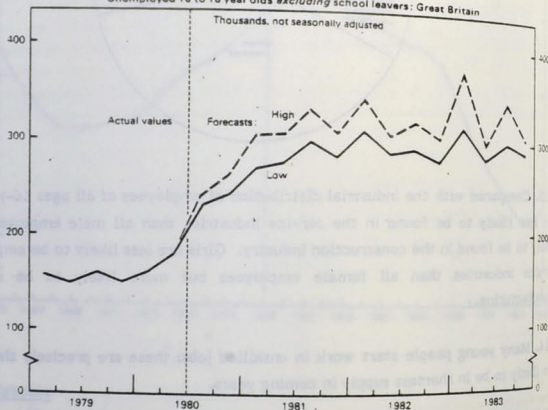
A16. Many young people start work in unskilled jobs: these are precisely the jobs which are likely to be in shortest supply in coming years.

### Prospects for youth unemployment

A17. A result of the forecast increase in total unemployment, is that young people will experience even greater difficulty in finding their first jobs and others will spend a longer time unemployed. Clearly any precise forecast depends upon assumptions about the impact of special employment measures. However the MSC constructs forecasts of the impact of special employment measures. These suggest that, on the basis of the forecast of aggregate unemployment mentioned in paragraph 6 of the main report, unemployment among school leavers in the first quarter of the year (the seasonal low) could increase by 110 per cent between 1980 and 1981 (from 86,000 to 180,000), by a further 60 per cent by 1981 to 1982 (to 290,000), and by a further 30 per cent between 1982 and 1983 (to 370,000). (See chart 4 of the main report) The level of unemployment among other young people under 18 is forecast to increase sharply in 1981

but to stabilise thereafter. If these forecasts are right young people will, in the absence of special measures, experience a much greater increase in unemployment than the rest of the population. Total unemployment among the under 18s could reach 490,000 by the beginning of 1982 and 590,000 by the beginning of 1983, compared to 172,000 in 1980. The forecasts for under 18 unemployment excluding school leavers are shown in Chart A5.

CHART A5  
Unemployed 16 to 18 year olds excluding school leavers: Great Britain  
Thousands, not seasonally adjusted



### The Youth Opportunities Programme (YOP)

Composition: YOP consists of two main elements -

- (a) work preparation (about 35,000 entrants in 1979/80): a variety of short courses, ranging from a small number of 'assessment and employment induction' courses lasting 2-3 weeks, to the three months 'short industrial courses' which covered about 30,000 entrants last year.
- (b) work experience (about 180,000 entrants in 1979/80; most stay 6-12 months):
  - on employers premises (WEEP) - about three quarters of the total - aims to give first hand experience of different kinds of work on employers' premises - mostly small firms in the service sector.
  - training workshops - uses vacant factories or other sites to give experience of different kinds of work in producing goods.
  - community service/project based - provides experience of different kinds of community work.

The MSC identifies suitable opportunities, and young people are guided to them through the careers service run by the LEA.

### 3.2. The undertakings (in 1980/81):

- (a) for school leavers: no school leavers should remain unemployed by Easter following the year of leaving school without the offer of a suitable YOP place.
- (b) for long term unemployed: any young person (under 18) unemployed for 12 months should be offered a suitable YOP place within three months.

### 3.3. The allowance. Young people on any YOP scheme receive a flat rate allowance of £23.50 per week (c.f. Supplementary Benefit of £15.25 for an unemployed 16 or 17 year old).

### 3.4. The planned expansion. In 1980/81 the number of entrants to YOP will be 320,000 requiring 115,000 continuous places at a gross cost of £210 million. For 1981/82 the programme is planned to expand to cover 440,000 young people, requiring 160,000 places at an estimated cost of £308 million. The undertakings are

to be improved; the target for school leavers being brought forward from Easter to Christmas, and the long term unemployed criterion being reduced to 3 months. Plans are also in hand to enable young people to obtain more of a planned training through YOP.

#### B. 5. Matters of concern

(a) the size of the programme: YOP was intended as a relatively temporary measure designed to cope with the short term problem, as it was then seen, of high levels of youth unemployment. If the expansion planned is achieved, then about 1 in 3 school leavers will pass through YOP next year. In places like Strathclyde and Merseyside the proportion will be over 1 in 2. At this size it is becoming, de facto, a 'normal' method for entering the world of work, and is increasingly being viewed as such both by employers and young people themselves. This may not matter as long as the scheme is not being exploited by employers.

(b) substitution and cost effectiveness: MSC reckon that about one third of employers who take young people on WEEP do so instead of recruiting someone to their payroll. There are fears that this will grow. There are safeguards intended to limit substitution: union work place representatives and careers officers arranging placements are both asked to look out for substitution; both MSC staff and careers staff are supposed to monitor placements, once made, to check the quality and the degree of substitution. However it is often impossible to know whether a WEEP trainee is actually additional to normal complement, and neither the MSC nor careers services have the resources to do the necessary monitoring.

(c) the effect on the labour market: the training allowance for YOP - about £8 premium over SB - helps to set a "floor" for wages for young people in the labour market. As such, it may inhibit the creation of low paid jobs for young people. Further, because YOP is relatively attractive and every unemployed school leaver is guaranteed a place on YOP, it may attract young people into the labour force who would otherwise have stayed in full time education.

#### 3.6. Proposals

Our main proposal for a Training Year, which would subsume YOP as such, tackles some of the problems of YOP by accepting that YOP has become a reality and building on it. The increased training content and a degree of cost sharing would help the substitution point, although this should still be backed up with a higher level of monitoring. If TY is not acceptable, we have a number of other suggestions for improving the cost effectiveness of YOP as currently organised. However, it should be noted that even if substitution increased to 50 per cent, WEEP would be as cost effective as other forms of YOP, because in WEEP the employer meets all the costs of supervision and training on the job, instead of the state. Also, unlike other forms of YOP, it can lead to the permanent recruitment of young people for posts which would not otherwise have been open to them. Specifically, if YOP continues on present lines (and TY is not favoured) we recommend that:

- (a) MSC should be asked to review the arrangement whereby the rule that every youngster must be registered as unemployed for 6 weeks before going on YOP is waived in some areas. This encourages substitution in the areas because sponsors can count on getting the pick of the school leavers through WEEP. This summer young people will be more keen than ever to go straight into WEEP rather than look longer for a real job because they will not qualify for supplementary benefit until September.
- (b) the YOP allowance (at present about £8 more than Supplementary Benefit) should maintain a premium over benefit (the premium could either remain at £8 or a bit less). If the proposals being made elsewhere (for a Youth Benefit) are implemented, then young people on YOP should only get the revised benefit plus the YOP premium. Provided a premium was retained we do not believe that a lower YOP allowance would discourage unemployed young people from participating in YOP.
- (c) the case should be considered for making day release universal for WEEP placements, thereby increasing the training content and lessening the chance of substitution. This would build on the current proposals to develop the training content of YOP, which we welcome.
- (d) the case should be considered for introducing an element of cost sharing into the allowance for WEEP placements.

Universal Training Year: costs, effects and feasibility

1. Employment effect and requirement for YOP type places for TY (GB only)  
 (all figures are in thousands and are very approximate)

1 Total number of 16 year olds 900

On current policies for academic year 1980/81

2 In full time education (school or FE college) 370

3 Apprentices, or equivalent, on day release 150

4 Minimum expected 'policy-off' unemployment for 16 year olds (occurs at March '81) 100

5 So jobs held by 16 year olds by the end of the year in which they left school 280

With TY

6. Number of jobs vacated by 16 year olds now on TY (from 5) 280

7 Assume between 20% and 30% of these jobs are converted to WEEP places; mid point 70

8 Remaining jobs released to the market (6-7) 210

9 Of these, assume a register effect of between 70% and 80% (with the remainder either filled by non-registered unemployed or not filled at all) 160

10 Average (over the year) unemployed school leavers (policy off) 300

11 About  $\frac{2}{3}$  of these are 16 year olds 200

12 About 110 are on YOP, so registered unemployed 16 year olds (average) 90

13 But there are also 50 17 year olds on YOP places who would now be released back to the market 50

14 So the net register effect of TY from 9, 12 and 13 is  $160 + 90 - 50$  (above that of the current YOP) 200

Requirement for YOP type places

15 Assume an increase in staying on rate in full time education (school or college) from 41% to 45%-47% 50

16 So client group for TY, from 1, 2, 3 and 15 is  $900 - (370 + 150 + 50)$  330

17	Planned YOP programme	
18	So extra YOP type places needed	160
19	But a planned year for TY enables existing YOP places to be used with greater efficiency, so extra places <u>within</u> current provision	170
20	From 7, some of the jobs vacated by 16 year olds return as WEEF places	30
21	So with virtually no extra searching needed, extra YOP type places available from 19 and 20	70
22	<u>Thus shortfall of YOP type places for TY that would need to be positively generated from 18 and 21</u>	100

70

NB. i. These figures are on the basis of the current unemployment levels (average number of unemployed school leavers 300,000 (policy off)). The MSC forecast of unemployed school leavers for the year 1982/83 is between 420,000 and 550,000. At such levels the register effect of TY (above the currently planned YOP) would be between 230,000 and 290,000.

ii. Of the jobs 'released' by removing 16 year olds from the labour market, these calculations assume only slightly over half are available to people from the unemployment register.

<u>FE numbers (GB) required for TY</u>		
(all numbers in thousands)		
Current (79/80) total numbers in public sector FE:-		
Full time	-	325
Part time day: 680; full time equivalent (fte)	-	170
eve: 640; full time equivalent (fte)	-	65
Total fte places in public sector FE	-	560
Extra stayers on in full time education due to TY	50	
Present ratio for school to FE stayers on is 2:1		
This implies an extra 35 staying on in school and for FE an extra .. .. .	.. .. .	15
YOP level planned - continuous places		160
35% expected to be already covered by (part time) FE	55	
∴ expansion required for 100% participation in part time FE		105
50% of these expected in public FE, and dividing by 4 for full time equivalent .. .. .	.. .. .	13
Extra part time places for TY		140
Expected public FE fte required .. .. .	.. .. .	18
∴ total fte public FE required for TY .. .. .	.. .. .	46
∴ % increase required in public sector FE		8%

For schools, increased stayers on	35
Most (80%) will only stay on for one year so increased 'sixth form'	42
Current 'sixth form'	420
∴ % increase in school sixth form.. .. .	10%
Secondary school population	4,400
∴ % increase in school population.. .. .	1%

NB. This increase in the school population is a once-for-all increase. It is less than the expected annual rate of decline of school rolls over the next decade - for demographic reasons.

C.3. Costs and Savings of TY (for GB only)

(all figures are in thousands and are only approximate)

Savings

	£m
1 YOP allowance (£23.50 per week) for all 160 YOP places	195
2 From C1, item 12: average registered unemployed 16 year olds is 90, so Supplementary Benefit savings (£15.25 per week)	70
3 From C1, items 9 and 13, the net register effect for the post 17s is 160 - 50 = 110	110
4 Most of jobs will be taken by 17, 18 and 19 year olds; so at an average benefit saving of £19 per week (allowing for some on UB as well as those on SB) for 110 extra employed (item 3)	2090
5 Hence total savings	375

Costs

6 New £10 allowance for the 330 young people on TY (from C1, item 16), broadly equivalent to £4.75 Child Benefit and £5 supplement	165
7 Marginal expansion of full time education for the extra 50 staying on (from C1, item 15) at £1,000 p.a. unit cost	50
8 Expansion of the FE provision to cover 100 per cent of the currently planned 160 YOP at £1,800 p.a. unit cost	35
9 Extra 170 YOP type places for TY (from C1, item 18) (including organisation, supervision and FE costs)	150
10 Child benefit for the 50 extra 16 year olds now staying on in education (from C1, item 15)	10
11 The net loss of people employed (from C1, item 6 less item 9) is 280 - 160 = 120: they are all 16 year olds with average earnings of £41 per week	4920
12 From 11, there is net loss of National Insurance contributors: at about 19 per cent of gross income (employer + employee contribution)	50
13 Similarly the loss of income tax from this group (item 11)	25
14 From C1, item 9 there are 160 jobs now being undertaken by 17+ people which were previously done by 16 year olds: in addition, of the 50 jobs that did not have a register effect (from C1, items 8 and 9), assume 30 are taken by non-registered unemployed: together a total of 190.	3800

15 The new job holders (all 17+) of these 190 jobs will be paid more than erst-while holders (as they were all aged 16); this generates extra NI revenue (about £20 m) and extra tax income (about £30m); i.e. a saving of £50 m	- 50
16 There are now 380 families which have dependant children, which did not do so before: assume 10 per cent of the families are on SB or UB at current dependant child rate of about £13. (A more generous YB option would double this cost)	25
17 Therefore total costs	460

Hence net cost of TY compared with currently planned expenditure including YOP

85 m

18. i. The allowance paid to the young people on TY is assumed to be about £10 per week. Every extra £1 per week above this paid by the state would cost about £15 million. The allowance could alternatively be increased by a contribution (e.g. £5) from WEEP sponsors.
- ii. The calculations assume that only Child Benefit would be available for those in full time education.
- iii. These figures are on the basis of the current unemployment levels. For the high and low MSC forecasts for 1982/83 (see C1, NB.i), the total net cost of TY taking account of current plans for YOP would be £20 million or £75 million respectively.
- iv. If the YOP programme was expanded to cope with these 1982/83 unemployment levels the net savings of TY would be £70 million for the low forecast and over £200 million for the high forecast.
- v. The net cost of YOP per unit reduction in unemployment is about £1,400 p.a. For TY on current levels of unemployment, the total net cost per unit reduction in unemployment (i.e. including the YOP numbers and costs) is about £800 p.a.

Training and education: a voluntary approach

1. This Annex considers measures, short of compulsion, which could be adopted to increase the numbers of young people undergoing education and training, and reduce the supply of young people looking for work.
2. These measures are as follows -
- (a) reduce the financial disincentive to stay in - or return to - full time education
  - (b) provide education courses which are more attractive to potential leavers
  - (c) make education more accessible to young people who have left school
  - (d) encourage employers to provide more foundation traineeships (which could mean that some would need to increase recruitment to maintain output)
  - (e) offer a training year through YOP to all unemployed 16 year old school leavers.

## 3. We discuss these in turn:

- (a) Reduce financial disincentive to staying on - or returning to - full time education

About 60 per cent of 16 year olds currently leave school to find jobs. The principal financial incentive is the chance of finding a job which pays about £40 a week. There is little evidence as yet that worsening job prospects have led to increased staying on. But young people might be more cautious about leaving without the prospect of a job if they were no longer able to fall back on supplementary benefit at around £15 a week or YOP at £23.50 a week. Equally important, they might be more ready, having failed to find work, to return to education if they did not suffer a financial penalty as a result. Reform of financial arrangements on youth benefit (YB) principles - to support the unemployed and those in education on the same basis - could therefore marginally improve staying on and could encourage returns to education. To be more effective the reform would need to include the replacement of the YOP allowance by a "benefit plus premium" arrangement (see Annex B) because YOP is just as much part of the 'safety net' for school leavers as supplementary benefit. These changes would be more difficult to present and justify than they would be as part of an overall TY package.

- (b) Provide education courses which are more attractive to potential school leavers

Potential leavers are more likely to be attracted by vocational or pre-vocational courses in colleges of further education (or tertiary colleges) than by conventional school courses. The development of the new 17+ pre-vocational course, together with any further move towards tertiary or sixth form colleges (with their more adult atmosphere) are likely in time to have some beneficial effect on staying on. It is difficult to see how the process might be speeded up, given the extent to which LEAs are responsible for their institutional arrangements and individual institutions are responsible for their own curricula. If, however, the Government thought the unemployment problem called for a crash programme to encourage staying on it could take a number of special steps e.g. market the YOP approach to pre-vocational education direct to schools and colleges; retrain school and college teachers during vacations; and perhaps encourage the recruitment of older volunteers with work experience to provide a degree of personal attention commensurate with that on YOP schemes. We have not attempted to cost this, nor to estimate the extent to which such measures might lead to increased staying on.

- (c) Make education more accessible to those who have left school

There should be experiments in the provision of open learning facilities, including computer-managed learning, based in FE and 16+ colleges, to enable young people to take up courses at times other than the beginning of the academic year, and to follow them at their own convenience. In other words the proposals for an "Open Tech" which feature in the new training initiative should not be devised purely for adults. More generally, young people on leaving school should be encouraged to take up their right to return to school if they fail to find work.

- (d) Encourage employers to provide more foundation traineeships (which could mean that some would need to recruit more workers to make up lost output).

Instead of the compulsion envisaged in the report, the Government would provide financial inducements on the UVP model and market a foundation traineeship package more vigorously. This could include a minimum number of hours off the job (say 2 days a week) and perhaps a recommended maximum training wage. It would be for employers to negotiate acceptance of this package with trade unions. We think the effect on unemployment would be fairly modest, because the type of industries which have shown most interest in UVP - shops, catering - could probably fit in the necessary training without much loss of output.

- (e) Provide a training year through YOP for all unemployed school leavers  
We believe that every effort should be made to provide a full training year through YOP for the unemployed. So long as the YOP allowance retained a premium over supplementary benefit levels, we do not think that the reduction in financial support proposed in sub-paragraph (a) above would lead to large scale refusals to participate in YOP. Young people would be encouraged to stay on YOP for a full year, but could not be prevented from leaving to take a job.

#### Costs and effects

- D. 4. We have not costed the voluntary option in detail. But if the aim were to provide enough extra YOP places to eliminate unemployment among 16 year old school leavers (while maintaining the present YOP undertaking to 17 year olds) the equivalent of an extra 90,000 YOP places (above the planned 160,000) would be required for current levels of unemployment. Assuming the YOP allowance could be reduced to £10 per week, and hence SB for 16 and 17 year olds to £5, this expansion of YOP would be achieved at no extra net cost over currently planned levels. The effect on registered unemployment (above that of the currently planned YOP) would possibly be 70,000 compared with 200,000 from TY. Like YOP, and unlike TY, the costs would rise with increasing unemployment. The approach is less cost effective than TY even with the same low levels of allowances (which would need to extend to 17 year olds on this option). This is primarily because the register effect is only about one third that of TY.

#### Disadvantages

- D. 5. The disadvantages of the voluntary approach are -
- It would have a smaller impact on unemployment and would be less cost effective than a universal TY.
  - The allowance and benefit changes would be more difficult to present and justify than they would be as part of an overall TY package.
  - It would be difficult to achieve a coherent training year of positive value because young people could leave midstream for a job.
  - It would make a less positive public impact than a universal TY.
  - It would provide no direct leverage over the development of traineeships in employment.
  - It would leave many school leavers of middle-range ability with a job but without a training.

Conclusion

D. 6. For the reasons given in paragraph 5 we consider that a universal YB is preferable to the voluntary alternative. But if Ministers do not want to contemplate compulsion we recommend the measures set out in paragraph 3 of this Annex, be considered.

FINANCIAL SUPPORT FOR 16-18 YEAR OLDSBenefit and allowances levels for young people under 18

	£	
	Boys	Girls
Average weekly earnings	48	45
Weekly earnings of lowest decile	32	30
Supplementary benefit		
- normal rate (living at home)	15.25 (13.10 + 2.15 rent contribution)	
- head of household	13.10 + full rent	
Unemployment benefit	20.65	
Training allowance on YOP	23.50	
Training allowance on MSC courses	26.00	

- E. 1. Reform of financial support for 16-18 year olds is an essential part of the approach which we recommend in this report. It should aim to:
- encourage staying on in full time education by removing the financial incentive to leave for unemployment and reduce the incentive to leave for YOP;
  - save public expenditure on benefits and allowances so as to finance more training and work programmes for the unemployed;
  - lower young people's wages by reducing the "floor" set by benefits and the YOP allowance.
- E. 2. We therefore support the principles of the Youth Benefit proposal i.e. a uniform system of support, linked to family means, for application to those in education or unemployed. We also support its extension to YOP trainees.
- E. 3. A graduated YB (as devised by officials in MISC 45) is one way of providing family income - related support. Another possibility is to have a flat rate YB and to use the existing mechanisms of FIS, SB and UB (as appropriate) for family support. The advantages of the graduated YB are that it provides more finely graduated and more generous support than FIS, SB and UB. The disadvantage is that it creates a new means test based on different principles and a new mechanism for administering it. If Ministers were to decide that they did not want graduated YB because of these difficulties we should recommend the alternative approach. This could if it were thought desirable be linked with more generous FIS/SB allowances for 16-17 year old dependents.