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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

NEW TRAINING INITIATIVE

Memorandum by the Central Policy Review Staff

1. The CPRS fully endorses the objectives of the New Training Initiative (NTI) as set out in paragraph 4 of the paper by the Secretary of State for Employment (E(81) 20). The aim of this note is to comment very briefly on three issues - (a) the link between CPRS proposals on unemployment (E(81) 22) and the NTI proposals, (b) the pros and cons of some degree of compulsion versus an entirely voluntary approach, and (c) the voluntary approach, if that is favoured.

(a) Link between CPRS proposals and the NTI

2. The CPRS proposals for a universal 'training year' in E(81) 22 are designed primarily to ease youth unemployment (by taking 200,000 off the register over and above the effect of YOP). The fact that this proposal would also help to implement training objectives and give teeth to the NTI is important, but in terms of our own remit secondary. The NTI proposals in contrast are concerned with training. Their effect on unemployment is not directly discussed but seems likely to be small. The CPRS believes that Ministers in reaching decisions on the NTI need to take account of both their unemployment and their training objectives. For example, if Ministers want to make the maximum impact on unemployment, it may be necessary to modify the approach which they might adopt on training grounds alone.

(b) Voluntary or compulsory?

3. In considering this issue, the CPRS suggests that Ministers should ask themselves two questions:

- (i) Do they believe that a purely voluntary approach has a fair chance of success? The CPRS has considerable reservations on this in the light of past experience, e.g. the failure of previous attempts to reform apprenticeships and the limited extent of day release.

- (ii) If there are serious doubts about the success of the voluntary approach, would it be preferable to consider legislation now as part of a package aimed at unemployment as well as training, rather than to leave the issue for review in some years' time?

(c) The voluntary approach

4. In considering a voluntary approach Ministers need to take account of the substantial burden of foundation training which the state, primarily through YOP, is already shouldering. If unemployment among young people rises further (as seems likely), the pressures for increasing the number catered for by YOP, and hence the State's contribution to foundation training, are bound to be very strong. It is open to question whether the State's contribution could easily be reduced as unemployment falls and whether employers could be persuaded, without legislative powers, to assume the primary responsibility. (Some other disadvantages of a voluntary approach are set out at Annex D (paragraph 5) of E(81) 22.) If nevertheless the voluntary approach is adopted, the CPRS suggest that it should take account of the positive proposals made in paragraph 28 and Annex D of E(81) 22. In particular, we doubt whether a convincing move towards lower wage levels for traineeships can be made unless substantial changes in the present financial support system for young people are made.

Cabinet Office

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