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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

INDUSTRIAL TRAINING
BENEFITS AND ALLOWANCES FOR YOUNG PEOPLE

Memorandum by the Central Policy Review Staff

1. The purpose of this note is to draw attention to the links between the two papers by the Secretary of State for Employment and to set these in the context not only of training but of the high level of youth unemployment. In particular, we suggest that Ministers, in reaching decisions on benefits and allowances for young people, should consider how these would affect their ability to offer training opportunities for all unemployed 16 year olds as envisaged in the minutes of E Committee (E(81)8th Meeting, Item 1), and suggested in Annex D (voluntary approach) of our report on Unemployment and Young People (E(81)22).
2. The NTI document aims to change the attitudes and practices of employers and unions. Its references to the Government's role are in general terms, and do not give commitments on resources or timetable. In that sense it does not foreclose options for Government. If the document in roughly its present form can be agreed by the MSC, the CPRS would support its issue as a joint Government/ MSC document.
3. Some important questions on the Government's training role, and resources for it, are however left open. The Secretary of State for Employment recognises (paragraph 9 of E(81)33) that additional resources are likely to be required to maintain existing Youth Opportunity Programme (YOP) guarantees and to support apprentice training during the recession. He does not quantify this but we estimate that maintaining YOP guarantees alone could on MSC unemployment forecasts involve an additional £60-100m. in 1982/83. To meet the longer term objective set out in paragraph 50 of the NTI document, viz. to assure all 16 and 17 year olds, not in education or a job, of vocational preparation opportunities would at present levels of unemployment require the planned

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YOP of about £350m. to be approximately doubled if no change is made in the pattern of allowances. It was because of the size of these figures that our own Report advocated a reduction in allowances together with a concentration of training opportunities on 16 year olds.

4. Similarly, at the previous E discussion, the reduction and rationalisation of benefits and allowances for young people was seen as an identifiable means of releasing some resources for more training opportunities, particularly for 16 year olds for whom it was suggested at E that unemployment "should not be an option". As the Annex to E(81)34 shows, there are substantial potential savings. Under Option 2 (Youth Benefit applied to those on YOP as well as to the unemployed and those in education), the YOP for 1981/82 could (other things being equal) cost about £60 million less. For 1982/83 if youth unemployment increases, the savings would be even larger.

5. The Secretary of State for Employment recommends (paragraph 11(a) of E(81)34) that the Youth Benefit idea should be dropped. The CPRS is not qualified to assess the political dimension. The scheme like almost any major reform affecting financial provision undoubtedly involves substantial redistribution. But the CPRS believes that it would be more equitable as between those in education, in training or unemployed, and that redistribution affecting this age group presents fewer problems than for most others.

6. There are three specific questions which Ministers should in our view consider before deciding whether to endorse the Secretary of State's conclusions on YB:

(a) Do they agree with the Secretary of State for Employment that a YOP allowance with a means test element should be ruled out on the grounds that young people in YOP are akin to young people in work (paragraph 7 of E(81)34)? The CPRS thinks that it can equally be argued that they are akin to young people continuing in further education, particularly since it is planned to increase the training content of YOP.

(b) Would a lower real level of YOP allowance (including a means tested element) necessarily undermine existing YOP provision of work experience on employers' premises owing to union opposition? The CPRS believes that provided that this is clearly presented as training, and measures are vigorously pursued to limit the substitution by employers of YOP for real jobs, the unions would find it difficult to mount a convincing

argument. Some contribution by employers on top of a reduced YOP allowance could help to meet the substitution complaint, as well as helping to offset the reduction in the allowance.

(c) If resources for additional training are not provided through the radical change of benefits and allowances involved in YB, where are they to be found? The CPRS strongly supports the proposals for savings made at paragraph 11(b) of E(81)34, but on their own these will not go very far. Progress on this basis towards the objective suggested at E (eliminating unemployment for 16 year olds by provision of alternative training) would be slow or impossible.

7. Conclusion. The YB proposal applied to YOP could in our view allow substantial resources to be redeployed for training provision to help to reduce youth unemployment. This 'package' could make the change in the allowance more acceptable and might provide a financial basis for a specific initiative by Government, in the wake of the issue of the NTI document itself, proposing some additional training opportunities for the unemployed (which could, as E envisaged at its earlier discussion, concentrate on 16 year olds). If the YB proposal is dropped, it is not clear where alternative resources for such an initiative can be found.

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