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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

UNEMPLOYMENT AND YOUNG PEOPLE : THE EDUCATION CONTRIBUTION

MEMORANDUM BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE

I generally support the proposals in E(81)74. But I would like to reinforce them with a much greater contribution from the education service within the total resources we are able to devote to youth unemployment.

THE SHORT TERM

2. I very much welcome the proposals for additional support for skill training through apprenticeships and sandwich courses. By any standards the present demand is unnaturally low. The proposals for expansion will directly ease unemployment to some extent in the short term; ease it indirectly in the long term by adding to our skilled manpower; and use resources in the FE system which have become spare precisely because apprenticeship training has declined during the recession.

3. I also welcome the proposals for an immediate expansion of YOP. But it is important that this expansion makes the greatest possible use of the education system. The best YOP schemes already provide good training and work experience. But too few young people on YOP get adequate and relevant FE. MSC recognise this and wish to increase the proportion. The education system can and will co-operate, but it needs to be given greater assurance of continuing demand for courses and places.

THE LONGER TERM: CONTINUING YOP EXPANSION AND POSSIBLE COMPREHENSIVE SCHEME

4. Beyond 1981-82 education must play a growing role in the pattern of provision. There is general agreement that for young people in employment the Unified Vocational Preparation approach with education content holds out most promise; similarly, for the young unemployed, there should be high-quality traineeships during which worthwhile work experience and education are closely integrated. Such integration may be successfully evolved under

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YOP. But already at the margin MSC are finding quality hard to secure and, tell us that if expansion is fast, they will find it harder. So there is a real danger that an increasing proportion of those in YOP will find their experience unsatisfactory.

5. Although efforts must continue to improve the quality and educational content of YOP, the best solution for many young people would be for them to continue in full-time education. They fall particularly into three groups. First, the able, having obtained the necessary O-levels at 16 will continue to progress through A-levels (or technical qualifications) to higher education. Second, the FE colleges and (increasingly) the schools will continue to serve those who, after age 16, wish to obtain O-levels or other qualifications with direct economic relevance. Third, the FE colleges and the schools do, and with further development (see paragraph 10 below) could to a far greater extent than now, provide pre-vocational courses, with an element of work experience, for many less able young people who might otherwise face unemployment mitigated by YOP.

6. Although some physical capacity and staff are available in schools and colleges, a continuing and expanded contribution is bound to have resource implications. Our present expenditure plans involve a cut-back of between 5 and 10% in secondary school and FE teachers. Already some young people wishing to stay on even for traditional courses are being turned away because the resources are not there, and I expect severe difficulty in certain areas this autumn.

7. Cost comparisons are difficult. Where spare capacity is to be found in colleges or schools, marginal costs will be well below average and may be very small. But even average provision costs of post-16 education and of good quality YOP are not dissimilar (although YOP's simple work experience schemes are much cheaper than FE, and forms of provision such as training workshops are significantly dearer). Increased demand on schools and colleges would reduce the need for teacher redundancies, a matter which I have raised with colleagues, and the associated short-term costs. What is clear is that some of the money we are prepared to put into mitigating unemployment and improving the training of young people should be spent in the education system. I believe that we should aim to increase full-time education for the 16-19 year old age group (which at under 30% is lower than that of any of our major industrial competitors) by at least a tenth, equivalent to an extra 50,000 places in education. It would take some time to achieve the full target, but eventually, allowing for the scope of using the available spare capacity, the cost of this provision would be some £70-80m a year at November 1980 prices. This is the basis of my additional cash bid in the 1981 Survey for £60m in 1982-83 rising to £100m in 1984-85. I should stress that this programme would be an alternative and not an addition to YOP-based provision. Unit costs would be broadly comparable; there would be identical savings in supplementary and unemployment benefit, and there would in addition be mitigation of teacher redundancy costs.

8. It would be possible, with the support of the local authority associations, broadly to ensure that these additional resources were distributed to local authorities to reflect their additional expenditure, by adding to each authority's grant related expenditure (GRE) a specific element intended

to represent what might be that authority's appropriate share of the national programme of expansion. This might be determined by reference to the number of young unemployed in each area. This specific marginal increase in GRE would mean an increase in Exchequer grant for individual local authorities which, if they acted as we intended, would be equivalent to 100% of their additional expenditure.

#### FINANCIAL SUPPORT FOR INDIVIDUALS

9. If full-time education is to play its proper part in reducing youth unemployment, we should not pursue policies which create a financial disincentive to staying on. In the context of the proposed "comprehensive scheme" for 16-17 year olds I favour the payment of an allowance to those in full-time education as well as those on YOP-type schemes. If we judge the cost to be excessive, then we should revert to the concept of a Youth Benefit involving no cost additional to what would otherwise be paid in child allowances, discretionary educational support, Supplementary Benefit and YOP allowances. Either approach would mean an eventual loss for many compared to the present YOP allowance or Supplementary Benefit, and I do not under-estimate the political difficulties. But I consider that those difficulties are far outweighed by the political advantages of being seen to institute at last a rational and equitable system of student support, which will work not only to reduce unemployment but also to improve the availability of qualified manpower.

#### RESHAPING WHAT EDUCATION OFFERS

10. The education system needs to adapt existing courses and develop new ones so as to induce more young people, particularly the less able, to remain in full-time education after 16. That is one of the aims of my policies on the school curriculum up to that age. In particular, it will be desirable to promote the introduction of school-based work-oriented courses in the last two years of compulsory education. For those over 16, the great gap is a comprehensive range of full-time pre-vocational courses. I shall shortly put forward detailed proposals for a new year-long pre-vocational course and examination certificate for 16-17 year olds.

#### CONCLUSION

11. I invite my colleagues to agree that:

- (1) for the shorter term, we should persuade the MSC to make maximum use of the education service in developing the YOP scheme;
- (2) for the longer term, full-time education should be expanded alongside YOP-type schemes;
- (3) additional resources should be made available through the RSG to enable local education authorities to provide full-time

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education for more 16-19 year olds in 1982-83 and subsequently (with consequent savings in the cost of YOP, UB, SB and teacher redundancies);

- (4) financial support for individual 16-19 year olds should be the same whether they are in full-time education, MSC traineeships, or unemployed.

MC

Department of Education and Science  
6 July 1981

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