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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

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VOCATIONAL TRAINING FOR YOUNG PEOPLE

Memorandum by the Secretary of State for Employment

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The first two objectives of the New Training Initiative were to improve skill training for young people and to move "towards a position where all young people under the age of 18 have the opportunity either of continuing in full time education or of entering training or a period of planned work experience combining work related training and education".

TRAINING THOSE IN JOBS

2. I give top priority to skill training. We need to break down the restrictions surrounding apprenticeships and to see that young people's pay more clearly reflects their trainee status. We can help employers in various ways - through industrial relations legislation, the Young Workers Scheme, and the treatment of allowances under the Comprehensive Scheme proposed below.
3. We can also increasingly use our financial support as a lever to reform skill training, although immediately the need is to help maintain the numbers entering skill training over the next year. I therefore propose that we should maintain in 1982/83 the expansion to support 25,000 apprentice places authorised in July for the year to September 1982 (additional 1982/83 cost £11m, 1983/84 £12m) - subject to the

MSC making this support increasingly conditional on the adoption of standards and arrangements conforming to NTI objectives.

4. Outside craft skills we also need to see that young employees receive the training and education needed to produce a better prepared and motivated workforce. The current target (20,000 places in 1983/84) of our Unified Vocational Preparation programme is too low: it will leave nearly 100,000 employed youngsters without proper training. By September 1983 when we introduce my proposed comprehensive training scheme for the young who would otherwise be unemployed, we need to have encouraged employers to provide suitable training for many more of their young employees. I propose therefore that MSC with the Education Departments expand UVP to cover 18,000 youngsters in 1982/83 and to aim for 30,000 in 1983/84 and 50,000 by 1984/85 (1982/83 costs coverable from existing programmes but an extra £9m needed in 1983/84 and £23m in 1984/85). I propose within these total budgets to consider the level of incentive to employers to look to UVP rather than to YOP or the new comprehensive scheme. We shall also need urgently to develop new delivery mechanisms of UVP where ITBs are replaced by voluntary arrangements.

#### TRAINING THE UNEMPLOYED YOUNG

5. On 27 July the Prime Minister said that we were considering a better training scheme eventually to replace YOP "our aim is to reach the position where all young people, on leaving school, either move into further education, find a job or are given the chance of vocational training or community service".

6. YOP is attracting growing criticism - from employers, as well as unions, and young people themselves - as a form of cheap labour leading nowhere. If we do not replace it, it may well collapse before 1984. The only way forward is to provide a proper training scheme for unemployed school-leavers.

7. I therefore propose that we should introduce a comprehensive scheme from September 1983 on the following lines:

(a) Eligibility. Open to 16 and 17 year olds, with a year's integrated training and work experience for all unemployed school leavers, with others becoming unemployed during their post school year eligible for courses for the balance of that year.

(b) Content. A programme progressing from induction to working life, through assessment of aptitude and acquisition of some basic skills to occupationally based training (related to recognised standards of competence) in one or more periods of planned work experience, with off-the-job training and further education.

(c) Supplementary Benefit (SB) and the training allowance. SB would be withdrawn from 16 year olds. While unemployed, they would be regarded, as at school, as dependent on their parents who would continue to receive child benefit and where appropriate SB dependency allowances. However, the 16 year old on the scheme would receive an allowance comprising £8 (to cover expenses) and the cash equivalent of child benefit (at present £4.75). By September 1983 uprating would probably make this allowance £16 in total, significantly below SB level. SB would remain available for 17 year olds, unless a place on the scheme was unreasonably refused. While on the scheme a 17 year old would receive an allowance comprising SB plus an element for expenses - in current terms £20 but likely to be £25 by September 1983.

(d) Numbers. On present unemployment prospects some 310,000 full year courses will be needed in 1983/84 and shorter courses for 70,000. This would fall short of the NTI objective of looking after every unemployed youngster under 18 but would represent a very substantial advance.

The annex sets out the scheme in more detail.

8. To introduce the scheme fully in September 1983 will be a very large task but better than coping with an extended transitional period in which YOP is maintained.
9. We must get it accepted by employers and by young people and obtain at least the reluctant acquiescence of unions. Otherwise employers will be unwilling or unable to provide the necessary places of the right kind in industry. In that case expensive public sector provision divorced from industry eg through training workshops would be needed.
10. The most sensitive and contentious aspect is the treatment of SB and the level of the training allowance, particularly for 16 year olds. We could lessen controversy by paying the 17 year old allowance to all. But this would cost £1160m in 1984/85 (full year). My scheme would recognise a special trainee status for 16 year olds and also reduce the cost by about £100m. Furthermore the formulation of the allowance for 16 year olds that I propose would stand a much better chance of acceptance than if we proceeded on the basis of an £8 allowance, although the total cost of the scheme would not be significantly greater.
11. Even so, acceptance of this aspect of the scheme will depend on our ability to show that we are providing a proper training. In my view, to attempt to remove the supplementary benefit entitlement and introduce the new low allowance for 16 year olds before we launch the scheme in full in September 1983 would be fatal.
12. If we are to bring the scheme in by September 1983 we must announce it soon, preferably in December. If colleagues agree with my approach I propose to publish at that time a scheme on these lines in a White Paper on our training proposals generally and announce our intention to introduce it from September 1983. Since this would be a radical step forward, it would be wise to accept that some features of the Scheme might be adjusted in the light of public reaction.

MONEY AND STAFF

13. My proposals would involve expenditure over the next three years as follows (excluding social security consequences, which are set out in the annex, para 30):

	£m	Of which additional provision (£m)
1982/83 Improved YOP	771	Nil
1983/84 Comprehensive Scheme	874	284
1984/85 Full year of new Scheme	1020	612

14. A first assessment is that extra staff will not be needed over and above the 1,000 proposed for YOP in 1982-83.

15. The cost to the State could be considerably reduced if the study of a remissible tax proposed in E(81)96 suggested is workable here. If we were to favour such a tax that could be mentioned in the White Paper as a matter for further consultation.

CONCLUSIONS

16. I invite colleagues to agree with my proposals for:

- (i) support for apprenticeship training and UVP (paragraph 3-4);
- (ii) a comprehensive training scheme for unemployed young people to start in September 1983, subject to passage of the necessary legislation on SB in the 1982/83 session.

Department of Employment  
23 October 1981

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THE COMPREHENSIVE SCHEME FOR UNEMPLOYED YOUNG PEOPLE

1. The report by officials on Employment Prospects and Employment Measures from 1982 (circulated under cover of E(81)74) set out in Annex 2 particulars of a comprehensive scheme for training of all unemployed young people in the first year after they leave school at the minimum school leaving age.
2. Some Ministers expressed concern that under those proposals the position of some 17 year olds would be worsened in comparison with the present YOP. The scheme outlined in this paper is not therefore confined to those who leave school at the minimum school leaving age, and the possible arrangements for benefits and allowances have been reconsidered to take account of this.

AIMS

3. The objective stated in the New Training Initiative consultative document was to move towards a position where all young people under the age of 18 have the opportunity either of continuing in full time education or of entering training or a period of planned work experience combining work related training and education.
4. On 27 July the Prime Minister said that our aim was to reach the position where all young people on leaving school either move into further education, find a job or are given the chance of vocational training or community service. The Prime Minister said that the Government was looking at the Youth Opportunities Programme to see how it could be improved and considering further the provision of a better training scheme for the young which will eventually replace the existing programme.

WHO IS TO BE COVERED

5 It would remain open to those who leave school at 16 to take jobs at any time. Under a voluntary system, encouragement of training for those in jobs will be provided by the proposals for expanding UVP. The aim of this scheme would be to provide a year's training for 16 and 17 year old school leavers who do not find a job, and to give a more limited period of training to any school leavers who start in a job but become unemployed in the first year after leaving school. In detail coverage would be as follows:-

School Leavers

- (a) Young people who leave school at the minimum school leaving age (16) and are unemployed.

(b) Other young people who leave school under the age of 18 and are unemployed.

(Note: those leaving further education under 18 would normally be regarded as school leavers).

#### Other unemployed

(c) Those who leave school at the minimum age, take a job but become unemployed within 12 months of leaving school (ie September 1 of following year).

(d) Those who leave school a year later, take a job, but become unemployed before they are 18.

#### Groups not eligible

(e) Those who leave school at the minimum age, take a job, but become unemployed after 12 months of leaving school, but before they are 18.

(f) 18 year old school leavers.

#### COURSES

##### Duration

6. Those entering direct from school would be entitled to a full year's training course. Those who enter with some months' experience of employment would be entitled to the balance of the 12 months' course (ie on average, about 6 months).

##### Content

7. All "full year" courses will comprise a progressive programme including

- (i) induction to working life;
  - (ii) assessment of aptitude and acquisition of some basic skills;
  - (iii) occupationally based training related to one or more periods of planned work experience, with off-the-job training and further education.
- Occupational training will be related as far as possible to recognised standards of competence and records of progress will be issued at the end of the course.

8. These represent a very substantial improvement over present YOP. The average length of stay on YOP is currently only 23 weeks. A large number of those on YOP do not receive (i), (ii) or (iii) above. 80% are on work experience courses, mostly without release to off-the-job training and in poor quality opportunities. It would

be a necessary feature of the new scheme that the courses are properly integrated, that better-quality places are found, notably by extending the participation of larger firms, and that the occupational training is done well.

#### BENEFIT ARRANGEMENTS

9. The earlier report by officials set out two alternative approaches to the level and treatment of the allowance, depending on how this scheme is seen in relation to the position of the young unemployed during the transition from school to work. The report was prepared on the assumption that the scheme applied only to those without jobs after leaving school at the minimum school-leaving age.

#### Option A

10. This treats young unemployed as still dependent on their parents, as they would be if still at school. The parents would continue to receive child benefit and if appropriate dependency additions to benefits. There would therefore be no need for the allowance paid to the trainee to be, of itself, sufficient to meet living costs, or to be as much as the basic rate of supplementary benefit now paid to the young person. The allowance might be fixed at a nominal £8 - the current lead of the YOP allowance over basic rate SB, reflecting an element for out of pocket expenses eg, daily travel. The allowance would only be paid while the young person was on the Programme, and not to those waiting to enter or who had completed their course or dropped out. The young person would continue to be regarded as dependent until 1 September in the year following that in which he left school, ie, until that date he would not be eligible for SB. This would extend dependency by 12 months for summer school-leavers - the vast majority - but by some 4 months longer for Easter school-leavers and some 4 months shorter for Christmas school-leavers.

#### Option B

11. This treated young people as no longer dependent on their parents after leaving school and entering the labour market. In consequence the allowance paid while on a course would need to be realistic and sufficient to cover the young person's living costs, including payment of rent to parents. It would also need to cover travel expenses. An allowance of £20 was suggested, ie a lead of about £5 over the 1980-81 minimum level of SB but less than the current YOP allowance.

12. Under this approach SB could also be withdrawn and a special allowance paid to prospective trainees who had registered for a course - say, £15 a week, ie £20 minus travelling expenses. This would mean that SB could be abolished for the

generality of 16 year olds but, that apart, it might be simpler to continue to pay SB to those waiting for a course.

### Special Groups

13. Even for 16 year olds SB would need to continue to be paid to 2 exceptional groups: those who cannot go on the scheme, eg those getting benefit on the basis of incapacity rather than unemployment, single parent girls, and those who could not live on the allowance unless topped up with SB, eg handicapped with special needs, married householders and those living away from home. Attendance allowance and mobility allowance would, as now, be payable with the allowance, with SB and with earnings. Young people who had a job and lost it and who had qualified for a contributory benefit in their own right (eg unemployment, sickness or injury benefits) would receive it as now, but the number of 16 year olds so entitled would be very small indeed.

### Proposed scheme

14. The scheme now proposed incorporates elements of both options. There is a strong case within these totally new arrangements for vocational training for school leavers for treating those who find themselves without jobs as though they are in a year of further education. That argues for treating those who leave at the minimum school-leaving age and fall within the scheme on the basis of Option A. On the other hand dependency status does not fit well with 17 year old school-leavers and others of that age who are eligible for the scheme.

15. Under the proposed scheme, therefore, school-leavers would be divided into two categories:

(i) Those who left school at the minimum school-leaving age and who failed to find work would be treated as dependent until 1 September of the following year; until that date they would not be eligible for SB in their own right and their parents would continue to receive Child Benefit and SB dependency additions where appropriate while the school-leaver is unemployed. When, however, the school-leaver enters the scheme, he would receive an allowance comprising the £8 allowance under Option A plus the Child Benefit which would otherwise have been paid to the parents, ie a total training allowance of £12.75.

After 1 September of the following year, they would be eligible for SB in their

own right, and if still on the scheme would move on to the allowance in (ii) below.

(ii) Those who stayed on at school for another year and then became unemployed would not become eligible for SB in their own right until 1 September; if they entered before 1 September, they would be treated as dependent and receive the £12.75 allowance, but after that date they would receive an allowance on the same basis as Option B - SB plus an allowance towards travel and work expenses, ie, £20.

NB. These two categories are referred to in later paragraphs for convenience as 16 year olds and 17 year olds respectively. Strictly speaking, however, this is inaccurate, since many in the first category will have passed their 17th birthday by 1 September of the following year.

16. It would be desirable when announcing the scheme to give the level of allowances which would apply from the date of the scheme's introduction, proposed as September 1983. Taking account of prospective movements in inflation up to and including November 1983, this would point to figures of £16 and £25.

17. There are some complications with the social security provisions which would have to be ironed out, notably the cost of adjusting payments to take account of in work/on the scheme/out of work changes; the age/period of qualification considerations; and the relationship to the qualifying conditions for FIS.

#### Refusal of Opportunities

18. If an unemployed 16 year old refused a suitable opportunity or left a course without good reason, he would receive no support. However, his parents would have to maintain him and it is envisaged that child benefit and SB child dependancy additions would be payable to parents.

19. There is however a case for removing SB from those who have become eligible for SB and could receive the higher allowance under the scheme but who refuse to take up a training place. Refusals would need to be handled with discretion, both because of the difficulties for individual sponsors in having to cope with unwilling trainees and because it would be difficult to avoid a right of appeal to the present tribunal system. But basically there is no reason why refusals

of training places by these young people should be more lightly regarded than refusals by adults, who can have their SB reduced for 6 weeks for refusing a training place or stopped altogether for refusing a job.

#### The Options Compared

20. Option A is less expensive than B, but is unlikely to be acceptable to young people and industry at the level of allowance proposed. It is likely to lead to disgruntlement among young people, who will be treated as dependent on their parents even if they have been in work, and to a loss of the co-operation which unions and employers have given to YOP. There would therefore be a high risk that the supply of places in industry, far from expanding as needed, would sharply fall because of opposition to the lower allowance. It would be difficult and expensive to make good such a shortfall by greater public sector provision, eg through training workshops and divorce of the scheme from industry would greatly reduce its value. Option B has a better chance of acceptance but does not confer dependency status on 16 year olds and is substantially more expensive.

21. The proposed scheme provides a special status for 16 year olds but does so on the basis of a level of allowance paid to young people which could enhance the chances of the scheme's acceptability. This gives the scheme a better chance without increasing the resources which will go to parent and child combined but redistributing them. It also caters for 17 year olds on a "benefit plus" basis which would be well below the level of wages for young people and appropriate to their training status.

22. Having two systems is likely to be more confusing but will correspond to an easily understood progression. It is substantially less expensive than Option B while having more chance of finding acceptance than Option A.

#### RELATIONSHIP TO FULL TIME EDUCATION

23. It could be argued that the allowance paid on the scheme should in equity be given to those in education also. This would however be very costly - about £200m according to estimates in the earlier report by officials -/cannot currently be justified. The adoption of the £12.75 allowance for 16 year olds in place of the £23.50 YOP allowance should lessen difficulties that at present apply and increase the incentive to stay on at school (though not as much as an £8 allowance would). If Ministers wished to move towards an allowance for young people at school, a costless way of providing it would be to pay the child benefit that at present goes to parents direct to those in

education, as is proposed for those on the new scheme.

24. It will be increasingly important to improve the last year at school to make it more relevant to the world of work and to limit the amount of remedial treatment that has to be provided in the training course.

#### STARTING DATE

25. It is proposed to start the scheme in September 1983. This would follow a transitional year in 1982-3 when up to 100,000 places providing 12 months training and work experience would be provided by September 1982 and up to 200,000 in April 1983. Experimental courses would be developed along the lines of the New Training Initiative.

26. It is obvious that a September 1983 start requires a tremendous effort in order to build up from very few 12-month places to over 300,000. A high priority would have to be given in the DHSS operational programme. But a September 1983 start seems essential. The strains affecting the present YOP will grow and it will be very difficult to continue for much longer in the present form. A long transition also means that all trainees will need to be paid at current YOP rates even though some are receiving improved training; differential rates would not be practicable, and it would be fatal to remove SB before comprehensive opportunities became available. A lengthy transition, while incurring all these disadvantages, would not materially reduce the costs so long as we proceed to build up the number of 12-month places and maintain the YOP undertakings for a further year. Furthermore, the MSC has the established mechanisms and contacts from YOP for developing the new programme rapidly if a decision is taken very soon. There is therefore everything to be said for shortening the transition and moving fully to the new scheme in September 1983 (though of course some YOP courses will inevitably run on and be completed thereafter).

27. Primary legislation would be needed to withdraw entitlement of 16 year olds to SB; to enable child benefit to be paid to parents of 16 and a few 17 year olds not on the course; and, if it were necessary, to treat over 16s not in full-time non-advanced education as dependants for FIS purposes. Primary legislation would not be needed to withdraw title to SB from 17 year olds entering the scheme if their allowance exceeded the SB rate. However, amending regulations would be needed to withdraw SB from those who unreasonably refuse to take up a training

place or drop out. The DHSS package of legislation would be complicated and controversial.

#### NUMBERS

28. By the time the new scheme is introduced in 1983-4 there may well be something like 530,000 unemployed on average in the 16-18 age group. The new scheme will provide 310,000 with 12-month courses and 70,000 with shorter courses. This will give complete coverage of unemployed 16 year olds (325,000 entrants in the first year) and all 17 year olds who find themselves unemployed either immediately or in their post-school year (55,000 entrants). The register effect is estimated at about 300,000. On this basis, there might be some 230,000 under 18s who could experience some unemployment after having had employment for at least 12 months after leaving school. The scheme therefore meets the Prime Minister's aim in para 4 but not the New Training Initiative objective in para 3, towards which, however, the Government would be able to represent the new scheme as a very substantial immediate step.

#### MONITORING

29. This is of course a demand-related scheme and coverage will vary according to the numbers who are in the eligible categories and apply. One of the problems in monitoring YOP has been the number of places given to young people not covered by the undertakings, in order to meet their needs and to maintain facilities to deal with the peak influx from the undertaking groups each autumn. There will be better control over this scheme because it will be operated on the basis that those not in the eligible groups, ie those covered by para 5(e) and (f), will just not be admitted.

#### COSTS

30. The following table sets out estimated costs of the scheme at varying levels of allowance in the first year, ie 1984-85 when the number of young people entering the scheme may be about 20,000 lower than in the scheme's opening year, ie 360,000 instead of 380,000. The allowances are shown in current prices but have been uprated in the calculations, except for the £8 allowance in option 2.

<u>Options</u>	<u>Numbers</u>	<u>Filled places</u>	<u>Register effect</u>	<u>Cost of places (£m)</u>
1. Continuation of 1982 with existing undertakings and improved quality	630,000	354,000	320,000	1018
2. 16 year olds £8, others £15	360,000	335,000	300,000	900*
3. 16 year olds £12.75, others £20	360,000	335,000	300,000	1020**
4. All trainees £20	360,000	335,000	300,000	1160

\*In addition, £165m will be paid in child benefit and SB child dependency additions in respect of trainees on £8.

\*\*In addition, £60m will be paid in SB CDAs in respect of trainees on £12.75

31. The figures in the table are not comparable with the figures for expenditure on allowances in the Chief Secretary's paper C(81)51 because the proposed number of 12-month places is larger than in the Treasury paper, which also proposed a slower improvement in quality.

32. On the assumption that in 1984-85 there will be an average 521,000 young people under 18 unemployed, £448m would have to be paid in SB if there were no special programmes.

23 OCTOBER 1981