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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

TRAINING AND EMPLOYMENT MEASURES

Note by the Central Policy Review Staff

1. Memoranda E(81) 96 to 100 and 106 raise four sets of issues for decision:

Agenda item 1: Reform of training

- a. the form, scope and timing of a comprehensive youth training scheme;
- b. other training measures and objectives including the role of education;
- c. the future and financing of Industrial Training Boards;

Agenda item 2

- d. the scale and form of any further special employment measures for 1982-83.

2. The Committee should have uppermost in mind the need to decide how much extra public expenditure to commit to training and employment measures. In the rest of this paper we highlight the main issues (with cross-references to E(81) 96 and 97) and indicate our view of priorities.

Reform of training (E(81) 96)

3. We have the following observations on the Secretary of State's training proposals:

- a. A comprehensive training scheme (para 4 a.) is needed primarily to provide a convincing response to youth unemployment. It deserves

priority among the measures put forward. The Secretary of State's proposals will take a total of 300,000 people (net) off the register. We accept the Secretary of State's arguments on the need for better quality and comprehensive coverage to balance the proposals for reduced trainee allowances; and on the need for implementation in 1983. The only remaining way of reducing the cost would be to restrict the scheme to a smaller age group or to offer shorter courses. The register effect would be less. The suggestion (E(81) 98 Annex, para 23) of paying child benefit direct to 16-18 year olds in education, instead of to their parents, could reduce the training/educational differential in young people's eyes, and might thus encourage staying on.

b. We doubt whether the proposed expansion of unified vocational preparation (para 4. b.) can be achieved for the expenditure proposed, because it would require a dramatic improvement in the incentives to employers. One way of achieving this desirable objective would be through a remissable training tax (see our para 3.g. below)

c. The papers are not specific about how financial support for apprenticeships (para 4. c.) would be used as a lever to reform skill training. Our proposal would be to give companies and unions a set timetable for negotiating flexibility on entry age, lower trainee wages, and training to standards, under penalty of having Government support withdrawn. If such a threat is thought unlikely to be effective then the money earmarked for support of apprenticeships might be better spent on other forms of skill training (see our 3.d.).

d. Adult training (para 4. d.), perhaps especially at technical and higher levels, is of great importance to the economy. We therefore support the general objectives of the Open Tech programme. But more work is needed to clarify the precise functions of the Open Tech unit, its relations with the remaining Industrial Training Boards (ITBs) and its management.

e. The proposals for linking education and training (para 4.f. and Annex 2 of E(81) 96, see also E(81) 106) will not, in our view, be enough to ensure effective delivery of the Government's training objectives:

- at local level consideration should be given to the more radical possibility of bringing together MSC, careers, school/industry links and further education functions into a single executive organisation which combines responsiveness to local industrial needs with some strategic control of priorities - and direct funding - from the centre.

- at national level there should be an examination of how to improve links between training and higher education, with the aim of meeting more effectively the economy's needs for trained - and retrained - higher level manpower.

However no such arrangements are likely to be satisfactory unless the Government exercise some direct leverage over the relevant activities of local education authorities and higher education institutions. This implies a major change of approach for the Education Departments. Otherwise, it is hard to see how they could become effective joint managers of the comprehensive youth scheme and the Open Tech, suggested in E(81) 106, or achieve the other desirable aims in that paper.

f. The announcement of decisions on ITBs (para 4.g.) should be accompanied by a statement explaining how statutory boards and voluntary bodies will fit in to the Government's general approach to training. The statement would in effect give a foretaste of the proposed White Paper.

g. The acceptability of a remissable training tax (para 6) (which we agree is worth study) would be enhanced if its introduction could be timed to coincide with a reduction in other tax burdens on industry.

Special Employment measures

4. We have the following comments on the proposals in E(81) 97:
- a. In order to ease the transition to a comprehensive training scheme, we favour freezing the YOP allowance (para 5) at £23.50. This could be defended on the grounds that it is better to use extra resources to provide more training.
 - b. There is a strong social case for extra measures to help the "12 months plus" category of the long term unemployed (para 7), whose numbers will exceed 800,000 next year. We still believe that the Community Enterprise Programme should be based on "benefit plus premium" instead of a wage. Additionally, MSC should be invited to develop their new idea of adult training workshops, which would offer productive work, simple training, and an allowance linked to benefit entitlement.
 - c. The "Layard" subsidy (para 7) could marginally speed up the cyclical recovery of manufacturing. But the expected effect is small (10,000 off the register by March 1984) and a lasting effect on employment levels is unlikely. A more effective use of resources might be to focus on changing long term attitudes in the labour market, by providing a subsidy available to all industries, but with a wage stop of about £90. This could not be expected to exert much leverage on larger or unionised firms, but might stimulate small firms to offer new sources of employment to the long term unemployed (12 months +). It might best be presented as an experiment.

Cabinet Office
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