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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

YOUTH TRAINING SCHEME

Memorandum by the Secretary of State for Employment

Our White Paper on training last December (Cmnd 8455) set out proposals for a youth training scheme for the unemployed to operate from September 1983; and invited the MSC to advise on the approach and on the level of training allowance within the resources available. The MSC set up a group of representatives of employers, unions, educational, voluntary service and youth organisations which has unanimously put forward a more comprehensive scheme covering the employed as well. The MSC have unanimously recommended this to me and it has the formal support of the TUC and CBI. It has also been endorsed by the Select Committee on Employment.

2 The attached inter-Departmental report by officials examines the differences between the two schemes and sets out in its final paragraph what seem to be the main choices before us. (The Annex to the report compares in tabular form the two schemes).

3 In brief, the MSC proposals accord with ours on the content and length of the training programme, on the guarantee to the unemployed, on the September 1983 date of introduction, on the local involvement in delivery and on the total costs of the scheme

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in 1983/4 and 1984/5. Leaving aside the question of Supplementary Benefit (SB) there are two major points of difference:

(a) their scheme applies not only to the unemployed young but also to many young people in employment. Whereas the White Paper proposal provided 360,000 places for the unemployed in the Youth Training Scheme (YTS) and separately supported training for another 85,000 employees in apprenticeships and through Unified Vocational Preparation, the Task Group scheme would provide 460,000 places for the employed and unemployed within a single scheme.

(b) the proposed training allowance for 16 year olds is much higher. We propose the equivalent of £15 a week and they propose £25 (up-rated for inflation to £27-£28 in 1983) together with travel expenses where these exceed £4 a week.

4 Proposal (a) accords with the ultimate objective expressed in our White Paper of proper training for employed as well as unemployed young people. By allowing employers to bring the first year of apprenticeship within the scheme it could give a fillip to necessary changes in that system and enable some of the unemployed to equip themselves for apprenticeship. And by giving employers the chance of taking on and paying as trainees young people who would otherwise have been paid employees, it should exert a downward pressure on youth wages. The main problem is to ensure that the Government are not led into permanently supporting training in employment that should be the employer's responsibility.

5 Proposal (b) - the higher allowance - is distinctly unwelcome, but it has been made very clear to me that employers will not be prepared to provide places for a scheme with an allowance as low as £15. In effect, the CBI have accepted that the training allowance should be raised and the gap filled by employers taking on more of the training costs. I fear that the higher allowance will highlight the difference in provision between trainees and those who stay at school, but I can see no viable way in which we could introduce, say, a youth benefit for all young people and remain within the costs of the scheme.

6 But the main trouble with the higher allowance is that it is plainly an allowance for maintenance not expenses and as such calls into question our decision to treat 16 year olds as still dependent on their parents. The decision to withdraw SB from 16 year olds in their own right, taken separately but announced for the first time in the White Paper, has been a particularly controversial point about our White Paper proposals.

7 The argument that this constitutes compulsion on young people to join the training scheme is nonsense. There is, however, considerable anxiety among our supporters about a position in which SB has been withdrawn and weeks or even months pass before the

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unemployed young person can be placed on the YTS; and a majority of the Select Committee took the view that it was necessary to provide against this. It has also been represented to me that some young people could come off the scheme after 12 months with several months still to run before they qualify for SB.

8 Failure to meet these concerns now will prejudice initial success of the scheme and make very difficult passage of the necessary SB legislation. Yet a device such as a waiting allowance of £10 or £15 for those unable to get a place immediately would cut across the principle of withdrawing SB from 16 year olds by seeming simply to be the equivalent of SB at much the same cost. I therefore propose - with the agreement of the Secretary of State for Social Services - that, while we should emphasise that we remain convinced that it is right to withdraw SB from 16 year olds, we should delay its withdrawal in order to enable the YTS to be introduced with the fullest measure of public support. This should be done on the basis that we will look again at withdrawal after a year's experience of YTS operation ie in the Autumn of 1984.

9 There are other problems with the Task Group proposals. They do not so clearly embody the White Paper assumption that the call on public resources will fall off as the numbers of young unemployed decline. So though we should accept the exceptional launching costs till 1985, we should make plain that we will need to review the level of public support and the distribution of training costs within Government and industry beyond that period. Secondly, we cannot commit ourselves now to extending the scheme to all 17 year olds in 1984/5. This could not be done within the costs of the scheme in that period.

CONCLUSION

10 Despite their difficulties the Task Group proposals offer an integrated scheme with possibilities for valuable developments. And the unanimous support for them offers us an exceptional platform from which to launch successfully in 1983 our guarantee scheme for the young unemployed. I do not think that any other approach is now viable and I propose that we should accept this more comprehensive version of our Youth Training Scheme on the basis that we should:

(a) regard the £25 allowance as appropriate for 1983 subject to MSC advice at the time on both the allowance and excess travel costs. (This would be with no current intention of increasing the allowance, although I would expect to have to yield on travel expenses on which many of our supporters are likely to feel strongly).

(b) delay withdrawal of SB from 16 year olds on the basis suggested in paragraph 8 above. Meanwhile, those who unreasonably refuse a suitable training place would, like 17 year olds, have their benefit reduced for 6 weeks;

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(c) not commit ourselves to any further expenditure on this scheme in the period till 1985, and state our intention to review the level of public support and the distribution of training costs between employers and the State beyond that period. We should look to the forthcoming MSC study of funding referred to in the White Paper as providing guidance.

11 What I propose would not affect the costs of the scheme. It would reduce the expected savings from SB withdrawal by £10 million in 1983/4 and £16 million in 1984/5, but, on revised estimates, DHSS can without this save very considerably more than the £40 million in a full year originally registered in PESC from withdrawal - £72 million in a full year from the new YTS and £30 million from the reduction in 16 year old SB decided on in the housing benefit context. There would be no increase in staff numbers over the proposals in our White Paper.

12 If colleagues agree, I would propose to announce our decision to the House towards the end of June. I would write at the same time to the CBI and TUC to remind them of the responsibilities they have taken on for ensuring the success of the scheme by endorsing the Task Group's report.

Department of Employment
9 June 1982

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ANNEX

YOUTH TRAINING SCHEME:

THE REPORT OF THE MSC'S YOUTH TASK GROUP

Note by Officials

THE REMIT TO THE MSC

1. Last December's White Paper on a New Training Initiative set out proposals for a Youth Training Scheme (YTS) for the unemployed which the Government asked MSC to introduce in September 1983. It welcomed (paras 21 and 41) the MSC's proposal to examine the possibility of a wider and more general scheme of foundation training for all young people; and expressed the Government's willingness to consider and develop schemes to help more unemployed young people into jobs with proper training and to transfer resources proportionately from the new scheme to other schemes, if they could be developed. The Government also asked the MSC, in working out the detailed implementation of the scheme to advise on the level of allowances which would be appropriate and could be afforded within the resources available.

THE YOUTH TASK GROUP SCHEME

2. The MSC set up a Youth Task Group, containing representatives of the TUC and CBI and also members from educational, voluntary and youth organisations. The Group has now proposed a wider YTS. Its report was unanimous, as was the endorsement of the MSC.

3. The main features of the White Paper scheme and of the Task Group scheme are compared in the Annex. There is much common ground on training content, including machinery to secure and develop its quality; the length of training course; the starting date of September 1983; the guarantee to unemployed 16 year-olds; and the local basis of administration.

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4. There are four areas of difference:

- A. Coverage of young people and their status (paras 5-12)
- B. Level of training allowance (paras 13-24)
- C. Benefit arrangements for 16 year-olds (paras 25-38)
- D. The Exchequer cost implications (paras 39-51).

This note examines these differences and their implications and sets out the options for decision. In doing so, it takes account of the report on Youth Employment and Training produced by the Select Committee on Employment. This has welcomed the Task Group report and emphasised the common ground, but drawn attention to problems in the associated withdrawal of Supplementary Benefit from 16 year olds.

A. COVERAGE OF YOUNG PEOPLE AND THEIR STATUS

5. Last year the Government endorsed, as a major national objective for the future of industrial training, movement 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 a period of planned work experience combined with work-related training and education. Under the White Paper proposals, progress towards this objective would be made through three separate schemes - the Youth Training Scheme for 360,000 young unemployed, Unified Vocational Preparation (which has the target of catering for 50,000 employed young people by 1984/85) and support for skill training (currently some 35,000 apprenticeships).

6. The Task Group scheme makes faster progress towards the objective by bringing some 360,000 unemployed young people and 100,000 young people recruited by employers into a single integrated scheme. Employers will get the same annual grant for training their normal intake of school leavers as for taking on the unemployed as trainees, provided they increase their normal intake substantially (para 5.17). The grant will not distinguish between apprentices and others, even though apprentice training is normally more

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expensive. Employers will be free to settle with their unions whether the young people should be trainees on a fixed allowance (para 4.31) or employees on a negotiated wage. Employers who confine themselves to their normal intake of young people will receive no training grants, even though they may currently do so.

7. These proposals have been endorsed both by the TUC and the CBI. For Government, they entail both risks and opportunities compared with the White Paper scheme. The main considerations are as follows:

(i) Ostensibly, the new scheme involves a firmer long-term public expenditure commitment. It risks establishing the principle that the cost of training young people in their first year of employment is a Government responsibility. On the other hand, the White Paper scheme already carried the risk that some employers will in the long run shift the burden of training on to the Government by the simple expedient of delaying recruitment to 17; it also entails higher public expenditure costs per trainee than the Task Group Scheme. On balance, therefore, the risk that the new scheme may turn out more expensive in the long run may not be much greater (see paras 45-50 below);

(ii) The inclusion of apprentices in the Task Group Scheme, on the same terms as other trainees, could have major effects on the apprenticeship system. There is a risk that apprentice numbers will fall, since employers will get less assistance per head than under the present Skill Grant System. On the other hand, there is the opportunity for employers to give a larger number of young people a 12 month course on a training allowance, which might be accepted as first year apprenticeship training. In this way the Task Group Scheme might provide more effective leverage for reform of apprenticeships than the current grants. Moreover, some grant money will remain available to support redundant apprentices and other forms of skill training; while the continued existence of the Engineering and Construction ITBs offers

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some safeguard against unwanted decline in apprenticeships. The CBI have not expressed any concern at the inclusion of apprentices. In any case the White Paper proposals already imply that the Government will not continue indefinitely to provide direct support for first year apprentices on the present basis;

(iii) Young people under the scheme can have different status. Whereas all young people participating in the White Paper scheme would have trainee status, the Task Group scheme could also include some young people (including apprentices) with employee status. Unions will still have an incentive to press for a wage to be paid, since young people would be better off on prevailing 16 year old wage rates than on an allowance. How far employers will withstand such union pressure is unclear, but if they are able to pay the trainee allowance instead of a wage, this could have several advantages. It would reduce their wage costs and contribute further to meeting the costs of training under the scheme. It would reduce the problem of equity by putting these young people on a par within the firm with the unemployed trainees. It should also produce a useful downward pressure on youth wages, especially as it has been generally accepted in the New Training Initiative that it is reasonable to expect the beneficiaries or better training to contribute to the costs. We do not think it necessary to impose a wage limit in order to fortify this position and it would be highly controversial and put the whole scheme at risk.

8. 18 year olds with special needs

The Task Group proposed the same coverage of unemployed 16 and 17 year olds as the White Paper scheme, but said it would be desirable that 18 year olds with special needs (eg disabled young people) should be covered. The Select Committee recommended that this group of 18 year olds should be covered from the outset. But since the longer-term objective is to cover 16 and 17 year olds, it would be inappropriate to provide for any 18 year olds in the scheme. The White Paper suggested that one way forward would be for Community Industry

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to provide help to those disadvantaged young people who are outside the target group of the new scheme. We understand that Community Industry are favourably inclined to this, but have not taken any final decisions. The requirement is one for consideration by the Government when deciding on the level of support for Community Industry in 1983/84 and beyond.

9. Disadvantaged young people

The Select Committee also drew attention to the need to make certain that young people within the scope of the scheme who, for one reason or another, are least attractive to sponsors are given adequate opportunities. YOP has a good record in helping the disadvantaged, and under the Task Group proposals the MSC would aim to see they were adequately provided for, where necessary under schemes it organised directly, such as training workshops. There is likely to be particular reliance on MSC provision in deprived inner urban areas.

10. Young Workers Scheme

The Task Group report raises the question of the future, in relation to the YTS, of the Young Workers Scheme, which aims to reduce youth wages but does not insist on training. The YWS is to be reviewed this year in the light of changes in wages levels, experience of the scheme, and the views of the European Commission. It would therefore be premature to decide now its relationship to the Task Group scheme from September 1983. But there seems a case for continuing it as an inducement to employers to create jobs both for 16 year olds who are taken on as employees outside the YTS (where some training requirements appropriate to the needs of small employers might be linked with the subsidy) and for those who have completed the YTS training year. We shall report to Ministers on this when YWS is reviewed.

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11. Local Discretion

There will be considerable local discretion in the operation of the scheme as a result of involving local interests. This may lead to protests about "unfair treatment" arising from variations between locations - eg in the ratio of unemployed trainees to the ordinary recruits to be brought within the scheme. Ministers will not be able to influence the local arrangements which give rise to any such protests and may need to make clear that this is an inevitable feature of local involvement, to which the White Paper gave the Government's commitment.

Conclusion

12. On balance, the proposals on coverage and status seem acceptable if Ministers are satisfied on the potential longer term expenditure implications. To vary this approach would mean unscrambling the whole scheme, as there would be no prospect of getting TUC agreement to the inclusion of those currently employed if there were no chance of some of them being treated as employees. The treatment of apprentices appears acceptable so long as Ministers put more weight on reforming apprenticeships than on simply seeking to maintain the numbers recruited to conventional first-year apprenticeship schemes.

B. LEVEL OF TRAINING ALLOWANCE

13. The White Paper proposed around £750 a year (£15 a week) for 16 year olds on the scheme (the vast majority) and around £1,250 (£25 a week) for 17 year olds. The Task Group recommend that the present YOP allowance of £25 should be maintained in real terms. This means that the allowance would be up-rated before the programme begins in September 1983; which could produce an allowance of £1,400 - £1,450 a year (£27 - £28 a week). This recommendation represents a compromise by those on the Group and the MSC (notably the TUC representatives) who thought the allowance should be even higher so as to take account of the MSC's recommendation that YOP trainees should be paid £28 from November 1981.

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14. The higher level of allowance raises a number of considerations:

(i) it reduces the money available to sponsors to meet the training costs of unemployed young people, save insofar as they can bring employees whom they already train into the scheme;

(ii) it is sufficient to meet normal living expenses and therefore raises the question of the dependency of 16 year old trainees on parents (benefit implications are considered separately in Section C);

(iii) it could have an effect on staying on rates in further education;

(iv) there is also the question of travel costs.

(i) Attitudes of employers

15. Under the White Paper scheme an employer taking on an unemployed 16 year old would have received the full costs of a year's training including the £750 for the allowance. Under the Task Group scheme he will receive £1,850 of which £13,000 - 1400 is paid as the allowance. Although the latter payment is less, it is calculated to have the effect that an employer who takes on three additional trainees and two recruits whom he would have trained anyway will receive broadly the same support from MSC as if he had taken on three unemployed young people under the White Paper scheme. Those employers who also reduce youth wages in connection with the scheme would be better off. Employers such as those who lose access to UVP and apprenticeship funds would be worse off, as of course would small employers who might have wished merely to take on an unemployed young person as a trainee. Just how this will work out in terms of availability of sponsors remains to be seen, but the scheme has been fully supported by the CBI.

16. Indeed, employers, including the CBI Council, have firmly intimated that no scheme would work with a £15 allowance. In this they have been influenced not only by the need to secure union support for schemes, but also by the fact

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that trainees will spend nine months working alongside permanent employees and are bound to produce some output. They also think it most unlikely that they could convert existing jobs with negotiated wages into traineeships with a £15 training allowance, whereas they have a chance of doing so with the higher allowance. In the event the Task Group recommendation was unanimous, was unanimously supported by the MSC and the report has been generally endorsed by the CBI Council.

17. The White Paper envisaged all 16 year olds not in employment being treated as still dependent on their parents. Acceptance of the higher allowance implies a change of view on this. Apart from the child benefit equivalent (£5.85 from November 1982) the £15 allowance was mainly for travel and other expenses. An allowance of £25 is, however, above the benefit subsistence level and must be regarded as covering living expenses: there would be no logic in treating a 16 year old trainee in the same dependent category as other young people, eg school children for whom there is a demonstrable need for continued parental support. Moreover, the same allowance will be paid to 17 year old trainees who will have access to supplementary benefit in their own right. This points to acknowledging that young people should be regarded as independent while trainees on the scheme as well as when they are in jobs. But 16 year olds could still be regarded as dependent on their parents while unemployed or in education.

18. The disadvantage of an allowance designed to meet living expenses is that it is bound to increase pressure for it to be uprated to keep pace with those expenses. It would be difficult at a later stage to seek to avoid this by returning to the White Paper philosophy or parental support.

(iii) Impact on full-time Education

19. A £25 allowance (plus excess travel costs) could exacerbate the effects on staying on in education which might be anticipated from the offer of a widely promoted year long programme of improved training as under the White Paper proposals. The Task Group report recommends that the issue of financial

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support for young people in full time education should be reviewed as anomalies become more apparent.

20. We cannot assess what the impact of the YTS will be. On the one hand, the existence of YOP has not prevented a modest increase in the numbers staying on in education, as might be expected when unemployment is high. On the other hand, the attraction away from education and into YTS could be very considerable if the scheme proves successful in achieving a high quality of foundation training. There is therefore a case for considering a more even-handed approach, particularly in view of the increased expenditure but each would require detailed study and costing. The idea of a means-tested Youth Benefit might be revived; a means-tested allowance might be paid but limited to those staying on at school; or a lower allowance than £25 might be paid to 16 year olds on the course with a lower amount still to some or all of those staying on in education. These would all be measures aimed at evening-out support for the age group and reducing the financial incentive to leave school offered by an allowance at £25 a week. But any of them would inevitably reduce the level of allowance which would be paid to trainees and would inevitably reduce the level of allowance which would be paid to trainees and would therefore endanger the whole scheme. Moreover, the extension of parental means-tested in this context would be a highly unpopular move with serious manpower and administrative implications.

(iv) Travel Costs

21. The White Paper proposal was that travel expenses should be met out of the £15. The Task Group report recommends that travel expenses in excess of £4 a week should be reimbursed as under YOP. On the face of it, it may look odd for Ministers to agree both to pay a much higher allowance and, additionally, to reimburse excess travel expenses - though this is what happens now under YOP with a £25 allowance.

22. Moreover, under the White Paper scheme Ministers did not rule out some further assistance in exceptional cases and representations have been made

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from various quarters (including Government supporters) that fares can be high in rural and some urban areas. Furthermore, if young people are given the £25 allowance and regarded as independent while trainees, a high level of travel expenses could reduce the money left over below the subsistence level. This would increase pressure for trainees to be brought back into the social security system whether as dependents or in their own right. It would be simpler to avoid that.

23. The amount involved is relatively small (£6 - 7m at present) and is included in the cost of the Task Group scheme, which is in total within the resources available (see paragraph 39). So if Ministers regard this issue as sensitive there would seem to be no difficulty in agreeing to the Task Group recommendation. The threshold could be raised to £5, but this might be done more easily when the allowance itself is raised above £25 at some time in the future.

Conclusion

24. It has been represented that the £15 allowance would make the scheme unacceptable to employers as well as to trade unions and others concerned. If Ministers accept the validity of these arguments and are prepared to accept the implications of the higher allowance for 16 year olds (particularly on full-time education and benefits), they might agree to an allowance of £25 as what seems to the Government an appropriate figure for when the scheme starts in September 1983, but express the Government's willingness to look at this again in the light of recommendations which the MSC would make in 1983 before the start of the scheme in September. The Government might accept at the time that travel expenses in excess of £4 should be met or could leave this over for decision in 1983. This would maintain some freedom of manoeuvre on the £25 allowance without presenting it as a major issue on which the TUC or anyone else is likely to break ranks in their present support for the scheme.

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C. BENEFIT ARRANGEMENTS FOR 16 YEAR OLDS

25. The proposals relating to the allowance set out in the White Paper took account of the decision, then announced for the first time, that supplementary benefit (SB) would no longer be paid to most 16 year olds in their own right (main legislation next session would be required to achieve this). The Task Group report, however, suggested in the chapter on final reflections that SB should continue for all young people not in training. The reasons given for this view were that young people who are not on the programme through no fault of their own would be penalised, that the scheme proposed was an entirely voluntary one for sponsors and young people, and that reluctant recruits would be a disruptive influence which potential sponsors would not be prepared to face.

26. Although not integral to the training scheme itself, it seems likely that maintenance of the decision to withdraw title to SB will lose the present unanimous support for the YTS on the basis proposed by the Task Group; and in all probability the TUC will treat this issue as a reason for withdrawing their support for YTS (and possibly for withdrawing from the MSC itself). Nor will they necessarily be alone, given the attitude to withdrawal of SB taken by some voluntary organisations and some employers. This could make it well nigh impossible for the MSC to find sufficient sponsors to get the YTS and its guarantee into operation by September 1983.

27. Although the majority of the Select Committee on Employment considered that it was right in principle to withdraw SB from 16 year olds in their own right, they considered it important that the scheme should get off to a good start and that any change in the rules to SB should only be introduced if it would not prejudice the introduction of the new scheme. They proposed in any case that those waiting for places on the scheme and those who had finished it should not lose SB; and appeared to be supporting sanctions on youngsters who unreasonably refuse a training opportunity which they are capable of taking up, rather than a general withdrawal of benefit. The Social Security Advisory Committee have said that school leavers who are waiting for or have finished

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courses should remain eligible for SB on the present terms, although they would be prepared to see a six week limitation of benefit for those who unreasonably refuse suitable training on the lines of that which already applies for unemployment benefit.

28. The SB issue is highlighted if a £25 allowance is paid for 16 year old trainees because the removal of SB would not then be essential to provide an incentive to go on a course. And with an allowance sufficient to live on while on the course, it becomes difficult to expect trainees to revert to being dependent on their parents if they become unemployed again after the training course has finished. The very poorest families, where the parents are on SB will not of course suffer any loss of income, nor will those groups with special needs who will remain entitled in their own right. But low income working families - those on family income supplement and housing benefit - and widows and invalidity pensioners, will be only partially protected from loss and the generality of families will receive only £5.85 child benefit towards the 16 year olds support in place of the £15.80 a 16 year old will receive in his own right from next April*.

29. The potential benefit savings under either the White Paper or Task Group approaches are considerable, but the bulk of those savings are attributable to the wider coverage of the new YTS compared with YOP, rather than to taking 16 year olds out of benefit as such. The total net savings in 1984/85 if 16 year olds are taken out of benefit are estimated at £67* million, with a £15 allowance and £88* million with a £25 allowance. (The £25 allowance produces a higher saving because there would be no need to pay dependency addition to parents on supplementary benefit with a child on the scheme.) But in the case of a £25 allowance there would be savings of £72 million even if SB were not withdrawn, ie the additional savings from withdrawal would be only £16 million. This compares with net savings of £12 million in 1983/84 and £40

* These figures take account of the decision, made in the housing benefit context, to remove non-householders rent addition from SB for 16 year and 17 year olds.

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million in a full year which DHSS have already registered as a result of the original decision to withdraw SB from 16 year olds from September 1983. This means that even discounting the (in the new circumstances much smaller) saving from withdrawing SB from 16 year olds, the effect of YTS is that DHSS will save more than the original £40 million planned.

30. It is therefore plain that there are difficulties about, and less now to be gained financially from, the proposal to withdraw SB from 16 year olds. If Ministers were to consider that withdrawal could no longer be sustained, one possibility might be to continue entitlement but, as the Social Security Advisory Committee and the Select Committee on Employment have suggested, take measures to ensure that there are sanctions on those who refuse training (see paragraphs 36-37 below).

31. However, apart from the question of savings, the original social arguments for regarding unemployed young people as still dependent on their parents for the first year after leaving school at the minimum age still apply. In addition, withdrawal of SB creates an opportunity to lower the level of training allowances and wages and provides more even-handed treatment of unemployed young people and those in full-time education. If Ministers wished to maintain the previous policy, there are two other ways in which the criticisms might be met:-

(a) withdraw SB in 1983 but make some alternative payments to those not in the scheme though no fault of their own;

(b) delay for one year the withdrawal of SB until the Youth Training Scheme has settled down.

32. Option (a) could meet the criticisms of the effects of SB withdrawal by two modifications of the proposals:

(i) to pay some sort of waiting allowance from the beginning of September to people who are willing to join the scheme, but for whom

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training places are not yet available or for those who had been waiting for a certain period eg a month. The gross cost of a £15 allowance from September has been estimated at around £27 million; a £10 allowance would cost £18 million. Against this social security savings would be £16 million with a £15 allowance paid from 1 September: less if there was a wait of a month or with a £10 allowance.

There would also be a staff cost in DE;

(ii) The date of eligibility for SB in the year after leaving school at the minimum age might be brought forward from 1 September to 1 June. This would ensure that virtually all who finished their 12 month course and could not find a job would be eligible for SB straightaway. The date could be as early as 1 May to cover Easter leavers. This approach would erode the SB savings by about £4 million.

33. Option (a)(i) represents a radical departure from the White Paper approach. It might be presented as an arrangement for the initial year only, but in fact the problem is likely to continue beyond the first year, although probably on a reduced scale. Such an arrangement would, however, tend to undermine the argument that 16 year olds should be dependent on their parents. Indeed, it is not clear what a waiting allowance would be paid for. Young people would have no expenses of participating in the scheme, but the waiting allowance could hardly be at a level which would enable them to be independent. It would mean setting up the administration for a new benefit, while DHSS would still need to top up the parents' allowance in perhaps 15 per cent of the cases because the waiting allowance would be below the SB level. It would also look very odd to go through the business of amending main legislation to withdraw SB only to introduce a new measure in substitution. Option (a)(ii) is a more straightforward modification of the White Paper proposals. But by itself it would do nothing to meet the main criticism about the initial waiting period, while together with a waiting allowance it would cancel out the savings attributable to the withdrawal of SB entitlement.

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34. Option (b) could be justified on the ground that the Government's aim was to be sure that a satisfactory alternative to unemployment was in operation before benefit was withdrawn. It would clearly help with the smooth introduction of the scheme and be a safeguard against any serious shortfall in the provision of places in 1983. It might be somewhat easier to make the change in 1984, when the scheme was in full operation (though there would be the inevitable difficulty of getting through the unpopular change after the popular parts had taken effect). It would be difficult by then for critics to withdraw from a successful scheme. But the problem of those who have to wait for places would remain; it will always be difficult to reach a position where all school leavers will be placed in suitable training places by September. This option would put back the savings from the withdrawal of SB by 12 months, removing the savings of £16m for 1983/84 and reducing them for 1984/85, amounting over the 2 years to a loss of £16m in savings. But the savings over a full year in supplementary benefit from operating the new scheme, even if eligibility was not removed, (£72m), will still be more than the savings already registered though continuing to operate YOP and withdrawing benefit (at least £40m), or would be gained by the White Paper proposals (£67m.)

35. If option (b) were adopted it might be appropriate for the first year to introduce benefit sanctions for 16 year olds who refuse or abandon the training place, in just the same way as already proposed for 17 year olds (see paragraph 36). (And, of course, if in the event it were decided not to proceed with the withdrawal of SB in the long term, such sanctions would still ensure that a cash penalty attached to refusal to cooperate).

Benefit sanctions

36. The White Paper stated that 17 year olds who unreasonably refuse a suitable training place would, like adults who unreasonably refused training offers or jobs, have their benefit reduced for 6 weeks. The maximum deduction is 40 per cent but in certain circumstances the deduction may be 20 per cent, for example if the claimant's last employment (if any) was for less than 6 weeks. Any who had their benefit reduced would have a right of appeal.

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37. As for 16 year olds, withdrawal of SB without the introduction of a waiting allowance would mean that no further penalties for youngsters who refused places would be required. If, however, a waiting allowance were paid it would be necessary to have power to withhold payment if the young person refused a suitable training place (although this might necessitate some procedure for appeals). And if SB were retained for 16 year olds, even if only temporarily, sanctions on the same sort of principles (or even perhaps tougher ones) as those described for 17 year olds could be applied.

Conclusion

38. Reactions to the White Paper proposals and the lower savings to be had from the benefit change in the new situation must make the proposition to withdraw SB from 16 year olds look less attractive; and withdrawal could prejudice the whole YTS scheme. Some of the objectives of withdrawal could be met by continuing title, but imposing sanctions on those who refuse training. In any event there is a case for delaying the introduction of the benefit changes for one year. The alternative proposition, to pay a waiting allowance for those still without places in the autumn has substantial arguments against it. The problems of young people finishing courses before becoming eligible for SB could largely be removed by bringing forward the date of eligibility for SB although this would serve to highlight the absence of provisions for those in the waiting period.

D. THE EXCHEQUER COST IMPLICATIONS

39. A key requirement is that the scheme falls within the expenditure proposed in the White Paper. In 1984/5 the resources available amount to £1.12 billion (£1.030 bn for YOP, £42 m for UVP and £43 m for Apprenticeship Support and the NTI development budget). The cost of the Task Group scheme in 1984 is estimated at £1.112 billion, which is within the resources available.

40. The costs are clearly sensitive to a number of assumptions - the estimate of unemployment, the attractions for employers to bring their own

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recruits within the scheme, the effect of the scheme on the numbers staying in full-time education, and the operation of the guarantee to the unemployed. The guarantee however, will be operated in a way which should exclude the possibility of employers taking up the scheme for their own recruits to the exclusion of the unemployed. Over the country as a whole, employers will be required to take on three additional trainees for every two recruited as part of an employer's normal intake, so that the 100,000 places available for employers' own recruits will not be taken up unless employers provide at least 150,000 places for the unemployed. Together with the places directly organised by the MSC this will enable the guarantee to be met. (In areas of high unemployment, it may be necessary for MSC to organise a higher proportion of places than elsewhere, and MSC will need to take this into account in allocating funds to local boards).

41. If employers take up fewer places than estimated, larger numbers of unemployed young people will have to be placed on schemes organised by MSC, some of which are relatively expensive. However, the total numbers of employees on the scheme would then be correspondingly reduced and the total costs would remain within the ceiling.

42. The White Paper was costed on the basis that the MSC would require 1000 extra staff for the development of YOP in 1982/2; in the new scheme the staff will be deployed differently, but the total is not increased. The extra MSC staff will continue to be offset by a reduction in the numbers administering unemployment benefits. Under both schemes about 300 additional local authority Careers Service staff would be needed under the unemployment strengthening scheme paid for by the Department of Employment.

43. In their chapter of final reflections, the Task Group expressed the hope that it would be possible to extend provision to unemployed 17 year-olds other than school-leavers from 1984 and to employed 17 year olds by 1985. As a minimum, the Task Group would like to cover by 1985 all those leaving college or school at 17, at a total cost of £25-100 million, depending on whether the additionality ratio of 3:2 is maintained or not. However, the White Paper did not provide funds for expansion on these lines and there seems no need to accept this.

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Further Education

44. Like the YTS the new scheme has considerable implications for further education. Whilst it is not possible to determine the exact effect of the new scheme, the present working assumptions of an additional 70,000 places in the academic year 1983/84 appears likely to remain valid. Although the new scheme could lead to the funding of rather more places, some of these will be places which might have been filled anyway, for example by apprentices on first-year integrated courses whom employers choose instead to provide for within the scheme. So no extra costs are envisaged on this account.

The Longer-Term Public Financing Commitment

45. Since the White Paper scheme catered separately for the unemployed, the Government's financial commitment would reduce automatically with the drop in youth unemployment. The requirement under the Task Group scheme that the number of existing employees who can be brought within the scheme must be related to the number of unemployed young people taken on retains, on the face of it, the same assurance. Indeed, there will be no Government support for first year training by employers save where they take on unemployed young people.

46. Of course, the distinction between ordinary recruits and the unemployed trainee is bound to become eroded over time with the risk that the Government will be drawn into sustaining the high level of financing even as unemployment falls. This is not a risk peculiar to the Task Group scheme: under the White Paper scheme it is possible that employers might come to recruit only those who had been through the YTS and thereby maintain or even increase the Government funding. And the White Paper proposals did separately provide for increased Government financing of training in employment through UVP. However, the integration of employed trainees into the scheme along with unemployed young people may create a greater expectation that the Government will continue to fund the first year training of school leavers on the same scale and thus portend a firmer long term financial commitment than the White Paper scheme for the unemployed.

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47. The Task Group report recognises that the Government will be concerned that it should not necessarily be committed in perpetuity to the levels of funding implied by the White Paper. The Task Group believed, however, that some public investment of the kind implied by their scheme would continue to be necessary for the foreseeable future and thought that the Government should recognise this and accept it as being in the nation's interest.

48. In present circumstances there is a strong case for a substantial Government contribution until 1985 and this was acknowledged in the White Paper. There is no need for the Government to commit itself now beyond 1985. The Government might therefore announce that it will then review the level of public funding for training. Among the available options the Government could then decide to reduce the level of payments to employers. The general study of the funding of industrial training as a whole, referred to in the White Paper, that the MSC propose to establish in co-operation with the Government will also be relevant.

Funding from European Community

49. The new scheme is well in line with the European Commission's proposed aim, which has been supported in principle at European Council level, that the necessary machinery and arrangements should be set up over the next five years to guarantee all school-leavers access to either paid employment or vocational training or both. Support has hitherto been available on a considerable scale for training of the unemployed - in particular in respect of unemployed young people - from the European Social Fund and it would, as the Prime Minister acknowledged in July 1981 when announcing the expansion in YOP, be our aim to secure the continuation of such support, and if possible for the scheme as a whole, given its conformity with the Commission's wider policies.

Conclusion

50. The Task Group scheme falls within the expenditure proposed in the White Paper for 1983-84 and 1984-85. However, the White Paper scheme for the

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unemployed was likely to involve a diminishing cost whereas the more integrated Task Group scheme for both employed and unemployed carries a greater risk of continuing at a high level of expenditure indefinitely. But there is no need to give a commitment that the expenditure will come from the Government beyond 1985 and for all time rather than be met in other ways.

OPTIONS

51. There are five main options for Ministers to consider:-

Option 1. To continue with the White Paper proposals and reject the Task Group report. In considering this option it must be borne in mind that employers have said that the proposals as they stand will not work.

Option 2. To continue with the general approach of the White Paper, including the limitation of the scheme to unemployed young people, but to modify the White Paper proposals in the light of the Task Group report. In particular, the allowance for 16 year olds might be increased to £25 (or possibly to £20) and a more explicit undertaking might be given to extend the scheme to employed young people as soon as possible. This Option, like Option 1, means rejecting the opportunity of starting on a generally agreed scheme in line with the Government's longer term aim. Raising the allowance would also increase the cost of the scheme (at £25 by £125 million).

Option 3. To accept the Task Group report in its entirety. This entails a £27-28 allowance, going back on the decision on SB and acceptance of an extension of the coverage to all 17-year-olds by 1985. As explained in para 43, the cost of the extension could be £25-100 million. SB savings of around £16 million would be foregone.

Option 4. To accept the Task Group scheme including the £25 allowance plus expenses, and the wider coverage but to make one or more of the following specific modifications:

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- (i) no immediate commitment to up date the allowance (see paragraph 24);
- (ii) no commitment to extend the scheme to all 17 year-olds by a given date. (see paragraph 43);
- (ii) (a) retain the withdrawal of supplementary benefit in 1983, possibly with a waiting allowance and/or a 1 June entitlement date (see para 33); or
- (b) postpone it until 1984 on terms to be decided nearer the time, but with sanctions meanwhile on those who refuse places on the scheme or leave without good reason; or
- (c) go back on the decision to withdraw title, but instead impose sanctions as in (b).

The waiting allowance in (a) would have a net cost to public funds of £11 million; the application of a 1 June date in (a) would mean £4 million supplementary benefit savings foregone; (b) means savings, equivalent to a full years' saving, of £16 million foregone and (c) that £16 million a year would be foregone permanently. In all cases, however, the net savings in supplementary benefit would be higher than envisaged under the White Paper scheme and those already taken into account in PES for the reasons explained in para 29 above.

Option 5. To accept the Task Group scheme with one or more of the modifications in Option 4 but with the major modification of paying a lower allowance to 16 year olds (possibly £15). Paragraph 16 above is particularly relevant in considering this option.

Department of Employment
9th June 1982

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YOUTH TRAINING SCHEME AND YOUTH TASK GROUP SCHEME COMPARED - A SUMMARYYouth Training Scheme1. Coverage

Unemployed school leavers aged 16 and 17 - guaranteed places to unemployed minimum age (16) school leavers.
 - other places for other unemployed 16 year olds, unemployed 17 year old school leavers and other 17 year olds unemployed in their first year after leaving school.

2. Numbers

Around 360,000 entrants in 1984/85.

3. Duration and Training

Unemployed school leavers - 12 months.
 Young unemployed with some prior work experience - 6 months.

4. Content of Training

Integration of skills, knowledge and experience through planned and supervised work experience and properly designed opportunities for off-the-job training or further education.

Included in courses:

- induction and assessment
- basic skills
- occupationally relevant education and training
- guidance and counselling
- record and review of progress.

Task Group Scheme

Young people aged 16 and 17

- guaranteed places to unemployed minimum age (16) school leavers.

- other places for other young entrants to work aged 16, and 17 year olds who are unemployed.

[Ultimately, for all 16 and 17 year old entrants to work plus 18 year olds with special needs - by 1985].

Around 460,000 entrants in 1984/85.

School leavers - 12 months.

With previous work experience - 6 months.

Broadly as with YTS, but with proposals on quality assurance and provision of technical and professional advice to National Supervisory Board running the scheme. Training would also include some first year apprenticeship training.

5. Sponsorship

As with YOP - employers, local authorities, voluntary bodies.

- employers as "approved" sponsors offering full training courses.
- major employers acting as managing agents offering training and, in association with smaller employers, work experience.
- courses organised by MSC where mainly local authorities and voluntary bodies would be the sponsor.

6. Reimbursement of Costs/Grants

As with YOP - MSC pays whole training cost of, on average, cf3,000 pa.

- per capita grant of £1,850 pa. to approved sponsors, plus £100 a head so sponsors acting as managing directors (to reimburse admin costs).
- For MSC organised schemes, whole cost paid as with TYS (£3,000 pa)

7. Status of Young People

Trainees, receiving training allowance.

Either trainees receiving an allowance or paid employees who are following approved courses of training.

8. Allowances

- for 16 year olds not eligible for benefits, cf750pa (on £15 per week)
- for 17 year olds eligible for benefit, cf1,250 pa (or £25 a week)
- no travel cost reimbursed.

For all trainees - current YOP allowance of £25 revalued to 1983/84 prices - say, £27/28.
- plus, travel costs in excess of £4. Employees would receive their negotiated rates of pay.

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9. Benefit Arrangements

- 16 year old school-leavers to remain ineligible for benefit until 1 Sept in the year after school-leaving.
- during this time, parents to continue to receive Child Benefit and dependency addition to their own benefit, if young person not on the scheme.
- benefit sanctions (for those eligible for benefit) in the case of those unreasonably refusing a training course - reduction of benefit for 6 weeks.

- No change in present arrangements. (16 year old school leavers to become eligible at the start of the term after the one in which they left - ie generally 1 Sept).
- No benefit sanctions for refusals.

10. Cost

£874m in 1983/84 for Youth Training Scheme
£1020m in 1984/85 for Youth Training Scheme.

£950m in 1983/84
£1112m in 1984/85

To these figures about £100m should be added for the cost of UVP, TPSA and the NTI Development Budget.