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E(A)(83)20

COPY NO: 70

5 December 1983

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY
SUB COMMITTEE ON ECONOMIC AFFAIRS

YTS AND UNEMPLOYED 17 YEAR OLDS IN 1984/85

Memorandum by the Secretary of State for Employment

E(A)(83)19 sets out my proposals for the future development of the Youth Training Scheme (YTS). In the light of those proposals this paper considers the Scheme's development in 1984-85 and the related question of what to do about those who complete the YTS and remain unemployed, particularly if they are still under 18 (E(A)(83)1st Meeting Minutes).

THE POSITION ON YTS

2 The launch of YTS is going well. All the places required have been identified and 280,000 young people have already joined the programme. There are signs that more young people than expected are finding employment and certainly fewer are joining the programme. The Scheme is therefore likely to be smaller than envisaged in 1983-84, but to grow in 1984-85.

3 I expect to receive soon the MSC's proposals for the Scheme in 1984-85. It is generally agreed that next year should be essentially one of consolidating it as a quality training scheme. There may be minor variations and of two proposals so far put to me by the MSC approval has already been given to extension of the Scheme to older disabled school leavers and I am writing to the Chief Secretary to propose a

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reduction in the threshold over which trainees are reimbursed for travel expenses. Both changes are consistent with my proposals for the Scheme's development and can be accommodated within the PES provision for 1984-85, which has been made on the basis of around 465,000 entrants, similar to the original expectation for this year.

4 The MSC may further propose that 16 year old leavers next year should be eligible only for YTS and no longer for the Young Workers Scheme (YWS). I discuss this in paragraphs 12-15 below, in connection with the provision of opportunities for young people leaving YTS next year who cannot find a job.

5 The MSC may also propose to extend YTS next year to 17 year old school leavers who are in employment. At present, unemployed 16 and 17 year old leavers are eligible and some 16 year old employees can be brought into the Scheme if their employers take on unemployed YTS trainees. Extending eligibility on the same basis to employed 17 year old leavers would therefore bring within the Scheme all those leaving school at minimum age, and those who stay on for one year beyond that. It would represent a key step towards achieving the White Paper objective of providing training for all these young people. It would also remove a disincentive to employers to take 17 year old employees into apprentice training, since YTS funding for the first year of apprenticeship is not available to them. That restriction conflicts with our wider objective of removing age barriers on access to apprenticeship and bringing employed 17 year old leavers into the Scheme would therefore be entirely in line with my proposals in E(A)(83)19. I therefore favour making this change next year if the MSC are able to find the necessary resources and I shall discuss the matter further with the Chief Secretary when I receive a proposal with firm estimates of cost.

UNEMPLOYED 17 YEAR OLDS IN 1984/85

6 Our 1981 White Paper on a New Training Initiative (Cmnd 8455) endorsed the objective of moving

"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"

Though the actual words refer to "entering a period of" training or education, this has been taken by some (including some of our supporters) as a commitment to ensure that no-one under 18 need be unemployed. YTS should be large enough to

cater for all next year's 17 year old school leavers who cannot get a job, but there may be pressure to do something for those other unemployed 17 year olds who left school this year at the minimum age and either are unable to find work when they leave YTS from next April onwards or who have, for instance, been in work for a year and then become unemployed but are ineligible for YTS.

7 The most recent evidence suggests that about 45% of those leaving the scheme YTS has replaced did not find a job. Assuming rather more of those leaving YTS next year get jobs, some 135,000 may still become unemployed on leaving the scheme in the course of 1984-85. Some 80,000 of them may be under 18. There could also be some 20,000 other unemployed 17 year olds who left school this year at the minimum age. So the total number of unemployed 17 year olds in these two categories could be around 100,000, with an average of about 4 months to go to their 18th birthday.

A Guarantee Against Unemployment Below The Age Of 18

8 It would be attractive in principle to give a guarantee that young people need not be unemployed below the age of 18. It would respond to the common criticism of YTS that unemployment still faces some young trainees afterwards. And it would, incidentally, open up the possibility of considering removing individual entitlement to SB (and so a wage floor) from 16 and 17 year olds.

9 There seem to be three main options, each of which assumes an average entitlement of 6 months to carry people beyond the age of 18:

(1) Extend YTS. This means keeping 17 year olds on the Scheme on the £25 allowance if they cannot find a job on completion of their YTS year and also opening the Scheme to unemployed 17 year olds not at present covered (extra cost in a full year £110 million gross, £40m net). But this move would block up to a quarter of the places in YTS next year and could require a further large expansion. It would also be very difficult to draw up a credible syllabus of further foundation training, yet we must not get sucked into more public funding of occupational and skill training. Most important, any extension of the Scheme to temporary work would cast doubt generally on YTS being proper training.

(2) Extend the Community Programme (CP) to these 17 year olds and provide additional places specially for them (extra cost in a full year £180 million gross, £80 million net). The MSC believe that the existing programme could

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be doubled and this is the most practicable, though most expensive course. A major disadvantage would be to bring 17 year olds into the scope of a full wage programme rather than one operating on the much lower allowance.

(3) Introduce a new Community Service Scheme to provide community-based temporary work for all these 17 year olds, without a training element (extra cost in a full year £130m gross, £60m net). The projects would be similar to those in the Community Programme, but the young people would remain on an allowance at the YTS level rather than a wage. Northern Ireland are running a scheme of this kind as part of their Youth Training Programme. Such a scheme could make use of any community project places no longer required on YTS next year - possibly 10,000 - but it is improbable that sufficient sponsors could be found for a scheme run on this basis to provide enough places to enable a guarantee to be given.

10 Timing: There are problems with each of these options and on present assessment none could be relied on to provide all the places needed next year for a guarantee. If we wanted to give a guarantee from Autumn 1984 we would have to consider resorting to some combination, probably extending both YTS and the Community Programme at some full year cost lying between their above individual estimates of £110 million and £180 million. However, this would be a divisive combination with some young people on an allowance and others on wages and I do not in fact think it would be a realistic course. Furthermore, about half the 100,000 17 year olds in question are likely to find themselves unemployed between April and September next year and an Autumn guarantee would not be in time for them.

11 Beyond these practical obstacles there are wider implications. Expenditure on this purpose is a competitor with my proposals in E(A)(83)19 for developing and extending foundation training for young people. I believe it is right, both economically and socially, to accord priority to the training objective. We would also be giving these young people even greater preference in Government expenditure on work schemes over older unemployed people, particularly those in the 18-24 age group who face equally severe employment difficulties and who will mostly have missed YTS. So at this stage I do not therefore think it wise to pursue a guarantee of this sort to the under 18s. There are some signs of recovery in the youth labour market - eg notified vacancies are about 20% up on last year - and I think we should consider how to stimulate this rather than consider promoting further temporary work programmes.

Action Short Of A Guarantee

12 If we were willing to agree on action to help unemployed 17 year olds short of a guarantee, there is one thing which would be welcomed. This would be to make the Young Workers Scheme (YWS) available not to 16 year olds but only to 17 year olds. Under existing rules YWS is available to young people under 18 in their first year of employment. It is designed to create jobs for them by subsidising employers so long as they keep wages down. The scheme is already open to those coming off YTS, so long as they have been treated as trainees rather than employees.

13 However, there is some evidence that the YWS may be pulling against our aim through YTS to get foundation training given to minimum age school leavers. Some employers are choosing to take the subsidy (which has no training conditions) rather than enrol an employee in YTS (where, though the grant is bigger, they have to take on unemployed young people and give approved training). I have suggested in E(A)(83)19 that we ought to make YTS and YWS more complementary in order to encourage more employers, on the one hand, to take 16 year olds through YTS and ensure their foundation training and, on the other, to employ more 17 year olds with YWS subsidy. Both effects should restrain the level of youth wages and thereby help youth employment.

14 I therefore propose that, from 1 April 1984, the YWS should be concentrated on 17 year olds. There are two categories - those minimum age school leavers who have been out of school for 12 months and those leaving school at the age of 17. We can at the same time simplify the scheme. The present dual earnings limits of £42 and £47 (mainly geared to 16 year olds) would be replaced by a single limit of £50 (geared to 17 year old earnings) and the present dual subsidy of £15 or £7.50 would be replaced by a single subsidy of £15. The numbers covered by YWS in 1984-85 would fall in total, but an estimated 10,000 of the YWS jobs that at present go to 16 year olds might go to 17 year old ex YTS trainees who would otherwise be unemployed. So the scheme would still restrain 16 year old wages, but would provide employment for some 10 per cent of the 100,000 unemployed 17 year olds in question.

15 This is likely to lower expenditure on YWS in 1984-85 by about £5 million and in 1985-86 by about £25 million. But withdrawal of YWS from 16 year olds is likely to mean that more of them join YTS instead, so increasing its size by 25,000 at a cost of around £20 million in 1984-85 and £45 million in 1985-86. So the next extra costs of this change would seem to be £15 million in 1984-85 and £20 million in 1985-86. The margin for error in these costings is inevitably large, but it seems reasonably certain that the net extra cost

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in a full year would be not less than £10 million nor more than £30 million. I accept that the net requirements would have to be contained within the MSC's approved expenditure provision.

16 I have considered the alternatives of spending the same amount of money (£20 million in a full year) on providing places for ex YTS 17 year old trainees in one or other of the ways discussed in paragraph 9 above. This sum would provide 18,000 places for them through extension of YTS or 16,000 places through a Community Service Scheme or 11,000 through expanding the Community Programme. These compare with a figure of 10,000 under my YWS proposal. However, the YWS opportunities are supported for a full year, whereas the others are for only 6 months; and the YWS approach has the additional advantage of also providing a sizeable number of additional places on YTS for 16 year olds. Furthermore, the policy difficulties in the other courses still apply (paragraph 11 above). By contrast, the YWS proposal accords with our training objectives in the development of YTS; provides opportunities in the form of real jobs rather than non-market employment; and furthers our policy of restraint on youth wages.

CONCLUSIONS

17 I seek colleagues' agreement that:

(a) we should concentrate on consolidating YTS in 1984-85 as a quality training scheme (paragraph 3);

(b) we should not at this stage offer a guarantee against unemployment to all those aged under 18, but should continue to give priority to our training objectives for young people (paragraph 11);

(c) we should nonetheless seek to improve the employment opportunities of 17 year olds by confining the Young Workers Scheme to them with an earnings limit of £50 and a subsidy of £15 on the understanding that the net extra cost on YTS will be contained within the approved PES provision (paragraph 14);

(d) if MSC propose to extend YTS next year to include 17 year old school leavers in employment, I should discuss this further with the Chief Secretary on the basis of firm estimates of cost. But my proposal in (c) would have first priority (paragraph 5).