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E(A)(83) 9th Meeting COPY NO 70

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON ECONOMIC AFFAIRS

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MINUTES of a Meeting held at
10 Downing Street on
TUESDAY 13 DECEMBER 1983 at 10.45 am

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PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Hon Adam Butler MP
Minister of State
Northern Ireland Office

Mr Norman Lamont MP
Minister of State
Department of Industry

The Rt Hon Peter Morrison MP
Minister of State
Department of Employment

Mr Allan Stewart MP
Parliamentary Under-Secretary of State, Scottish Office

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson
Mr J F Stoker

SUBJECT

THE YOUTH TRAINING SCHEME AND UNEMPLOYED 17-YEAR-OLDS IN 1984/85; AND TRAINING FOR JOBS



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THE YOUTH TRAINING SCHEME AND UNEMPLOYED 17-YEAR-OLDS IN 1984/85; AND TRAINING FOR JOBS

Previous reference: E(A)(83) 1st Meeting conclusion 2(i)

The Sub-Committee considered Memoranda by the Secretary of State for Employment on the Youth Training Scheme (YTS) and unemployed 17-year-olds in 1984/85 (E(A)(83) 20); and training for jobs (E(A)(83) 19).

THE SECRETARY OF STATE FOR EMPLOYMENT said that his proposals should be considered in two parts. It was necessary first to consider what arrangements should be made for the YTS in 1984/85; then to consider what the Government's policy should be on the development of the YTS in the long-term and its relation to other training initiatives. To resolve these issues it would be necessary to consider for the short and long term what age limits should apply to the YTS; the extent to which it should be open to the employed, as well as the unemployed; the length of the training period; and the interaction between the YTS and the Young Workers' Scheme (YWS).

The launch of YTS was going well. It was likely to be smaller than envisaged in 1983/84, partly because more young people than expected were finding employment, but to grow in 1984/85. He expected to receive soon the proposals of the Manpower Services Commission (MSC) for the scheme in 1984/85. Next year should be essentially one of consolidating the YTS as a quality training scheme. He was writing to the Chief Secretary to propose a reduction already suggested by the MSC in the threshold over which trainees were reimbursed for travel expenses. The MSC might also propose to extend the YTS next year to 17-year-old school leavers who where in employment on the same basis as that applying at present to 16-year-old employees. The effect would be to bring within the scheme all those leaving school at minimum age, and those who stayed on for one year beyond that. It would remove a disincentive to employers to take 17-year-old employees into apprentice training, since YTS funding for the first year of apprenticeship was not available to them. He favoured making this change in 1984/85 if the MSC were able to find the necessary resources and he would discuss the matter further with the Chief Secretary, Treasury when he received a proposal with firm estimates of cost.





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Of some 135,000 who might still become unemployed on leaving the YTS in the course of 1984/85, some 80,000 might be under 18. There could also be some 20,000 other unemployed 17-year-olds who left school this year at the minimu age. The total number of unemployed 17-year-olds in these two categories might therefore be around 100,000, with an average of about four months to go to their 18th birthday. It had been argued that there should be a guaran that young people need not be unemployed below the age of 18. This would respond to the common criticism of the YTS that unemployment still faced som young trainees afterwards. It would also, incidentally, open up the possibi of considering removing individual entitlement to Supplementary Benefit (SB) (and so a wage floor) from 16 and 17-year-olds. On both practical and wider grounds, he did not propose such a guarantee. He believed it was right, both economically and socially, to accord priority to the training objectives. A guarantee would also give young people even greater preference in Government expenditure on work schemes over older unemployed people. Action short of a guarantee to help unemployed 17-year-olds, however, would be to make the YWS available only to 17-year-olds. This would make the YTS and YWS more comple by encouraging 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 the YWS subsidy. Both effects should restrain the level o youth wages and thereby help youth employment. He therefore proposed that, from 1 April 1984, the YWS should be concentrated on 17-year-olds. At the same time the scheme should be simplified to replace the present dual earning limits of £42 and £47 (mainly geared to 16-year-olds) 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 the YWS in 1984/85 would fall in total, but an estimated 10,000 of the YWS jobs that at present went to 16-year-olds might go to 17-year-old ex-YTS trainees who would otherwise be unemployed. The margin for error in costing this change was inevitably large, but it seemed reasonably certain that the net extra cost in a full year would be not less than £10 million nor more tha £30 million. He accepted that the net requirements would have to be containe within the MSC's approved expenditure provision.

For the longer term, it was necessary to consider the lines on which to carry forward the YTS for the rest of the decade, without disrupting its basic concept. At the same time adult training, where past efforts had not been well aimed, must be tackled. He envisaged setting out a broad outline of the Government's plans for future training in a major White Paper early in

the New Year. The Government should seek to give all young people access to good foundation training, as the 1981 White Paper envisaged. In the course of the decade he would hope to see that access given through three broad and complementary channels: in school, particularly by many more young people taking the 14 to 18 vocational training route now opening up through the Technical and Vocational Education Initiative (TVEI); in further education, through the development of more effective work-related courses of Non-Advanced Further Education (NAFE); and for those who entered the labour market, through a developed YTS. This would mean removing the present YTS age limits (though the great majority would still be under 18) and opening the scheme more widely than now to young employees. These extensions could be made progressively and probably without increasing the present number of places, since the numbers of young people reaching minimum school leaving age would decline over the decade from the 900,000 a year to around 700,000. Foundation training would normally last one year, as now, but it might be shorter and the content tailored as far as possible to take account of any further education, training or work experience the individual had recieved. Training beyond this would be for the employer (save slightly longer courses for the disabled, as now). A key requirement would be to develop a comprehensive system of standards and certification for all foundation training whether in school, NAFE, YTS or apprenticeships. Training would be provided through employer-led schemes so far as possible. Though employers would remain free to treat participants as trainees or employees, the emphasis would be on trainee status and the concept of a trainee allowance at a level taking account of the cost of the training given would remain. The scheme would remain voluntary (though unreasonable refusal of a suitable place would continue to be grounds for temporary reduction of social security benefits). The YWS would be focussed on ex-YTS trainees to help them into work. A YTS on these lines could be achieved by the end of the decade within levels of public expenditure comparable in real terms to existing PES provision. If colleagues approved the aim and the main features of the scheme as proposed, he would announce the Government's intention to develop progressively a comprehensive scheme as resources allowed and would invite the MSC to give their views in due course on detailed implementation and priorities for advance.

The other two national training objectives in the 1981 White Paper related to the reform of skill training (for all ages) and to wider opportunities for adults. On the first, MSC had sought to establish 1985 as a date by which agreed standards should replace time-serving and restrictions on age of entry



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in both national agreements and local practice. The Commission had now set itself to secure further progress, particularly by making acceptance of reform a condition for funding the first year of such training through the YTS and a condition of support for adult training. On adult training the Commission, following public consultation, had published recommendations to him for a major initiative to raise awareness of the need for adult training amongst employers, potential trainees and providing of training, and to restructure the Commission's own adult training programmes to contribute more cost-effectively to that need. The MSC also proposed to restructure its own training provision into two main programmes. The first would be an industry-focused programme of job-related training directed to known employment needs and to help in the creation and growth of businesses. The second programme would be designed to help those unemployed who needed training at a more basic level, particularly to restore employability after long periods without work. The MSC proposed to start implementing these proposals experimentally in 1984/85 and to complete the restructuring of its own programmes in 1985/86. This would be done within the approved PES provision for adult training, but more people would be trained, and more effectively.

It was reasonable to expect individual trainees to contribute to keeping down the costs of training by accepting lower incomes whilst in training, and in the case of the YTS specifically by holding the allowance at £25, so long as this offered a reasonable lead over SB. The MSC had proposed to him that they should investigate the possibility of a pilot scheme under which Government would guarantee repayment of loans for training purposes by the banks, mainly to employed people, possibly with an element of subsidy. He proposed to explore this further with the MSC. Because occupational training was of clear and direct benefit to the employer, he was sure that public funding in this area should be confined to pump-priming and demonstration projects, and necessary training of the unemployed. He believed, however, that it was necessary for the taxpayer to continue to meet the costs of foundation training. The YTS was closely allied to vocational education which was so funded, there was a large element of community benefit in the training and there was significant state provision of vocational education and training to age 18 in competitor countries. Though it would be possible to move to collective funding by employers to reduce the call of YTS on public expenditure, legislation would be required and in his view the present way offered a simpler and less bureaucratic method of funding than a special levy on employers.





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The Youth Training Scheme and Unemployed 17-year-olds in 1984/85

In discussion of the YTS and unemployed 17-year-olds in 1984/85, the following were the main points made -

a. It would be wrong for the 1981 White Paper on a New Training Initiative to be taken to imply that in the Government's view the choice for all young people under the age of 18 should lie between full-time education and the YTS or other work experience involving general training. Employment, even where little or no training might be involved off the job, was a third alternative which could be entirely satisfactory for some young people. It should be made clear to potential trainees that participation in YTS, as an alternative to employment, was entirely voluntary; and young people whose experience made YTS-style foundation training inappropriate, or who secured employment of a kind to which it was not relevant, should not be encouraged to take part.

b. The progressive removal of age limits for entry to the YTS and its extension more widely to the employed as well as the unemployed, beginning in 1984/85, could allow the scheme eventually to offer the opportunity of receiving foundation training to all young people on first entering the labour market. On the other hand, it was not clear that such extensions would be justified. 18-year-old leavers were not particularly likely to benefit from foundation training of the kind which would be appropriate to younger leavers. It would be wrong to extend the scheme more widely than at present to employed young people at the expense of the unemployed, whose claim on available resources was stronger. Though the Secretary of State for Employment envisaged that these extensions could be made within the present public expenditure provision and comparable expenditure levels thereafter, taking into account the fall expected to take place for demographic reasons in the size of the client group for the YTS, it could be argued that the resources released by these demographic changes might more appropriately be used for other purposes.

c. There was no justification for a guarantee against unemployment for the under-18s. Restricting the YWS to 17-year-olds would, however, improve the employment opportunities for the age group, and particularly for ex-YTS trainees. The effect on 16-year-olds would be beneficial in that it would lead to more receiving foundation training in the YTS. Many 16-year-olds who would otherwise have been taken on by employers with subsidy under the YWS would be taken on by them outside the scheme: others,



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as unemployed 16-year-olds, would be guaranteed a place on the YTS. On the other hand, it might be difficult to defend the exclusion of 16-year-olds from the YWS. Many 16-year-olds employed under the scheme benefitted from it considerably. Some already received a considerable amount of training: foundation training on the YTS model, and particularly the 13 weeks off-the-job training involved, might well be less necessary or appropriate for many 16-year-olds than work experience of the kind provided by YWS. Available estimates of the net effects and costs of the change were as yet insufficiently reliable to form a sufficient basis for the changes proposed. It would be unwise to take decisions on the future of the YWS until the reasons for the shortfall of participants in the YTS since its launch in April 1983 had been further examined and better understood.

d. It was anomalous that a young person who was eligible to take part in the YTS should at present be entitled in certain circumstances to unemployment benefit at a level higher than the £25 allowance under the scheme.

THE PRIME MINISTER, summing up this part of the Sub-Committee's discussion, said that the Sub-Committee agreed that the Government should concentrate on consolidating the YTS in 1984/85 as a quality training scheme. There should be no suggestion, however, that the Government intended the scheme progressively to become comprehensive in its coverage. It should be made clear to young people that a job was, in the Government's view, an entirely satisfactory alternative for many under-18s to either full-time education or participation in a scheme such as the YTS providing planned, work-related training. The Government should not remove the age limits for entry to the YTS either for 1984/85 or subsequently; or seek to provide a guarantee against unemployment for the under-18s. This was consistent with the objectives stated in the 1981 White Paper on the New Training Initiative. There was some difference of view as to whether it would be beneficial to confine the YWS to 17-year-olds as proposed by the Secretary of State for Employment. It was therefore agreed that the YWS should be confined to 17-year-olds as an experiment in 1984/85 only. This was without prejudice to arrangements for future years and subject to establishing in further discussion between the Secretary of State for Employment and the Chief Secretary, Treasury that any net cost would be contained within the approved public expenditure provision. The Sub-Committee agreed that any proposal by the MSC to extend YTS in 1984/85 to include

17-year-old school leavers in employment should be rejected. The Secretary of State for Employment and the Secretary of State for Social Services should continue to explore urgently ways of resolving the current anomaly about the levels of unemployment benefit to which some young people eligible for the YTS would entitled.

The Sub-Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion; and invited the Secretary of State for Employment to be guided accordingly.

2. Agreed that the Government should not offer a guarantee against unemployment to all those aged under 18, but should continue to give priority to training objectives for young people.

3. Agreed, subject to further consultation between the Secretary of State for Employment and the Chief Secretary, Treasury as indicated in the summing up, that the YWS should be confined to 17-year-olds for an experimental period of one year in 1984/85, with an earnings limit of £50 and a subsidy of £15.

4. Invited the Secretary of State for Employment and the Secretary of State for Social Services to explore urgently ways of resolving the current anomaly relating to the levels of unemployment benefit to which some young people eligible for the YTS would be entitled.

Training in the longer term

In discussion of the development of training in the longer term, it was argued that the case had not yet been made out for developing the YTS by the end of the decade into a fully comprehensive scheme by removing age limits and opening the scheme more widely to young employees. Since there was as yet little experience of the working of the YTS, it would be premature to put forward in a White Paper the suggestion that the YTS should develop into a permanent institution. Its role might change significantly both as the economy improved and as the provision of training through the Technical and Vocational Educational Initiative and from other educational sources developed.

THE PRIME MINISTER, summing up this part of the Sub-Committee's discussion, said that the Sub-Committee agreed that the Secretary of State for Employment, together with the Secretaries of State for Education, Scotland and Wales, should present a White Paper on the further development of vocational education and training to Parliament in January 1984. In dealing with the YTS, the





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White Paper should stress that the scheme would remain voluntary. The existi principle that unreasonable refusal of a suitable place would continue to be ground for temporary reduction of social security benefits would remain. For the reasons identified in discussion, the White Paper should not put forward the aim of turning YTS into a permanent or comprehensive scheme and should not commit the Government to any particular level of expenditure in the long term. It should be drafted on the presumption that the scheme would not be opened more widely to young employees and that eligibility would continue to be confined to those below the age of 18. It should propse that training under the scheme should normally last one year as now, but that it might be shorter in appropriate cases and that the content should be tailored as far as possible to take account of individuals' past education, training and experience. It should stress the need for a system of certification, base on standards of attainment which could be applied across the board to assist the development of a "modular" system to integrate training activities whether carried out through school, further education, apprenticeships or the YTS. Care should however be taken to avoid impracticable or unduly bureaucratic arrangements. The White Paper should propose that YTS training should be through employer-led schemes wherever possible, though there might be a shortage of suitable employers in some areas such as the inner cities. Employers should remain free to treat participants as trainees or employees, though the emphasis should be on trainee status and the concept of a trainee allowance at a level taking account of the cost of the training given would remain. The Sub-Committee welcomed the proposals by the MSC, set out at paragraphs 15 to 22 of E(A)(83) 19, relating to adult training and the reform of skill training; and the intention of the Secretary of State for Employment to explore further with the MSC the possibility of a pilot scheme of Governmen guaranteed bank loans to individuals for training purposes. The Secretary of State for Employment should consult the Chief Secretary, Treasury, in due cou on the financial implications of such a scheme. The Secretary of State for Employment should consult the Secretary of State for Education and Science to ensure consistency between actions proposed by the MSC on the reimbursement arrangements for certain travel expenses of YTS trainees and changes which were in prospect affecting student travel grants.

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The Sub-Committee -

5. Took note, with approval, of the Prime Minister's summing up of their discussion.

6. Invited the Secretary of State for Employment, in consultation with the Secretaries of State for Education and Science, Scotland and Wales, and other Ministers concerned, to prepare the draft of a White Paper for publication in January 1984 on vocational education and training on the basis indicated by the Prime Minister in her summing up and taking account of points made by the Sub-Committee in their discussion.

7. Invited the Secretary of State for Employment, in consultation with the Chief Secretary, Treasury to explore further with the Manpower Services Commission the possibility of a pilot scheme of Government-guaranteed bank loans to individuals for training purposes.

8. Invited the Secretary of State for Employment to discuss with the Secretary of State for Education and Science the proposal by the Manpower Services Commission for a reduction in the threshold over which YTS trainees are reimbursed for travel expenses.

Cabinet Office

14 December 1983

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