

PRIME MINISTER

E(A) PAPERS FOR 13 DECEMBER

TRAINING FOR JOBS E(A)(83)19

Tom King's paper deals with both adult and youth training and includes some of the proposals put forward by David Young at the September seminar.

A Market Approach to Training

The general approach is to separate youth or "foundation" training - which the state will usually have to pay for - from adult or occupation-specific training, which employers ought to pay for themselves. In general, we ought always to try to maximise private funding and to encourage individuals to contribute to improving their own capabilities, either by loans or by minimising the cost by accepting a low trainee wage or allowance. Employers are more likely to know what they need.

Foundation Training

Three channels are proposed:

- a. the 14-18 year old vocational training opened up through TVEI - you might like to ask for a detailed report on the progress of this initiative;
- b. a more work-related NAFE - this will of course be dealt with at the National Training Commission meeting on the 20th;
- c. a more job-orientated YTS.

The real questions here are:

(i) Should YTS cover employed young people as well as the unemployed?

(ii) Should it be extended to over-18s? And

(iii) Should it be extended from a one-year to a two-year course?

Tom says yes to (i) and (ii) and no to (iii). We say no to (i), (ii) and (iii).

If YTS is to cover employed young people, we are really talking about the government paying for day release to NAFE courses. Since the quality of many NAFE courses is so poor, it is dubious at the moment whether we would really be helping a young employee by paying for him to take a day or two off work each week to attend a dud course.

To extend YTS beyond the age of 18 would be to encourage the make-work empire to sprawl further into the real labour market. There is considerable logic in keeping it within the confines of the upper and lower school-leaving ages.

To extend YTS from one year to two would be to encourage the belief that proper training requires long courses, when in general our aim is to shorten periods of training and make them more effective. The dangers of YTS getting a bad name for time-wasting and for being a confidence trick played on young people (as YOP did) would be much increased by stretching it out.

We do, however, agree with Tom that it is vital to commit ourselves now to keeping the cost of YTS constant in real terms throughout the rest of the decade at its 1984-5 level.

Occupational Training

David Young is pressing for the removal by 1985 of restrictions on the age of entry to apprenticeships and for the replacement of the time-serving by agreed standards. This target date should be given the strongest possible backing.

For adults Tom proposes:

- a campaign to make employers believe in training (£10m in 1985-6);
- modest subsidies to employers for training (£200m);
- training for the unemployed through TOPS, the Voluntary Projects Programme and (subject to review) Community Programme (£60m).

This would raise the total of adults being trained from 110,000 (80,000 of them unemployed) to 250,000+ (including 125,000 unemployed).

Who Should Pay?

This is a reasonable if unspectacular programme. The real novelty is David Young's Pilot Scheme for government-backed loans for adult training.

In principle, such a loan-scheme would be splendid. In contrast to earlier proposals for student loans, we would be providing a new benefit, rather than removing a present grant. And by this means, we would be introducing the public gently to the idea of borrowing instead of receiving.

But if it goes wrong, it will decisively set back progress towards popular acceptance of the principle of loans. Might it be worth setting up a group to oversee the preparation of the pilot project, including a representative from the Policy Unit?

YTS AND UNEMPLOYED 17 YEAR-OLDS IN 1984/5 E(MX83)20

In his second paper, Tom points out that our 1981 White Paper 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".

This does sound like a commitment to "unemployment should not be an option for anyone under 18". And it would be a very attractive commitment if we could fulfil it.

Tom's plans at present would leave about 100,000 unemployed 17 year-olds who had been on YTS (or in employment) and who were ineligible for further training. 10,000 of these would be found work on the Young Workers Scheme. The remaining 90,000 would be left on the unemployment register.

Is this really the best we can do? Tom King thinks it is. He admits that it would be attractive to offer a guaranteed occupation for all 16-18 year-olds. But he thinks that such a guarantee could be achieved only by concocting an extremely unattractive mixture of three measures:

- allowing trainees to remain on YTS for 2 years (which would make people think of the Scheme as a special employment measure);

- extending the Community Programme to 17 year-olds (which would be very expensive, and would encourage high youth wages);
- introducing a new Community Service Scheme (which would be a blatant cheap labour make-work projects).

Instead, Tom King will argue that we should concentrate on giving all young workers, including employed 17 year-olds, a year of suitable training. But this argument depends upon the assumption that the off-the-job training provided by YTS through NAFE is worthwhile (since the employed 17 year-olds are already getting on-the-job training without YTS). If, as we argue, many of the NAFE courses are virtually useless, why spend a lot of money enabling 17 year-olds to waste their time? Far better to spend it on providing a guarantee of occupation for all under-18s.

We believe that this money would be better spent on an imaginative effort by the MSC to search for ad hoc ways of squeezing the 90,000 17 year-olds in somewhere: by leaning on friendly employers, by helping the 90,000 to jump the jobs queue by giving them a modest "training voucher" to help the employer cover any expenses incurred in providing on-the-job training, by filling spare places on the Community Programme, and if all else fails, letting them take a YTS place in a quite different trade or occupation from that in which they spent the first year.

The MSC under David Young still has the ingenuity and flexibility to undertake this sort of task. We could simply announce that the MSC would work towards a target of a place somewhere for every 17 year-old by, say, 1985.

This solution is by no means perfect. But it would enable us to offer the politically popular guarantee to all those under 18; it would thereby enable us to act radically on supplementary benefit for the under-18s;

/it might find

it might find real jobs for a number of ex-YTS 17 year-olds; it would not encourage high youth wages; and it would give a second chance to those youngsters who happened to be bad at the particular task which they had been set in their first year on YTS.

SUMMARY

We suggest:

- That Tom King's proposals on occupational and adult training should be accepted; but that a group, with a Policy Unit representative, should be set up to keep an eye on loans for adult training.
- That we should try, quickly, to develop a suitable method of giving 16-18 year-olds a guaranteed occupation.
- That we should spend money on extending YTS to employed 17 year-olds only when NAFE courses have improved.

FERDINAND MOUNT *fm*



P.01175

PRIME MINISTERTraining for Jobs

(E(A)(83)19)

BACKGROUND

E(A)(83)19 contains proposals by the Secretary of State for Employment for the further development of the Government's policies on training following the White Paper published in 1981, 'A New Training Initiative: A Programme for Action' (Cmnd 8455). He proposes a further White Paper in January 1984 embodying the policies in his memorandum. There are two main strands in his proposals:

- i. the development of the Youth Training Scheme (YTS) by the end of the decade along more comprehensive lines; and
- ii. further action, mainly through the Manpower Services Commission (MSC), for further improvements in adult skill training.

The Secretary of State suggests as a policy framework a 'market' approach aimed wherever possible at removing obstacles to the operation of a market in training; and thus maximising market incentives for investment in training both by employers and individuals.

2. The Secretary of State's proposals in E(A)(83)20 on YTS and unemployed 17 year olds in 1984/85 are intended to be seen in the context of these longer-term proposals. A separate brief on E(A)(83)20 is attached.

3. The main features of the YTS, Young Workers Scheme (YWS) and the Community Programme (CP) are summarised in the annex to these linked briefs.



MAIN ISSUES

4. The main issues are:

- i. Generally, is the Sub-Committee content with the proposals of the Secretary of State for Employment as a framework for Government policy on training to the end of the decade?
- ii. Specifically, as regards the YTS, is the Sub-Committee content with the Secretary of State's proposals as they affect
 - a. the content, coverage and duration of training under the scheme in relation to training provided from other sources? and
 - b. Public expenditure?
- iii. As regards adult training, should the Government support
 - a. the major campaign proposed by MSC to raise awareness of the importance of training as an investment; and
 - b. the restructuring of MSC provision?
- iv. Is the suggested distribution of the costs of training between Government, employers and trainees satisfactory?
- v. Should a White Paper be published in January as suggested by the Secretary of State for Employment?



YTS: Coverage and Duration

5. The Secretary of State for Employment proposes that the YTS should be developed to provide all young people, on first entering the labour market, with the opportunity of foundation training for work. Changes required to achieve this would be:

(i) removing the age limits (under-18s only are eligible at present); and

(ii) opening the scheme more widely to employees, as distinct from the unemployed (note attached to E(A)(83)19, paragraph 12(a)).

The Secretary of State suggests that these changes could be introduced progressively over the decade within existing PES provision and comparable levels of provision in real terms thereafter. He argues that there would therefore be a nil net cost in total, though numbers trained would be likely progressively to fall. Finance is discussed further at paragraph 8 below.

6. The Secretary of State for Employment argues (paragraph 11) of his note) that provision for access for all young people to good foundation training is desirable on economic, even more than on social, grounds. The Sub-Committee will wish to consider whether they agree with this; if so, whether the extension of YTS more widely to employees is necessary to ensure the provision of training; and how the cost of such an extension should be shared between employers, trainees and the Exchequer. It may be argued that the finance for this extension of YTS might be better applied to other purposes; and particularly for the purposes of the unemployed. Paragraph 11 of the Secretary of State's memorandum notes that 18-year-olds entering YTS under an extended scheme would be more likely than younger school-leavers to have received either relevant education, training or work experience already through school and further



education. More generally, the Sub-Committee may care to consider how long-term policy for the YTS should allow for the possibility of further developments during the decade in the provision of relevant education and foundation training from such other sources; and the tone to be struck on this point if a White Paper is published.

7. The relationship between the YTS and YWS is dealt with separately in the Secretary of State for Employment's memorandum E(A)(83)20. The Sub-Committee will wish to satisfy themselves that proposals there for 1984/85 are consistent with the longer-term policy objectives set out in E(A)(83)19.

YTS: Public Expenditure Implications

8. In paragraph 3 of the note attached to E(A)(83)19, the Secretary of State for Employment accepts that his proposals for further action over the next two years

'must be contained within existing provision in the PES period and comparable levels in real terms thereafter'.

In effect, this seeks the maintenance of resources provided at present levels in real terms despite a decrease during the period under discussion of more than 20 per cent in the client group for demographic reasons. Some members may wish to consider rival claims to the resources involved, whether inside or outside the training field. On the other side, the Sub-Committee will wish to weigh the claim to resources which might be held to arise from public commitments made by the Government, especially in the 1981 White Paper, and their view of the likely economic benefit of the proposed extension of YTS. If the Sub-Committee is content broadly to accept the public expenditure implications of the Secretary of State for Employment's proposals, they may wish to express views on the way in which the question of resources should be treated in the White Paper. It is likely that Treasury Ministers in particular will want it to be flexible



enough to be adjusted in the light of events, including economic improvements leading to a greater readiness on the part of employers to assume responsibility for more of the costs of the scheme.

Adult Training: The MSC

9. Proposals by the MSC for further improvement in adult skill training fall into three main parts:

(i) an awareness campaign on the need for adult training amongst employers, potential trainees and providers of training; and otherwise to act as a catalyst for action by others (note attached to E(A)(83)19, paragraph 18);

(ii) to restructure its own training provision

(a) to provide a programme of job-related training focussed more on known employment needs in industry and on helping the creation and growth of businesses (paragraph 19);

(b) to provide more basic training, particularly to restore employability after long periods without work (paragraph 20).

10. These proposals are likely to be welcome to the Sub-Committee. They imply a move towards more on-the-job training integrated with employers, with some implied reduction in the scale of the off-the-job training currently provided by the MSC itself. The Sub-Committee will wish to explore the nature of the transitional effects and to consider any implications, including implications for public presentation of policies.

Who should pay?

11. The Secretary of State for Employment's proposals for financial responsibility for training are set out in paragraph



7 of the attachment to E(A)(83)19 and, in the main, are dictated by the 'market approach'. Proposals affecting the financing of skill training are unlikely to be contentious if the Sub-Committee is content with the general 'market approach' proposed by the Secretary of State to deal with problems of skill training. Some members may, however, have reservations about the MSC suggestion of a system of Government-guaranteed bank loans for individuals for training purposes. The question is whether in present circumstances, given that market incentives for individuals to finance their own training are undesirably low, there is likely to be much immediate advantage from such a scheme. It may be argued on the other hand that the potential of such a scheme would lie in the eventual success of a policy of removing existing distortions in the market for training.

12. The Secretary of State suggests that responsibility for financing foundation training, as opposed to skill training, should lie with the Government. He argues that this should be so because

- (i) vocational education is so financed;
- (ii) because such training produces community benefits;
- (iii) because there is significant State provision for such training in competitor countries; and
- (iv) because collective finance by employers would be inconsistent with policy pursued in relation to the Industrial Training Boards aimed at leaving the financing of training to individual firms.

The Sub-Committee will wish to consider whether these arguments outweigh any desirability of an arrangement under which foundation training was collectively financed by a tax or levy of some sort on employers. The Secretary of State for Employment considers and rejects the alternatives



of a remissible training tax raised by the MSC and a hypothecated surcharge on NI contributions. On the one hand, collective funding arrangements would impose an additional burden on employers and would be contentious, requiring legislation; on the other, it could be argued that the benefit of foundation training to employers in aggregate was at least as great as that to the community at large; and that arguments based on the Industrial Training Boards, which are concerned with training relevant to particular sections of industry, which can reasonably be expected to be carried out and financed by individual employers, may not apply equally to foundation training, which cannot.

White Paper

13. The Sub-Committee will wish to consider the proposal for a White Paper in January in the light of their decisions on the substance of his proposals in E(A)(83)19. If they favour publication, you will no doubt wish to invite the Secretary of State for Employment to circulate a draft text for comments.

HANDLING

14. You will wish to start by inviting the Secretary of State for Employment to present his paper and the Secretaries of State for Education and Science, Scotland and Wales to add any comments they may have. The Chancellor of the Exchequer and the Chief Secretary, Treasury will no doubt have points related to both policy and resources.

CONCLUSIONS

15. You will wish to reach conclusions on the following:

- (i) the Secretary of State for Employment's general approach to training (the 'market' approach);
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- ii. the proposal to develop YTS in the course of the decade by removing age limits and making the scheme more widely available to employees;
- iii. the nature of the financial commitment within which ii. above should be achieved; and its presentation in the White Paper;
- iv. the funding of the YTS (by general Exchequer resources or collectively by employers in some way);
- v. MSC proposals
 - a. for a national awareness campaign in 1984; and
 - b. the restructuring of their adult training provision on the lines proposed in paragraphs 16 to 22 of E(A)(83)19;
- vi. the proposal for further discussion between the Secretary of State for Employment and the MSC on the possibility of a pilot loan scheme;
- vii. the proposal for a White Paper on the further development of vocational education and training soon after Parliament reassembles in January.

PLG

P L GREGSON

9 December 1983

The Youth Training Scheme (YTS), Young Workers' Scheme (YWS) and Community Programme (CP)

Youth Training Scheme

YTS replaced from 1 April 1983 some existing programmes for young people run by the MSC, including the Youth Opportunities Programme and the Unified Vocational Preparation Programme. It provides a high quality integrated programme of training and planned work experience lasting up to a year, including a minimum of 13 weeks' off-the-job training or further education. It is designed to give school leavers a range of practical transferrable skills to enable them to compete more effectively in the labour market. The majority of places will be work-based with employers. During the first year of the scheme, unemployed 16 and 17 year old school leavers are eligible, together with unemployed disabled leavers up to age 21. Some 16 year old employees can be brought into the scheme if their employers take on unemployed YTS trainees. The scheme includes an undertaking that a suitable place on YTS will be found for all unemployed 16 year old leavers by Christmas 1983. Trainees under the Scheme receive an allowance of £25 per week (though they may receive pay which is higher than the allowance if they have employee status). Employers who run schemes receive a block grant of £1,950 per participant per year to cover remuneration and other expenses including fees for training off the job.

Young Workers' Scheme

2. The YWS came into operation on 4 January 1982 and is designed to encourage employers to take on more young people at realistic wage rates. Under the scheme employers are able to claim weekly payments in respect of young people who are under 18 in their first year of employment. Payments are £7.50 where the eligible person's gross earnings are £47 a week or less, and £15 a week where gross earnings are £42 a week or less.

Community Programme

3. The Community Programme provides temporary employment for long-term unemployed adults on projects of benefit to the community. Recruitment to job opportunities is restricted to people aged



18 to 24 years of age who have been unemployed for over 6 months in the past 9 months and those aged 25 years and over who have been unemployed for over 12 months in the past 15 months. CP sponsors have wage costs reimbursed up to an average of £60 per participant per week. (Participants, some of whom work full-time and some part-time, receive the normal wage-rate for the job.) In addition, sponsors are able to claim overheads of up to £440 per place per year, or pro rata where schemes last for less than a full year.

conqueror



10 DOWNING STREET

Prime Minister

Mr. Tebbit seeks to be excused the E(A) meeting and to send Mr Lamont instead.

The Regional Policy White Paper is being published tomorrow and Mr Tebbit needs tomorrow morning to brief the Press

(He is reading the lesson at the memorial service for Keith Wickenden at 1200pm)

AT

12/12

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10 DOWNING STREET

Prime Minister

Mr King would like to
bring Mr Mansson to E(A)
on Tuesday.

Agree?

Mr Younger would like
Mr Stewart to deputise
as he is hosting a
function in Scotland for
the Deputy Prime Minister
of Canada

Agree?

AT 9/12



10 DOWNING STREET

PRIME MINISTER

A meeting of E(A) has been arranged for Tuesday, 13 December to discuss the new training initiative. The Secretary of State for Northern Ireland is unable to attend, and would like Mr. Adam Butler to come instead.

Agree?

Yes no

25 November, 1983

Message passed to
NIO by telephone, and
Cabinet Office
informed. DMB
30/11