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PRIME MINISTERIndustrial Training: Young Persons' Benefit  
(E(81) 33, 34 and 36)

## BACKGROUND

The Committee had a general, 'Second Reading' discussion of industrial training, and the related question of the various allowances paid to young people, at their meeting on 24th February (E(81) 8th Meeting, Item 1). They were not persuaded that the then draft consultative document on industrial training made a convincing case for the introduction of a general foundation year for training in basic skills; they thought that, rather than introducing new and expensive schemes, more should be done to prepare children for employment while they were still in full-time education. The Secretary of State for Employment was asked to revise his draft document to take account of these points. The Committee also agreed that improvements in industrial training should be on the basis of a voluntary, rather than a mandatory, approach. They asked that further thought should be given to the aim of offering all 16 year olds the choice of staying in full-time education, or taking a job with or without a training scheme attached, or taking up a full-time training scheme, with benefit not available to those who deliberately chose to remain unemployed. It was recognised that for such an approach to work the present structure of benefits and training allowances available to young people should be reviewed with the aim of rationalising them and reducing their costs. In his further consideration of this possibility, the Secretary of State for Employment was asked to take account of the discussion by the Home and Social Affairs Committee of the proposed Young Persons' Benefit (YB).

2. The Secretary of State for Employment has now prepared a revised draft consultative paper on industrial training, which is circulated under cover of E(81) 33; and a paper on the pros and cons of revising the benefits and allowances available to young people (E(81) 34). These issues are inter-related, and so they are on the Agenda as one item. In E(81) 36, the CPRS summarise the issues and pose some questions for consideration by the Committee.

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Industrial Training: E(81) 33

3. The main changes are summarised in paragraph 4 of the covering paper - in particular the idea of universal provision of 12 months traineeships has been dropped, and the role of the schools is stressed. The three key objectives are summarised in paragraph 5: to develop skill training, and to reform the apprenticeship system, for young people; to move towards a position where those under 18 have the opportunity of continuing a full-time education or of entering into some form of training; and to improve the training opportunities for adults.

4. The Secretary of State for Employment rejects any radical change in the present system of allowances for young people for the reasons set out in his companion paper E(81) 34 - see below. He acknowledges (in his paragraph 9) that, while the document does not give any specific commitments to further public expenditure, the costs of meeting the Government's present commitments to Young Opportunities Programme (YOP) training will increase if the numbers of young unemployed rise beyond present assumptions. The CPRS estimate that this could mean an additional £60-£100 million in 1982-83 - paragraph 3 of E(81) 36. For this reason the Secretary of State does not rule out a further reduction of the real value of the YOP allowance when it is next up-rated.

5. The Secretary of State's proposals are directed to young people under the age of 18. As he acknowledges, they do not go as far as the comprehensive approach to 16 year olds provisionally envisaged by the Committee at their last discussion.

6. If the draft consultative paper is now endorsed, the Secretary of State for Employment wishes, subject to further discussion with the MSC, to publish it in April and to invite comments by September. He would then in the autumn take account of these comments, of the separate review of the future of the Industrial Training Boards, and of the outcome of the current work on improving arrangements for consultation between education and training institutions.

7. At their last discussion, the Committee left open the question of whether the document should be published jointly with the MSC. The Secretary of State for Employment strongly recommends joint publication in order to secure the formal support of the TUC and of the CBI to the proposed approach.

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Benefits and Allowances for Young People (E(81) 34)

8. Annex 2, at the back of E(81) 34, provides a useful summary of the allowances and wages available at present to young people who are employed, at school, unemployed, or being trained under YOP. H Committee have been considering for some time - although they have not reached any conclusions - the case for rationalising these arrangements and possibly replacing them by a Young Persons' Benefit. Annex 2 sets out the various options for YB. If it were to be applied generally to 16 and 17 year olds who did not have a job they, or their parents, would receive child benefit plus a means-tested allowance of up to £10.50 plus a flat-rate of £8 for those on YOP.

9. The objective would be to rationalise allowances so as to remove the present incentive to leave school and draw supplementary benefit or get a YOP place. The scheme has been designed to ensure that it would not add to public expenditure costs overall; and, indeed, it could be cheaper, particularly if unemployment were to rise. (This is, however, on the assumption that it would be possible to resist pressure for more generous arrangements than those envisaged.) It would be presented as part of the answer to the Manifesto commitment to 'review the relationship between school, further education and training to see how better use can be made of existing resources' and to take the steam out of the pressure for the extension of educational maintenance allowances for those at school. It would require legislation, probably in 1981-82, and additional manpower in the DHSS tentatively estimated as in the order of 400.

10. The Secretary of State for Employment argues against YB - both its general application, which would include YOP trainees, and also the alternatives of limiting it to those in education and unemployed or just to the unemployed. In particular he sees objections to:-

- (i) The extension of means-testing.
- (ii) Cutting unemployment benefits at a time of rising unemployment.
- (iii) Transferring resources from families with an unemployed child to families with a child still in education.

He believes that the unions would not accept YOP places at firms if the allowance were to be cut in this way. They are already suspicious of YOP as a



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source of cheap labour at the expense of adults. If as a result, employers were not able to offer YOP places he argues that the Government would then be faced with additional training costs.

11. He recommends instead some rationalisation of the MSC's existing training allowances and consideration in the autumn of reducing the real value of the YOP allowance. He suggests that the Secretary of State for Social Services should consider, before the next up-rating of unemployment benefits, the possibility of lowering the rate for those under 18 who have paid their national insurance contributions.

HANDLING

12. You might open the discussion by inviting the Secretary of State for Employment to introduce both his papers. You might break the discussion into two halves by discussing first the consultative document and then the question of allowances which could lead to some qualification of the approach to the training document.

13. On the consultative industrial training paper (E(81) 33) you will wish to hear in particular the views of the Chancellor of the Exchequer and the Secretaries of State for Industry, for Scotland, for Wales, for Northern Ireland and for Education and Science. The main questions which you will wish to consider, subject to the further discussion of the allowances, are:-

- (i) Are the three broad objectives in paragraph 5 of E(81) 33 acceptable?
- (ii) Is the draft generally acceptable, subject to separate clearance of details and of the final version?
- (iii) Should it be published jointly with the Manpower Services Commission?

14. Turning to the paper on allowances, E(81) 34, you might first ask Mr. Ibbs to speak to his paper which draws attention to the links between the two other papers and sets the proposals in the context not only of training but of the high level of youth unemployment. You will then wish to hear, in particular, the views of the Chancellor of the Exchequer and of the Secretaries of State for Social Services and for Education and Science.

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15. The case for and against youth benefit has been discussed extensively at official level and by the Home and Social Affairs Committee. I suggest that the time has now come for a firm decision in principle on whether it should be:-

- (i) introduced for 16 and 17 year olds at school, unemployed, and on YOP traineeships;
- Or (ii) introduced for those at school or unemployed, leaving the YOP arrangements broadly as now;
- Or (iii) dropped entirely.

In reaching the decision on these options the Committee will need to weigh the advantages, as set out by the CPRS, of a YB scheme against the objections put forward by the Secretary of State for Employment.

16. If the Committee decides that youth benefit should be introduced either generally, or in part, I suggest that you should invite the Secretary of State for Social Services to take the lead, in consultation with the Secretary of State for Education and Science, the Secretary of State for Employment if YB is to apply to training allowances, and the Chief Secretary, Treasury. I think it is appropriate to give the task to the Secretary of State for Social Services, since he is responsible for child benefit and for supplementary benefit and for the additional staff who would be required to implement the scheme. It would be for separate consideration, in consultation with the Chancellor of the Duchy of Lancaster, when the necessary legislation could be introduced. If, however, the scheme were to have any impact there would be a strong case for finding room for it in the 1981-82 Session; perhaps by adding provisions to the Social Security Bill already in the programme.

17. If YB is to be introduced, and to apply to YOP, you will wish to consider whether this has implications for the consultative paper on training. It may well be that the latter need not be delayed but that it would need revision to give at least some warning of further radical changes to come. It will also be for consideration whether the introduction of YB should itself be preceded by a consultative document.



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18. If, on the other hand, the Committee rules out YB in its entirety, it will be for the Secretary of State for Education and Science to consider further what, if anything, should be said publicly on this in the light of the Government's Manifesto commitment to consider the better use of existing resources (see paragraph 9 above).

CONCLUSIONS

19. In the light of the discussion you will wish to record conclusions on:-
- (i) The recommendations in paragraph 15 of E(81) 33: namely, endorsement of the draft consultative document on industrial training and agreement that it should be published jointly with the Manpower Services Commission.
  - (ii) Whether the idea of young persons' benefit should be dropped and further improvements based on the recommendations in paragraph 11(b) of E(81) 34: namely, rationalisation of training allowances, consideration of not fully up-rating YOP allowances in the autumn, consideration of lowering the rate of unemployment benefit for those under 18 who have paid their national insurance contributions.
  - (iii) Alternatively, if YB is to be introduced whether it should apply to some or all of 16 and 17 year olds in education, unemployed, and in YOP traineeships and inviting the Secretary of State for Social Services to take the lead on the introduction of the scheme in consultation with the other Ministers directly concerned and reporting to the Ministerial Committee as necessary.

REA

(Robert Armstrong)

25th March 1981