

Confidential filing.

Special Employment Measures.

Long-term unemployed and the Yang.

Employment and Training Bill. Youth Service Review.

Industrial training.

MANPOWER.

Part 1: Jan 80

Part 3: Feb 81.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
27-2-81							
4-3-81							
6-3-81							
9-3-81							
17-3-81							
25-3-81							
26-3-81							
<p>PREM 19/524</p>							
<p>— ENDS —</p>							

PART 3 ends:-

€ (81) 12⁰⁰ Meg Row 1 of 26/3/87

PART 4 begins:-

s/s Emp to CST of 8/4/87

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E (81) 22	12.2.81
E (81) 20	13.2.81
H (81) 17	16.2.81
E (81) 23	17.2.81
E (81) 8 th Meeting, Minute 1	24.2.81
H (81) 22	26.2.81
H (81) 8 th Meeting, Minute 2	2.3.81
E (81) 33	20.3.81
E (81) 34	20.3.81
E (81) 36	24.3.81
E (81) 12 th Meeting, Minute 1	26.3.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed Wayland

Date 5 July 2011

PREM Records Team

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1

26 March 1981

DRAFT CONSULTATIVE DOCUMENT ON INDUSTRIAL TRAINING

At E Committee this morning I undertook to let you have my drafting points on the document circulated with your memorandum E(81)33. These are:

I agree that the sections mentioned in paragraph 12 of your memorandum require redrafting. In particular - Paragraph 41. I think this goes too far, even if modified as you suggest. Paragraph 10 of your own memorandum is a much better model.

Paragraph 59. The aim here should be that the treatment of the contributions from industry and the unions should be at least as extended as the treatment of the Government's contribution in the preceding paragraphs.

There is too little in the draft about the benefits of training to trainees. There is a very awkward juxtaposition of paragraph 35 (which mentions trade unions, but not trainees, as beneficiaries) and paragraphs 38-40 (which mention trainees but not trade unions). It is essential to make more of the benefits of training to the trainees themselves, and of the requirement that they should contribute by accepting lower pay during training. The conclusion of paragraph 40, for example, should be put much more positively.

No doubt you will be circulating a revised draft document, so that my officials may have the opportunity to put any further drafting points directly to yours.

I am sending copies of this letter to the Prime Minister, to E Committee colleagues, and to Sir Robert Armstrong.

LEON BRILLAN



Minister of State

The Rt Hon John Nott MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON SW1

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Manpower

TL

27th

26 March 1981

Sean John

RECRUITMENT OF ADDITIONAL APPRENTICES

Christopher Soames has asked me to write to you in his absence following the discussion at E on 24 February. We have been giving further thought to the idea that you should take on additional apprentices as a contribution to youth employment policy, not counting their numbers against your targets.

Christopher and I are sympathetic to the idea of making a contribution to youth employment policy, but it is not altogether clear whether these extra apprentices will be taken on because of that policy or to meet defence needs. I appreciate that there may in fact be no clear distinction. But to determine how we treat these people I think that you have to come down firmly on one side or the other.

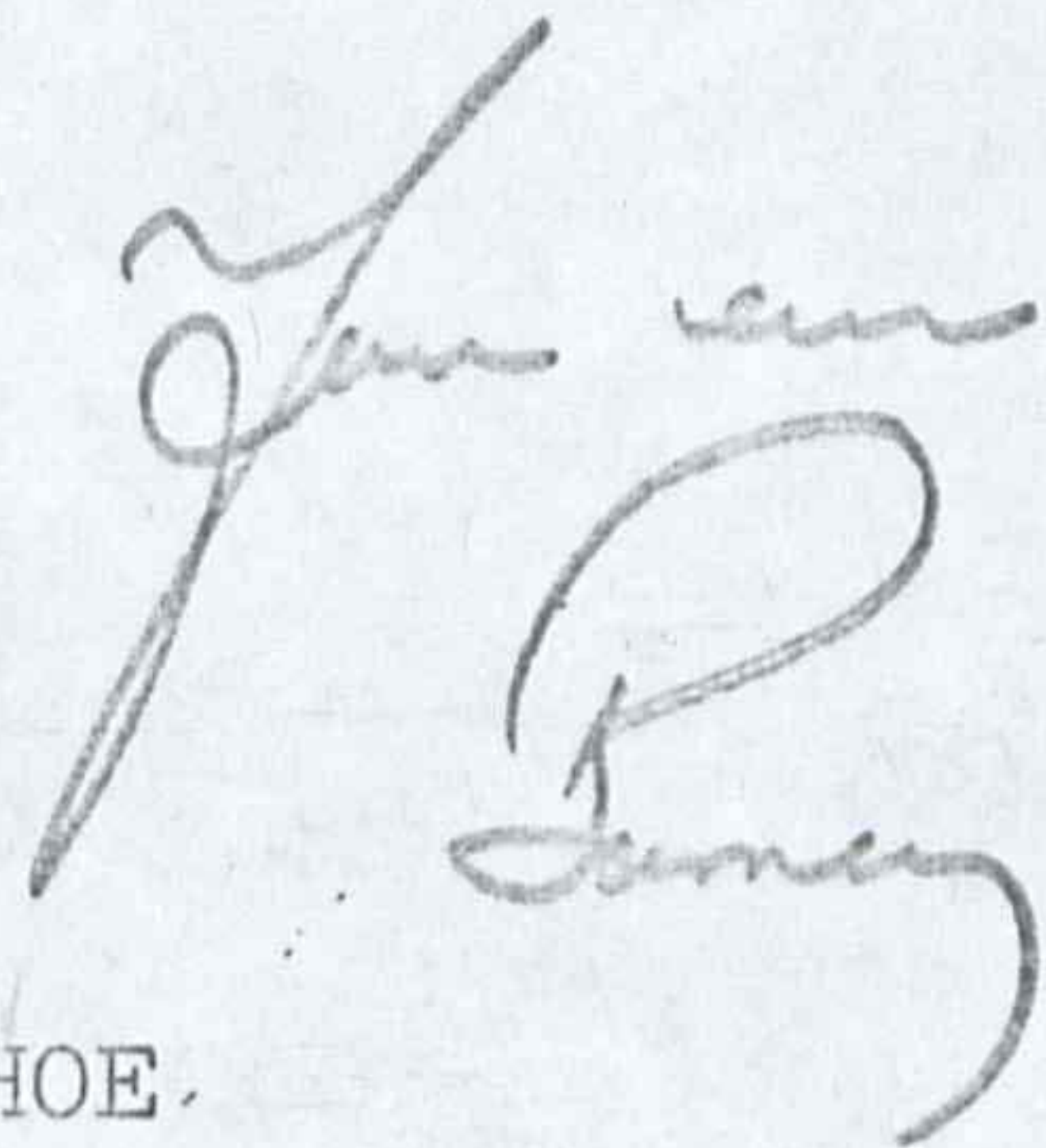
If you are seeking to meet Defence needs I do not see how their exclusion from the manpower count could be justified and I could not give you a concession on your targets. Our totals are already in some difficulty and we simply cannot afford to log any more potential excesses.

If, on the other hand, the additional apprentices were taken on with the stated objective of providing training places we have a different position. They would presumably be destined to move out to civilian jobs at the end of their period of training; meanwhile their costs would have to be met by the Manpower Services Commission as it would not be proper to charge to funds allocated by Parliament for Defence the cost of promoting youth employment opportunities. In this situation I think the numbers could legitimately and defensibly be omitted from the manpower count with the Select Committee being told that this was happening. Claims for similar arrangements elsewhere would not then need to be considered against the background of the manpower targets but

as genuine contributions to youth employment and against the ability of the MSC to fund them. Subject to the Prime Minister's views, I would be prepared for us to announce and defend this position. The touchstone would be funding by the MSC.

I therefore have to put the question you raised with me back to you, and across to Jim Prior. If the extra apprentices are to be recruited to meet Defence needs I cannot see a way of helping you. But if the prime intention is to help the youth employment situation, and if this can be funded by the MSC, I think acceptable arrangements for exclusion from the manpower count can be made.

I am copying this letter to the Prime Minister and to Jim Prior.

A handwritten signature in cursive script, appearing to read 'Barney Hayhoe', written in dark ink.

BARNEY HAYHOE.

CONFIDENTIAL

PRIME MINISTER

Industrial 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.

CONFIDENTIAL


CONFIDENTIAL

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.

CONFIDENTIAL

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

CONFIDENTIAL

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.

CONFIDENTIAL

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.



CONFIDENTIAL

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.

(Robert Armstrong)

25th March 1981

CONFIDENTIAL

CONFIDENTIAL

Prime Minister

Qa 05297

To: MR LANKESTER

From: J R IBBS

25 March 1981

Industrial Training/Benefits and Allowances
for Young People (E(81)33 and 34)

1. The CPRS paper (E(81)36) expresses reservations about the proposal by the Secretary of State for Employment that only marginal changes should be contemplated in the present system of benefits and training allowances.

2. I should like to draw the Prime Minister's particular attention to the following points:

(a) The Employment Secretary's view that Youth Benefit (YB) is a "political loser" appears to assume that YB would be seen as taking benefits away from the young unemployed (and YOP trainees) while giving them nothing in return. This need not be the case. If YB could be presented as part of an imaginative package to improve the quantity and quality of training opportunities for the young unemployed it might, in the context of high youth unemployment, be acceptable to young people, the general public, and even to the unions.

(b) YB offers the possibility of public expenditure savings to help finance such a package. But only if YB is extended to YOP trainees (as well as to the unemployed) will those savings be substantial. (The changes in allowances and benefit which Mr Prior undertakes to consider, though useful, would offer only small savings.)

(c) Mr Prior does not seriously address the feasibility of the approach which E suggested at its last discussion - "unemployment is not an option", i.e. providing training opportunities for all 16 year olds not in education or a job, but paying no benefit to those who opted for unemployment. The idea of a training year for unemployed 16 year olds also features in the CPRS report (E(81)22 - Annex D: a voluntary approach). In view of the high level of youth unemployment I should be sorry to see these ideas dismissed without more serious consideration.



CONFIDENTIAL

(d) In considering whether the unions could be persuaded to accept benefit reductions as part of a package, the Prime Minister should bear in mind that a package could include some of the other suggestions in the CPRS report for alleviating unemployment including skill training for young people and an expanded Community Enterprise Programme. Mr Prior is due to report back to E on these in early April. (There is also the possibility of more adult training in high unemployment areas, suggested in our recent note on Merseyside.)

below

3. I am sending a copy of this minute to Sir Robert Armstrong.

SR



Manpower

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

Rt Hon Sir Keith Joseph Bt MP
 Secretary of State
 Department of Industry
 Ashdown House
 123 Victoria Street
 LONDON SW1

24 March 1981

EMPLOYMENT AND TRAINING BILL : PROPOSED GOVERNMENT AMENDMENTS

Thank you for your letter of 19 March.

As you may know the approximate percentage of non-exemptible levy which would be required to finance the operating costs of Industrial Training Boards was given in table 22 of the report "Outlook on Training", and for convenience I enclose a copy. This information is still reasonably up to date, as most of it relates to the 1979/80 financial year, which is still the latest for which information is available.

Until the Manpower Services Commission has completed its review of industrial training arrangements in each sector of industry we shall not be able to take decisions about which industrial training boards are to remain, and it would be damaging, and would play into the hands of the Opposition, if at this stage we were to adopt a policy which clearly assumed that certain particular boards would not survive. Against this background I think that it would be imprudent, in the light of the figures in the attached table, to set a maximum figure for non-exemptible levy below 0.2% of emoluments. I think that we have to go for a round figure, because a figure such as 0.18% or 0.175% would both look peculiar, and be difficult to justify objectively. A figure of .15%, for example, would not in my opinion give sufficient room for some of the boards which might survive to pay their reasonable operating costs. Of course we all want to avoid bureaucracy, but we need also to avoid the danger that by setting the limit too low we make it too difficult for a board to carry out its functions reasonably without an affirmative resolution.

We should also remember that we have agreed to accept an amendment which would materially strengthen the position of employers on a board when voting on any matter relating to the imposition of a levy. Thus the employer members of the board will in future be able to have a much stronger say in what a board's levy proposals are, and



what proportion of the levy should be non-exemptible. Moreover the proposals in any case need to be approved by the Commission and by me.

In the light of all the above I still consider that a limit of 0.2% would be right. In order to allow the Standing Committee to have adequate time to consider the relevant amendments I think that they ought to be tabled today. However if an amendment is tabled to substitute a lower figure Peter Morrison will certainly be prepared to listen to the arguments. If necessary, in the light of the views expressed in Committee, we could then look at the figure again.

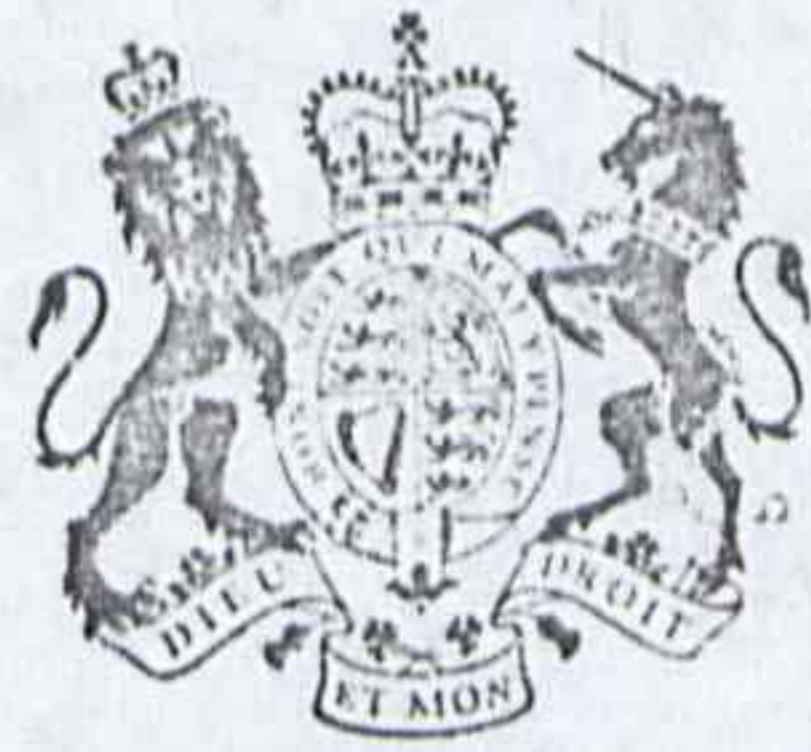
I am sending copies of this letter to the recipients of yours.

*Yours
Truly
Yours*

Table 22: Approximate percentage non-exemptible levy required to finance ITB operating costs in place of MSC funds

Board	% (rounded to nearest 0.05%)
Air Transport and Travel	0.2
Carpet	0.1
Ceramics, Glass and Mineral Products	0.2
Chemical and Allied Products	0.1 (1978/9)
Clothing and Allied Products	0.2
Construction	0.1 NB. Board at present levies on per capita basis
Cotton and Allied Textiles	0.2
Distributive	0.15
Engineering	0.1 (1978/9)
Food, Drink and Tobacco	0.05
Footwear, Leather and Fur Skin	0.15
Foundry Industry Training Committee	0.2 (1978/9)
Furniture and Timber	0.2
Hotel and Catering	0.3
Iron and Steel	0.1
Knitting, Lace and Net	0.2
Man-made Fibres Producing	Estimate not available
Paper and Paper Products	0.15 (1978/9)
Petroleum	0.1 NB. Board at present levies on per capita basis
Printing and Publishing	0.25
Road Transport	0.15
Rubber and Plastics Processing	0.1
Shipbuilding	0.2 (1978/9)
Wool, Jute and Flax	0.25
TOTAL	—

(Note: The percentages given are MSC estimates and have been rounded to the nearest 0.05%. They refer to the percentage non-exemptible levy which would have had to be imposed on firms not excluded from levy on grounds of size to replace MSC funding of operating costs in the latest year for which MSC has felt able to make the calculation - which is 1979/80 unless otherwise stated. They therefore take no account of subsequent changes, actual or planned, in ITB operating costs, nor of the possibility of ITBs choosing, for example, to increase their income from fees.)



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NA

20 March 1981

TL

20/3

Dear Jim.

NEW TRAINING INITIATIVE

Thank you for your letter of 4 March.

So far as the general training issues arising under the Initiative are concerned, I await your revised proposals with interest. There are indeed existing arrangements for joint consultation (the Training and Further Education Consultative Group of the MSC) and in one restricted area very successful joint machinery for running the UVP programme. These could form a basis for what is needed if there is to be a strategic advance on training, but they would no doubt need to be modified and developed to fulfil a bigger task and I hope the draft consultative document will leave that possibility open.

I am grateful for your specific suggestion of a joint foreword to the Open Tech consultative document. It seems an excellent idea for demonstrating our joint approach to what has to be a cooperative effort. I look forward to seeing a draft.

I am sending copies of this letter to the recipients of yours.

Yours ever

Mark.

MARK CARLISLE



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

a Duguid

19 March 1981

Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London SW1H 9NA

TL

Dear Jim,

20/3

EMPLOYMENT AND TRAINING BILL: PROPOSED GOVERNMENT AMENDMENTS

Thank you for your letter of 17 March. I am grateful to you for arranging an amendment on voting within Industrial Training Boards along the lines I proposed. I am content to leave to Peter Morrison the choice between your original proposal and my proposed amendment in the light of the debate in Committee.

2 I am, however, still concerned about the proposed limit on the normal procedure for a non-exemptible levy. I am sure you are aware of the intensity of industry's opposition to their having to bear the operating costs of ITBs. One of our main arguments for the changes we propose is to reduce the ITB bureaucracy. Firms would just not understand our setting a limit which allowed many ITBs a significant margin over even their present day operating costs. Those firms which have secured exemption because their training is up to scratch would certainly not welcome the idea of contributing towards the cost of grants to encourage other firms' training.

3 If you put forward the 0.2% figure it will be open to industrialists to inspire amendments seeking a lower limit. If they do it would be hard for us to mount a convincing defence. It would seem better for us to secure what support we can from industry by setting a tight, but realistic, limit at the outset.

4 I am sending copies of this letter to the usual recipients.

James Prior



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1

17 March 1981

EMPLOYMENT AND TRAINING BILL - PROPOSED GOVERNMENT AMENDMENTS

Thank you for your letter of 5 March in response to my minute of 3 March to the Prime Minister.

As regards the voting arrangements of Industrial Training Boards in respect of a levy there are of course various ways of strengthening the position of employers. I agree that there may be some advantage in adopting an approach which appears to be more even handed. However everybody would be well aware of the intention and effect of the change, and so the exact formula used might not make much difference to the degree of pressure to get the change reversed.

Of the three possibilities mentioned in your letter I agree with you that (b) (a specified proportion of all the members currently entitled to vote (ie the trade unions and employers members) must approve a levy) is to be preferred. However a two-thirds majority, as you suggested, would be significantly less effective than my original proposal in increasing the influence of employers. If this approach were adopted therefore I think that at least 75% of those eligible to vote should have to vote in favour. I have arranged for amendments to be drafted, for handing to one of our backbenchers, to achieve both my original proposal, and also your possibility (b) but with the required majority of 75%. Each of these would achieve broadly the same effect, and Peter Morrison would be able to decide which is to be preferred in the light of the debate in Committee.

You also suggested that the limit on non-exemptible levy, without invoking the consensus procedure or obtaining an affirmative resolution, should be lower than 0.2%. While this figure was chosen primarily with operating expenses in mind, this was not the only consideration. A further point is that it should be possible for a training board to raise in this way money which might be used to finance grants to support training. There is a difficult balance to be struck here, but I remain of the view that we should leave the figure at 0.2%.

I am sending a copy of this letter to the recipients of my minute and your letter.



10 DOWNING STREET

From the Private Secretary

VB
 E
 cc: HO
 FCO + Chanc,
 HMT sh
 DoI Do
 Ho Pres WO
 9 March 1981
 MAFF DES
 D/Trade Chief Whip
 DN CO
 CSO, HMT CPRD

Employment and Training Bill: Proposed
" Government amendments

The Prime Minister has now considered your Secretary of State's minute of 3 March on the above subject. She has also seen the Secretary of State for Industry's letter of 5 March.

Subject to any changes which Mr. Prior may wish to make in response to Sir Keith Joseph's comments, the Prime Minister is content with Mr. Prior's proposals.

I am sending a copy of this letter to the Private Secretary to members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, Wales and for Education and Science, the Chief Whip, Sir Robert Armstrong and to Mr. Ibbs.

J. P. LANKESTER

Richard Dykes, Esq.,
 Department of Employment.

DSG

cc PS/CST
PS/FST
Sir D Wass
Sir A Rawlinson
Mr Ryrie
Mr Middleton
Mr Dixon
Mr Unwin
Mr Bridgeman
Mr Ridley
Mr Buckley
Mr Gieve



Manpower

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

9 March 1981

The Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment

P.

9/3

Jim

EMPLOYMENT AND TRAINING BILL - PROPOSED GOVERNMENT AMENDMENTS

I do not wish to raise any objection to the specific amendments you proposed in your minute of 3 March to the Prime Minister. They should serve to strengthen employers' control of the Industrial Training Boards and to do something to meet industry's criticism of the Bill. I note that you are considering the scope for further concessions on the phasing out of Exchequer support for the Board's operating costs and the need for terminal levies. While no immediate decisions are needed on those points, I would point out at this stage that any concessions will have to be financed within your agreed public expenditure totals.

TPM

I am sending copies of this to the Prime Minister, other members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, Wales and Education and Science, the Chief Whip, Sir Robert Armstrong and Robin Ibbs.

2

Howe

GEOFFREY HOWE



Man power

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

R Dykes Esq
Private Secretary to the
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NA

*R
6/5*

6 March 1981

Dear Richard,

EMPLOYMENT AND TRAINING BILL: PROPOSED GOVERNMENT AMENDMENTS

I am now writing to confirm the message which I passed to you yesterday by telephone in view of the urgency attaching to your Secretary of State's minute of 3 March to the Prime Minister.

Generally we are content with what you propose. Our direct Departmental interests relate to the questions of board membership and finance dealt with in the second and third paragraphs of your Secretary of State's minute. We attach great importance to an effective educational representation on industrial training boards and would be very concerned if they and workers' nominees had to jostle for 50 per cent of the seats. My Secretary of State is therefore content with the compromise suggested by yours, and has asked me to stress that he hopes no further concession will be made on membership itself.

I am sending copies of this letter to No 10 and to the Private Secretaries to the other recipients of your Secretary of State's minute of 3 March.

Yours ever,

Elizabeth Casbon

P.P.

MRS M E BOWDEN
Private Secretary



Secretary of State for Industry

Mr. Byford
Mr. Walker

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

2 99's A
5 March 1981

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1

Jim Prior

EMPLOYMENT AND TRAINING BILL - PROPOSED GOVERNMENT AMENDMENTS

- 1 Thank you for sending me a copy of your minute of 3 March to the Prime Minister.
- 2 Industrial Training Boards exist in order to help meet industry's requirements for skilled manpower, and they should certainly be fully responsive to employers' views. We also need to carry the CBI with us if we are to secure the support of employers for our training initiatives.
- 3 While this leads me to be sympathetic towards their wish for a greater degree of control, I agree with you that the CBI's desire for half of each Board's members, as well as its Chairman, to come from the employers' side goes too far. The new arrangements will only stand the test of time if they are also generally acceptable to the other interests involved.
- 4 That said, I do wonder whether we should move towards the CBI's position by giving employers quite the overtly favoured position in relation to the imposition of levies that you propose. This "discrimination" could antagonise the trade unions, make it more difficult to turn the Boards into most effective training instruments over the short and medium term, and undermine the stability we would all think desirable by creating a focus for calls for amending legislation.
- 5 Alternatives that might be considered are:
 - a that a majority of the "trade union" members should also have to approve the levy;
 - b that, say, two thirds of all the members currently entitled to vote (i.e the trade union and employers members) should have to approve the proposals;
 - c to allow all members, including the Chairman and educational interests, to vote on the imposition of levies but to require a majority of sufficient size to allow the employers members a more effective veto.



6 Under the present arrangements, if all the trade union members vote in favour of the imposition of a particular levy, all the employers members have to vote against in order to secure its rejection. The possibilities outlined above would not require a full turnout by the employers' members and would therefore be an improvement from their viewpoint. The disadvantage is, of course, that it would give the trade union members a similar power to veto in form - but not, I suspect, in practice.

7 If you feel that this approach is to be preferred, I am content to leave the choice of the precise method to you although I incline towards (b).

8 One of our main objectives in taking another look at Industrial Training Boards is to cut back on bureaucracy. I therefore welcome your proposal to impose a limit on the non-exemptible levy, to meet operating expenses, which can be raised without invoking the "consensus" procedures. I do, however, wonder whether we should not set our sights lower than 0.2%. According to the figures in Appendix 5 to "Outlook on Training", this would only require three of the twenty three Boards for which details are given to make significant economies. If you agree with this thesis, I would again be content to leave it to your judgement whether we should fix on 0.15%, 0.1% or a figure that reduces on a predetermined time-table.

9 I am sending a copy of this letter to the Prime Minister and the other members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretary of State for Scotland, Wales, and for Education and Science, the Chief Whip, Sir Robert Armstrong and Mr Robin Ibbs.

Curran,

Kearse

SP



Manpower

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400.....GTN. 213

Switchboard 01-213 3000

TR

Rt Hon Mark Carlisle QC MP
Secretary of State for
Education and Science
Elizabeth House
York Road
LONDON SE1

4 March 1981

Mark Carlisle

NEW TRAINING INITIATIVE

Thank you for your letter of 19 February. There have been a number of developments since you wrote to me.

Colleagues have asked us to think again about foundation training. Naturally education departments will be kept in the picture as our thinking develops on this. It may well be that no new overseeing body will be called for so the issue of educational representation will not arise.

As far as the 'Open Tech' is concerned I am sure it would be a good idea for us to find some way of emphasising the important role of educational institutions in the initiative. I think the fastest progress might be made if you and I were to sign a foreword commending the MSC's proposals. That would facilitate public debate without either of us having to commit ourselves or colleagues to the details of the proposed approach. I will ask my officials to prepare such a foreword in consultation with yours so that we can consider it when we have the MSC draft discussion paper.

I am copying this to the recipients of your letter.

*Yours
faithfully
Mark*

Manpower

B/E 12/5/81

① J.L. [Food for thought]
? ② P.M. W.F. Boy.

JOHN SACHER INDUSTRIAL GROUP

Minutes of the meeting held at the Carlton Tower
Hotel, 3rd March at 6.30 p.m.

Present:

- Mr. D. Allen
- Mr. J. Bower
- Mr. P. Chappell
- Mr. M. Davies
- Mr. I. Davison
- Mr. R. Greenbury M+S.
- Mr. S. Hay
- Mr. O. Prenn
- Mr. J. Sacher (Chairman) [MARKS + SPENCER DIRECTOR]
- Mr. S. Thomson

CF put in file
for next Wednesday
mtg. p.m. (9.00am)

Guest Speaker: Mrs. Shirley Williams.

Apologies were received from all other members of the Group.

Mrs. Williams was the guest of the Group.

Before turning to the future intentions of the Social Democratic Group, she raised the subject which she had originally intended to discuss. This concerned the social instability caused by rising unemployment amongst the young, both school leavers and university graduates. She said that the black riot which had taken place the previous day was as much a symptom of lack of employment opportunities as anything else.

1. Youth unemployment normally runs at twice the overall national level. Furthermore in the U.K. we are going through a bulge in school leavers, now 20/25% higher than in 1977. However in the period from 1984 to 1990 the number is expected to fall by 25% for similar demographic reasons.

①

There are factors outside the present recession which have been instrumental in increasing unemployment in Western countries. There has been a growing tendency for married women to go out to work. In the USA the percentage in employment has risen from 37% to 56%, in Sweden from 25% to 70%, and in the U.K. from 42% to 57%. In Iberia and in the German speaking countries (Germany, Austria and Switzerland) there has been no such social change. This accounts for much of the overall difference in unemployment numbers. In the U.K. over the last ten years there has been an increase of women in employment of approximately 2m.

AND SO?

- ③ In Germany school hours stop at 1.30 p.m. This may be either a reflection of social demand or the cause of less women seeking work. NO SCHOOL MEALS.

Also in Germany only ten major firms, in spite of the vastly better training programmes available, are prepared to consider women for development in technically skilled areas.

2. There is a special problem related to those under 24. In the U.K. unemployment for this age group is running at 16/17%; in Italy, Spain and in the black areas within the U.S.A. at 20% plus.

3. The direction of investment differs in OECD countries. In the Netherlands, Ireland and the U.K. it tends to encourage capital investment through substantial allowances. In Germany on the other hand major and multi-national companies are encouraged to invest in "labour". There is an investment in skill with the emphasis on mobility within the company. This virtuous circle leads to products moving up market through quality and innovation.

By way of example, in November 1980 the Government of the Federal Republic offered to pay 50% of the cost of up-grading existing workers and made DM500m available. Within 48 hours the money available had been over-subscribed twice. The Government then approached union pension funds which provided the balance. The scheme therefore made available from employers, the Government and the Unions within a few days no less than DM2,000m.

German schemes consist of three year apprenticeships giving a broadly based experience of the companies' activities. During this period the employee is not allowed to be subjected to piece rate working. 90% of entrants to German companies go through such a scheme compared to 18% in the USA and 15% in the UK.

4. Unemployment amongst unqualified youth represents a special problem. The less qualified the school leaver may be the greater the problem becomes. Ethnic minorities present progressively worse situations with blacks possibly suffering 2 to 3 times the normal level of unemployment.

In the USA the official figures show that in this group there is 70% unemployment in Watts and 50% in Detroit. If, however, you add the unregistered estimate of an additional 700,000 you arrive at figures as high as 75% to 80%.

5. Unemployment amongst graduates also requires special attention. Cuts in public expenditure which are inevitable are going to worsen the situation. In France and Germany only half the graduates who leave universities find immediate employment. In the UK the figure is as low as one third.

This group is more militant than any other, as clearly illustrated in France, Germany and Italy.

6. The political implications of unemployment in both this group and amongst blacks are liable to give rise to dramatically dangerous situations.

Mrs. Williams' plea was to switch the work experience programme into staged skill training, even if it could only be for six months.

Points which arise in general discussion were:-

1. Agreements to reduce the labour force without enforced redundancy - i.e. through voluntary redundancy and early retirement-cut off the young from recruitment.
2. The previous encouragement for husbands and wives both to work may have been misguided, but it is now too late to do anything to alter the pattern. WHY?
3. The only real possibilities for increasing employment are:
 - (a) work sharing, which tends to be costly and unproductive
 - (b) deliberately reducing productivity by under-investing, the effect of this can be seen in the USSR and India
 - (c) to improve marketing and consequently demand.
This is the only desirable route.
4. A comparison was drawn between the record of small company development in the USA, particularly in California, and the UK. However, if one accepts that successful small companies inevitably become big, one comes to the conclusion that California is a new land and most companies there are far from maturity, unlike their European equivalents.
5. It was suggested that encouraging early retirement helps to keep recruitment at the younger end open. Mrs. Williams expressed a warning that the U.S.'s experience was that a drive for early retirement, far from helping, created a social problem. There the power lobby of the old was boosted with the result that retirement ages were not reduced from 65 to 60 as intended, but in fact removed altogether. The result is that many people now work until 70. !

6. Liverpool was cited as a city with a particular problem where male unemployment (of all ages) is over 19%. The ethnic group with the largest problem is young catholics. In some ways with its reputation for unproductive employment Liverpool has a similarity to some of the black cities in America.
7. Ulster too has a high male and even higher youth unemployment level. Here, however, the problem is different as there is a markedly higher work ethic than in much of the rest of the U.K. The main problems are related to cost of transport, distance, cost of energy and the decline of industries which had previously been the major employers in the Province.
8. To summarise many of the reasons for high unemployment in addition to the present recession are clearly identifiable:
 - (a) a liberal immigration policy
 - (b) two million extra women at work
 - (c) an over developed welfare state which has encouraged poor work
 - (d) an attitude to free trade under which we are almost the only country which abides by the rules N.B.
 - (e) lack of Trade Union discipline or responsibility
 - (f) a public sector which has failed to make the increase in productivity or efficiency that the private sector has been obliged to achieve
 - (g) the attitude of educators both in schools and universities, particularly at Oxford and Cambridge, which has encouraged the best students to go into the Civil Service or the professions - never into industry or commerce. ✓
9. Mrs. Williams summarised her views and added some extra points:
 - (a) women will not go back to the kitchen sink
 - (b) early retirement creates as many social problems as it solves
 - (c) the Belgian move against moonlighting has had the opposite of the desired effect and driven the whole of it into the black economy

- (d) It is overly easy to opt for decrying the UK. Formal education is second only to Japan in the underlying quality of people leaving university. They are unassailed by the social unrest that would affect them in Germany, France or Italy. In fact Japan is close to a breakdown in this respect. British graduates still accept that examinations mean something and should be passed well. Our education for those staying in it up to 18 is also comparatively good. Our 'A' level standards are higher than the US equivalents. The greatest trouble with British education is that the weight of advice drives people into the wrong sectors.

There will, in fact, be a high standard availability over the next two years because of the bulge coming out of technical colleges and universities. These people should be well prepared for induction into the new technologies, but probably will not adequately be absorbed.

10. There was also discussion about the level of creation of new British companies. Although many are created simply for tax purposes the rate is probably still much higher than in Germany. It is however very hard for small companies with no track record to acquire funds for expansion, in spite of availability within specialised trusts and companies.
11. The discussion then turned to the plans and possible policies of the Social Democratic Group. This was not minuted.

Mr. Duguid
Mr. Walter

It is a real road
ded for employers and
PRIME MINISTER I would expect
them to explain!



Ami Murti Marpower
Other Departments are generally
content with these proposals, though
Sir Keith has suggested that
the proposed changes should be
less overtly favourable to the
CBI. (Flas A). Are you content,
subject to any changes Mr. Pinar may

EMPLOYMENT AND TRAINING BILL - PROPOSED GOVERNMENT AMENDMENTS

As we foresaw in our discussion at E last November the Employment and Training Bill has given rise to some difficult political and industrial issues. We are operating in a very difficult and uncomfortable industrial climate. There have already been talks at official level with the Confederation of British Industry and the Engineering Employers' Federation, and I am planning to see Brian Rigby, the Deputy Director-General of the CBI, as soon as possible this week to discuss the issues involved. However the Bill is likely to start its Committee stage next week, and I am minuting now to seek the agreement of my colleagues, subject to the outcome of my talks with Brian Rigby, to the line which I propose to take, and to the tabling of the necessary amendments to the Bill, probably by means of handing them to a Government backbencher.

make in
response
to Sir
Keith's
comments?

12.

6/3

At present an industrial training board consists of a Chairman, and an equal number of people appointed after consultation with organisations of employers and workers in the industry respectively, and educational representatives appointed after consultation with the Education Ministers. In practice the number of education members is always less than that of either employer or worker members. The Chairman and the educational members may not vote on any matter relating to the imposition of a levy, but they may vote on how money raised from levy is spent, and on levy exemption criteria and policy. The employers want in future that 50% of a board's membership should be appointed after consultation with employers, and that the Chairman should also be required to come from the employers' side.



The case for a change of this kind is that he who pays the piper calls the tune. Although I have a good deal of sympathy with the employers' view, I think it would be going too far. It would be very controversial with the trade union side and with educational interests. We shall be keeping statutory industrial training boards where it is clear that satisfactory voluntary arrangements cannot be devised, and in such a situation there would be severe criticism of putting the board under such complete employer domination. Moreover doing so might make it more difficult for us to get a board to adopt the policies that we might want, for example in the context of the proposed new training initiative.

On the other hand I think that some move towards the employers' position would be desirable. I therefore propose that the legislation should say that the decision of a board on any matter relating to the imposition of a levy should require the agreement of a majority of the employer members. A provision on these lines would ensure that the employers could in practice be sure of determining a board's proposal on the size of levy, but not how it should be spent.

The employers also want a much longer transitional period for phasing out Exchequer support of the operating costs of industrial training boards, and are strongly opposed to paying, by means of a terminal levy, the winding-up costs of those boards which we may decide should be abolished. I have said that I would be prepared to consider the timing of the cessation of Exchequer support in the light of the outcome of the current review of industrial training boards, and I shall be considering whether we can make any concessions on either of these points. But they do not affect the text of the Bill.

The employers also want to retain the present requirement that the criterion for exemption from levy is whether a particular establishment is meeting its own training needs. It is, however, not



practicable to retain the present absolute right to such exemption on these grounds because there must be some reasonable way of empowering a board to levy employers to pay for its operating costs. All proposals by a board which concern levy and levy exemption are subject to the approval of the Manpower Services Commission and myself. Subject to that, our current policy on this is that a board should be able to obtain from levy money *L* to pay its operating costs in one or more of three ways. *?*

Firstly, it could require that exemption from levy could be granted only if an employer trains more people than he needs to carry on the activities of his own establishment. Secondly, a board could require that exemption certificates should not confer exemption from part of its levy (in fact the Bill at present permits anything up to (but not including) 100% of levy to be made non-exemptible in this way). Thirdly, there is what is known as the consensus procedure under which a board can impose non-exemptible levy if more than half of the employers who would pay levy, and employers who would pay more than half of the levy, both agree that such a levy is necessary to encourage adequate training in the industry. It should in future be possible for an industrial training board to pay for its operating costs through a consensus levy, if such a consensus can be obtained.

I do not think that we should agree to retain the present requirement that the criterion for exemption must be related to the needs of a particular establishment. In practice it tends to happen that if exemption is granted on this basis, one ends up with a net shortage of trained people. On the other hand I now feel that the discretion conferred by a Bill is too wide, and that there should be some restriction on the amount of levy that can be non-exemptible without a consensus of employers. I propose therefore that it should not be possible to impose non-exemptible levy of more than 0.2% of the emoluments paid by an employer unless a

This is very harsh on employers. There is no point in training if you are going to have to pay the levy as well.



consensus as described above is obtained, or an affirmative resolution is carried in each House of Parliament. The figure of 0.2% should enable boards to meet their operating costs - in some cases with a little to spare which they could use to make grants to support training.

I also propose to amend the Bill so that the purpose for which a consensus levy can be imposed includes payment of a board's operating expenses.

As Committee stage is likely to be starting next week I should be grateful if any comments on what I propose could reach me at the latest by Noon on Thursday.

I am copying this minute to the other members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, for Wales and for Education and Science, the Chief Whip, Sir Robert Armstrong and Mr Robin Ibbs.

JP

3 March 1981

Mr PATTISON

MH/2

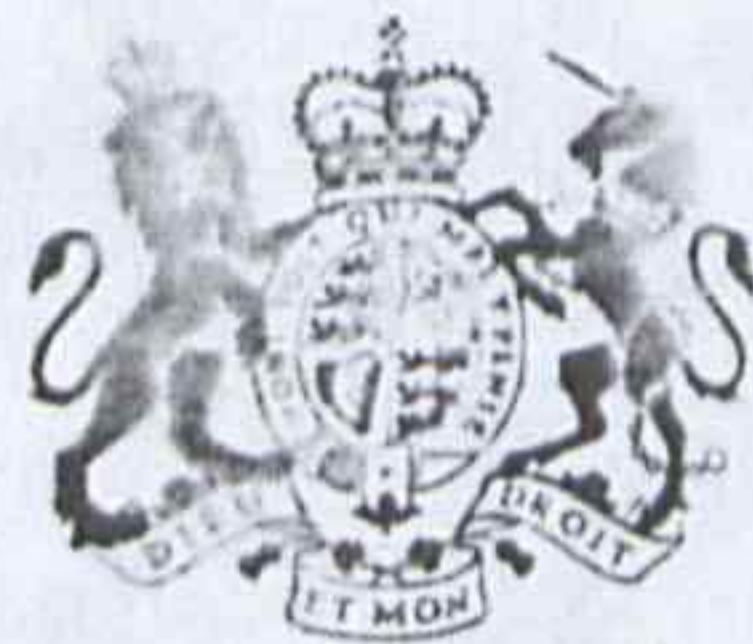


Manpower

In you minute of 3 February, you said that the Prime Minister would be interested to see any comments Sir Derek Rayner might make on Sir Richard O'Brien's letter of 23 January about the Youth Opportunities Programme. I attach, therefore, a copy of Sir Derek's reply.

Mrs E Thoms

Mrs E Thoms
27 February 1981



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

24 February 1981

Sir Richard O'Brien
Manpower Services Commission
Selkirk House
166 High Holborn
London WC1

John H. ...

1. I have now had a chance to look more closely at your letter of 23 January about the operation of the Youth Opportunities Programme (YOP) and to get the comments of our Personnel Group.

2. I recognise that your record of cutting out needless bureaucracy in this scheme and keeping procedures under review is very good. My main point is that it may sometimes be necessary to strike a balance between the standardisation of procedures and helping along Government objectives by making it as easy as possible for firms to participate in YOP. Schemes have to be considered individually so perhaps employers could be treated in the same way.

3. Area agreements do not suit Marks and Spencer because they normally require the stores within each area to submit a joint claim for trainees' weekly allowances. Marks and Spencer's financial system only allows for individual store or central reimbursement. A single central agreement which specifies the training provision made by individual stores and which could be changed with the approval of the local MSC office would suit us better and mean less paperwork than the present 29 area agreements.

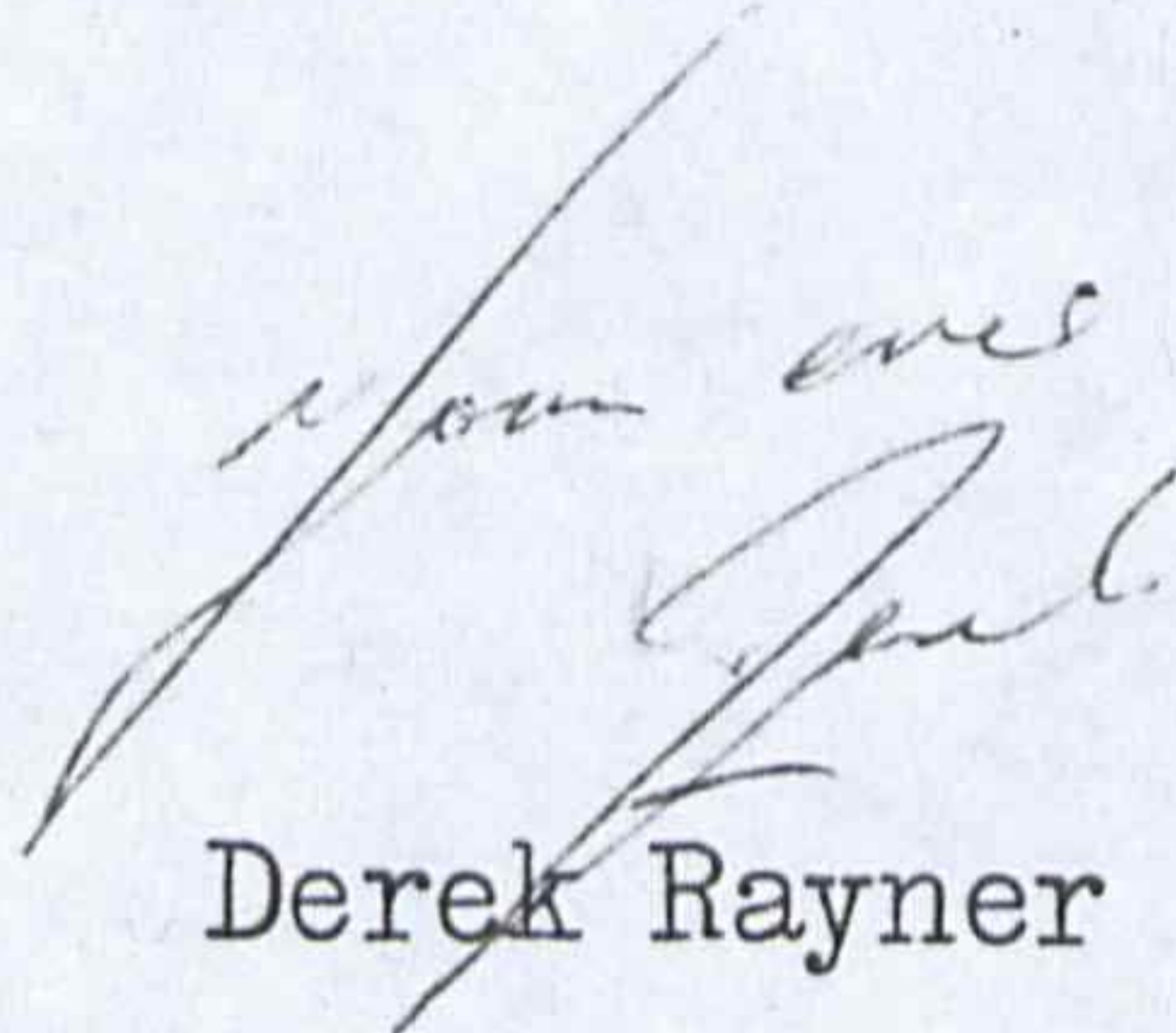
4. I agree that this might not suit every firm, but would there be any major problem or cost in making the occasional exception?

5. MSC also might consider relaxing its procedures for particular firms which have shown that they operate schemes properly. Agreeing extensions of existing schemes without further visits will help, but to visit and report on new schemes run by firms with good track records must mean extra work for MSC and delays before school leavers start their courses. It might also be seen as an unwillingness on the part of MSC to recognise that a good job was being done.

6. I have two other small points on your letter. Firstly, I do appreciate the need for legal agreements to back up offers of places. Asking firms at the very start to specify the maximum number of trainees they can take on may help to simplify the paperwork (although presumably they will not always be able to do this). I understand, however, that most MSC offices ask for offers of extra places to be made in writing, even though a legal agreement recording the extension (in the form of a SP9) is issued subsequently. It was the written confirmation, not the legal agreement, that I was objecting to.

7. Secondly, I note that the aims of the Work Experience on Employers' Premises (WEEP) Scheme and the short training courses are different. Our Personnel Group was, however, unable to find out how the content of the two schemes differed. It was the apparent overlap (as much as the absence of a trainer in the Bristol store) which dissuaded them from pursuing the WEEP scheme further.

8. I am copying this letter to Jim Prior.


Derek Rayner



Manpower

Ref. A04309

PRIME MINISTER

Unemployment and Young People, and Industrial Training
(E(81) 20, 22 and 23)

BACKGROUND

The CPRS' main paper (E(81) 22) is in response to your request of 8 December that they should undertake a detailed review of long term unemployment and the young, and make recommendations. On 5 November you had raised the question whether the large amounts of money the Government are already spending on young people could not be remodelled so as to give a greater incentive to useful work and training, to make the labour market more flexible, and to reduce unemployment. The CPRS were asked in their review to consider points raised both in the Treasury's initial response (including compulsory national service) and in minutes of 12 December from the Secretary of State for Employment and ³⁰20 December from the Secretary of State for Social Services, both of whom suggested that CPRS should also feel free to put forward suggestions about long term adult unemployment.

2. The Secretary of State for Employment's memorandum (E(81) 20) proposes a new training initiative. It follows the Committee's discussion on 18 November (E(80) 40th Meeting, Item 2) when it was agreed that he should encourage the Manpower Services Commission (MSC) to prepare for publication, jointly with the Government, a document setting out proposals for the development of vocational preparation for young people, the reform of apprenticeship and the widening of opportunities for adult training; and that he should arrange for the official interdepartmental Manpower Group to bring together current work on improving links between training and education, taking account of proposals for financial support for 16-18 year olds.

3. The CPRS has put round a short collective brief (E(81) 23) on the Secretary of State for Employment's memorandum.



4. You will also have seen the report to the Home and Social Affairs Committee of the MISC 45 Official Group on the case for introducing a Graduated Young Persons' Benefit (H(81) 17). The Secretary of State for Employment will shortly circulate to E(EA) a paper on the question whether juveniles should be removed from the jurisdiction of wages councils.

5. Although the CPRS report is about unemployment, its main proposal involves training, and thus overlaps with the Secretary of State for Employment's proposals which exclusively concern training; the papers are therefore on the Agenda as a single item. They both raise a wide range of major policy issues, with a good deal of complicated detail. I suggest that you should guide the Committee to a second reading discussion with the aim of narrowing down the policy options which merit further work and agreeing modifications, if any, to the approach to the consultative document on the new training initiative which the Secretary of State for Employment wants to publish in April. It might be sensible for further work on the policy options to take in also the proposals to H on young persons' benefit. It could be carried out either by a Ministerial Group, or by officials, or by a mixed Ministerial/Official Group. I suggest, however, that you should consider this further in the light of the Committee's discussion; I will offer further advice on this.

The CPRS Proposals (E(81) 22)

6. The CPRS start from the judgement that the prospects for youth unemployment are sufficiently serious to require radical, new approaches and policy initiatives. They believe that current initiatives are helpful but suffer from the lack of a coherent framework, and they consider that the money currently spent on young people through Supplementary Benefit and through YOP could (as Mr Lankester's letter of 5 November suggested) be remodelled to reduce unemployment and provide more training.

7. The CPRS' proposals come under three main headings, and they recommend a package of measures with an estimate net Exchequer cost of £120 million (para 19 of their summary).



8. First, they recommend a mandatory year of foundation training whereby all those not continuing in full time education at 16+ would either go into an approved traineeship or apprenticeship or be required to undergo a training year incorporating work experience, preparation and day release. This would entail some form of compulsion, whereas the Secretary of State for Employment, in the training context, advocates a voluntary approach. This proposal would in current circumstances:-

- (i) Reduce registered unemployment by about 200,000, over and above the expected effect of the Youth Opportunities Programme.
- (ii) Cost about £85 million a year net provided it was coupled with a move to lower levels of financial support for young people.
- (iii) Not be introduced before autumn 1983 unless special priority were to be given to the necessary legislation early in the 1981-82 Session.

9. The CPRS mention (paragraph 30 of their report) two ways in which the training year could be applied to all 16 year old school leavers (except those who continue in full time education or who obtain an approved traineeship in employment). The first would be to make participation compulsory in the same (or similar) way as education is for the under 16s. The second would be to make financial support from the state conditional on participation in the training year. If any form of compulsion were ruled out, CPRS recommend that Ministers should consider offering a training year on a voluntary basis, again coupled with changes in the system of financial support. Either way they recommend that there should be an expanded programme of skill training to prepare for the up-turn in the economy.

10. Second, they propose improvements in opportunities in the ordinary labour market. Their main proposal under this head is for steps to widen the differential between the wages of young workers and adults. They point out that the Government could act directly by moving to lower levels of benefits and of Youth Opportunities Programme and training allowances. These changes could include the introduction of the youth benefit, discussed in H(81) 17, or some variant of it - under the H(81) 17 proposals all 16 and 17 year olds in full



time education or out of work, and possibly those on YOP, would receive a basic allowance of £4.75 a week (ie the present rate of child benefit) and be eligible for a means-tested supplement, bringing the maximum payment up to £15.25 a week (ie the present rate of supplementary benefit for those ages). Legislation would be needed in the 1981-82 Session to give effect to the changes from autumn 1982.

11. The main subsidiary proposals under this second heading are for:-
 - (i) A campaign to persuade the CBI to seek wider differentials between youth's and adults' wages.
 - (ii) Giving young people access to a wider range of jobs through better notification of vacancies and part-time jobs.
 - (iii) Removing, when possible, the tax bias in favour of the two-earner married couple.
 - (iv) Reviewing the commitment on the abolition of the pensioners earnings rule.
 - (v) Considering the scope for more flexible retirement in both private and State schemes, as well as possible longer term changes in pension age.

The question, which E(EA) is due to consider, whether juveniles should be relieved from the jurisdiction of Wages Councils is also relevant.

12. Third, CPRS propose changes in opportunities outside the labour market. They recommend against compulsory military or community service but in favour of a significant expansion of opportunities for community work. This would not exclude young people but it would have special emphasis on the long term unemployed, mainly men and young adults in regions of highest unemployment. If payments were based on benefit plus a small premium CPRS judge that the present Community Enterprise Programme Scheme could be quadrupled to 100,000 places at an additional net Exchequer cost of £35 million. Legislation would not be required.

13. The proposals under these three heads could each be pursued separately but the CPRS see merit in treating them as a coherent package to tackle unemployment.

The Secretary of State for Employment's Proposal (E(81) 20)

Flag C
Flag A
14. The Secretary of State for Employment attaches, at Annex C to his paper, a draft consultative document on a new training initiative; there is a short summary of it at his Annex A. The draft will be discussed by the MSC on 24 February. Subject to their views and to the views of Ministers the aim is to publish it in early April and to invite comments by the end of September after which decisions for action would be taken. The Secretary of State strongly recommends that the document should be published jointly by the Government and the MSC so as to engage the continuing and voluntary cooperation of the TUC, CBI and the educational and local authority interests.

15. He specifically invites the Committee to endorse the three main objectives summarised in paragraph 4 of his cover paper: to provide by 1990 the opportunity of either full time education or traineeships for all 16 and 17 year olds; skilled training to recognised standards; and better training opportunities for adults. These changes would involve the breaking down of the restrictions inherent in the present system of apprenticeship.

16. The Secretary of State strongly advises a voluntary, rather than compulsory approach - his paragraph 11 - at least until such time as the voluntary approach had demonstrably failed.

17. He is very willing to put forward specific proposals for increased Government expenditure now on skilled training for young people, as suggested by the CPRS, if the Committee agrees that the extra money should be made available for this - his paragraph 10.

18. He attaches at Annex D to his paper a report by officials on the existing links between education and training. He recommends that there should be further work on this preparatory to a second report in September which Ministers would consider at the same time as the outcome of the consultations on the paper on the new training initiative.

HANDLING

19. You might open the discussion yourself by explaining to the Committee that your aim is not to cover all the details in these, and related, papers but to discuss the main issues



to have a second reading discussion to narrow down the policy options worth further study and to decide on the next steps for the consultative document on the new training initiative.

20. Since the CPRS paper is the more wide-ranging you might invite Mr Ibbs to speak first and then the Secretary of State for Employment to reply, and to deal in particular with his paper. Of the other Ministers the Chancellor of the Exchequer and the Secretaries of State for Education and Science, Industry, Social Services, Scotland, Wales and Northern Ireland in particular will wish to comment. You will wish to cover the following questions.

21. In the context of high unemployment does the Committee support a voluntary or compulsory approach to training, and particular do they wish the CPRS' proposals for a compulsory Training Year to be pursued further?

(i) The CPRS' proposals have attractions (significant impact on unemployment: relatively low cost). Ministers would need to think carefully about the implications of compulsion and of the reduction in financial support for 16 year olds who fail to obtain traineeships in employment. For example, a 16 year old who could have found a job without training with a willing employer - perhaps in his own family's business - would no longer be allowed to do so.

(ii) Ministers need to consider whether the voluntary approach is likely to produce results on the training front (or to have an impact on unemployment) and whether it is realistic to think of containing expenditure on YOP at its present level in the face of rising unemployment and a commitment to develop foundation training.

(iii) If the Committee is willing to pursue the CPRS proposal it will be necessary to consider the implications for the draft consultative document and to give a more positive steer to compulsion.

22. If compulsion is ruled out, is there support for developing a training year on a voluntary basis?

(i) As for a compulsory scheme, the cost implications would have to be considered.

(ii) If so, again the consultative document will have to be revised.

7/1 Compulsion
Voluntary



23. Either way, is there a case for an expanded programme of skill training?
- (i) The Secretary of State for Employment is willing to pursue if more money is made available to him.
24. Should there be further work aimed at a lower level of benefit and of training allowances?
- (i) Reductions are necessary if Ministers want to make a major impact on unemployment at little extra cost - this applies whether they adopt a new Training Year or respond to increasing unemployment by further expanding YOP.
- (ii) There is a case for reductions and rationalisation anyway, and proposals such as those discussed in H(81) 17 would be considerably easier to introduce if put forward in the context of substantial improved training arrangements.
25. Does the Committee endorse the proposals for further consideration of the five points listed in paragraph 11 above for increasing the employment opportunities for young people in the ordinary labour market?
26. Does the Committee endorse the objective of a significant expansion of opportunities for community work?
- (i) From 25,000 to 100,000 places a year at an additional cost of £35 million a year assuming that payments were based on benefit plus a small premium.
27. Subject to discussion of the CPRS questions noted above, does the Committee endorse the objectives in paragraph 4 of the Secretary of State for Employment's paper E(81) 20?
28. Do they agree that the aim should be to publish the consultative document jointly with the MSC early in April and to invite comments by the end of September?
29. Are there any other issues which the Committee wishes to be examined in the course of further work?
- (i) In particular do they want further work on the scope for substituting part-time work for full-time work, other forms of work sharing, and the special problems of areas of high unemployment (ie as mentioned in paragraph 8 of the CPRS' paper)?



CONCLUSIONS

30. In the light of the discussion you will wish to record conclusions on the questions listed in paragraphs 19-27 above, and in particular on:-

(i) The instructions to the Secretary of State for Employment on the next steps for the preparation of the consultative document on the new training initiative.

(ii) The arrangements for further work on these issues; on the basis that you will decide yourself, in the light of the discussion, how this work should be organised.

RA

ROBERT ARMSTRONG

23 February 1981

CMA



CONFIDENTIAL

Mary Jones
ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NA

u. de Souza

R. J. V.

19 February 1981

Dear Jim.

NEW TRAINING INITIATIVE

As I said when we met recently, I broadly support the proposals in your paper E(81)20. I should, however, like to emphasise two points which tend to be obscured because education/training links are having to be considered on a slower timetable than the consultative paper on the Initiative.

First, what is proposed is that we should build the foundation traineeship approach firmly into the permanent national framework of education and training. Your paper and the official report recognise that effective provision will require especially close cooperation between the training and education systems. Although the details will need to be considered carefully, I think it is important that the whole programme should be guided by an appropriate joint body with equal representation of education and training interests.

Secondly, this consideration is particularly acute in the case of the proposed Open Tech which will provide vocational education through a variety of more or less unorthodox ways just as the Open University provides academic education through unorthodox systems. The education service generally would find it unacceptable if such a scheme did not involve true joint management by education and training interests going beyond the very general specification in paragraph 86 of the draft consultative document. The nature of the exercise would be established from the beginning if the proposed separate consultative document on the Open Tech were jointly launched by education departments and the MSC, and not just by the MSC as envisaged in paragraph 87.

1.

CONFIDENTIAL

CONFIDENTIAL

I am sending copies of this letter to the Prime Minister, members of E Committee, the Secretaries of State for Scotland and Wales and Sir Robert Armstrong.

Yours ever

Mark

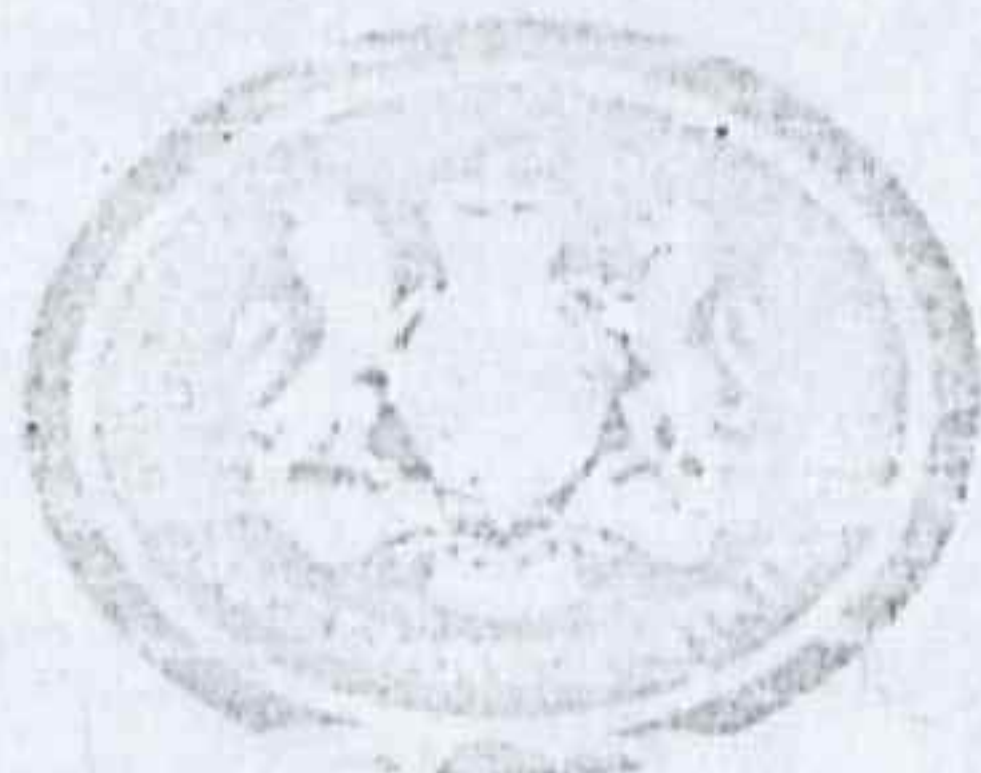
MARK CARLISLE

CONFIDENTIAL

2.

cc Press

CONFIDENTIAL



Prime Minister

By There will inevitably be attempts to misrepresent this scheme.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MAD 18/2

MO 21/8/11

16th February 1981

Dear Jim

mb

YOUTH OPPORTUNITIES PROGRAMME - PARTICIPATION IN ARMY SERVICE

I attach a description of the 6 months pilot scheme for 1000 YOP individuals which the Army has drawn up. A copy of the report from which the summary at annex was made, has been sent to your officials as a basis for a paper to MSC, describing the scheme and seeking their agreement to funding it. I understand that officials will get together over the paper.

I am anxious, as I know you are, to press on with this scheme. It has attracted support in the CPRS report on Employment of Young People - E(81)22 - which is being taken in E next Tuesday. It would give an undoubted emphasis to the Government's intention to take positive steps if I were able to make an announcement as soon as possible after the MSC meeting on 24th February - not least because it is bound to leak and may well be distorted by its opponents.

The Army are ready to put the scheme into operation on 1st April, but useful presentational advantage will be lost if we delay the

The Rt Hon James Prior MP



announcement until then. (And I have explained to you that a February announcement is an important element in my wider campaign to win back public opinion in difficult areas of our defence policy.) The only obstacle that I can see is the availability of the funds for the first experimental scheme - that is £2M (including the YOP allowance of £23.50 per week).

I understand that you will need to take MSC with you, as far as that is possible. My suggestion is that we should wait until after their meeting on 24th February, when you will know how the funds are to be provided, and make an announcement very shortly thereafter. I hope you will be able to go along with a timetable of this sort.

I am sending a copy of this letter to the Members of E Committee, in case it is raised at Tuesday's meeting, and to Sir Robert Armstrong.

Yours ever

John

John Nott

YOUTH OPPORTUNITIES PROGRAMME - SCHEME FOR PARTICIPATION IN ARMY SERVICE

1. The scheme would offer a period of six months voluntary service with the Army to a maximum of 1000 young men in financial year 1981/82 starting on 1 April 1981.

2. Two types of training would be provided. The first would be skill-orientated either in trades such as basic electronics, vehicle repair or carpentry, where trade training would occupy the entire six months; or in areas such as basic engineering, tailoring or typing where general military training and in some cases a short period of service would also be included in the six month period. Trade training places would account for about 300 depending on the number of volunteers available to take up vacancies as they occurred on scheduled courses. The remainder of places offered (about 700) would be on regular courses of general military training (lasting for 12 - 18 weeks), followed by a short period of normal military service in Great Britain or West Germany to complete six months.

CONDITIONS

3. YOP trainees would be passed to Recruiting centres under MSC arrangements. The training would be available for those aged 17 and over who could satisfy educational and other requirements of normal Army entry standards. Only single young men would be eligible. They would be enlisted, and would wear uniform in the normal way, and be subject to military discipline, but unlike regular soldiers they would be allowed to resign on request. They would be paid YOP allowance of £23.50 weekly.

PRIME MINISTER

UNEMPLOYMENT AND YOUNG PEOPLE: E ON 24 FEBRUARY

1. INTRODUCTION

1.1 The CPRS paper E(81)22 makes three main proposals:

- (a) A mandatory training year of work experience and work preparation for 16+ school-leavers.
- (b) Measures to reduce the differential between young people's and adults' wages.
- (c) A new programme of community work for the long-term unemployed.

1.2 We strongly support the second of these proposals, including the reduction in the level of benefit. We have minuted separately on one important way of widening the differential: the abolition of Wages Councils. We also strongly support the CPRS proposal for more skill-training for able school-leavers. The rest of this note addresses the value of the CPRS package as a whole - particularly the political value - and its presentation.

2. MORE COMMUNITY WORK

2.1 We all know that there is no prospect of getting unemployment in the more difficult regions down to acceptable levels within the next few years. Against this background, we think the political arguments in favour of a greatly expanded programme - CPRS suggests 100,000 places - of community work for the long-term unemployed are compelling. We agree with the CPRS assessment that it would only be necessary to offer a very small premium above the benefit level. There are many people who would like the opportunity to do something even if it is of marginal economic value.

2.2 We must show that we have some political imagination: that we are willing to take steps to salvage something - albeit second best - from the sheer waste involved. Organising community work is a much more justifiable - and much more cost-effective - measure than support for some of the lame duck industries which consume energy and materials, while paying wages far above the local equilibrium level,

CONFIDENTIAL

thus preventing the adjustments which could help lead to creation of new enterprise.

2.3 This scheme needs to be aggressively marketed. Up to now, the various Manpower Services schemes have had curious labels (like WEEP) which seem unlikely to fire the public's imagination. If we are to sell this scheme effectively and get some credit for it, perhaps there could be a junior Employment Minister with special responsibility for it; a national television advertising campaign to explain it and invite participation in its setting up - ideas for local projects, offers of management skill in leading projects. This would help to tap the large reservoir of resentment against the wastage involved in mass unemployment. It needs to be branded with a snappy title, perhaps itself the subject of a public competition.!!

2.4 The key to making these operations successful is likely to be the local leadership for individual projects. There is plenty of scope for asking companies to supply young trainees - gaining valuable management experience - to lead these projects.

3. THE TRAINING YEAR

3.1 The political value of the compulsory training year is more difficult to assess. There are obvious ideological problems: is a Tory Government really going to outlaw a shopkeeper taking his own 16-year-old son on his payroll as soon as he leaves school? What are the political consequences of reversing the tide towards greater juvenile independence from parental income and influence? Would it damage industry to remove the supply of 16-year-old labour from the market? Would the MSC be capable of organising traineeship for an extra 70,000 16-year-olds?

3.2 All these questions are worth asking. But they have to be set alongside the reality of 20% unemployment among under-18-year-olds now and the CPRS prediction of this rising to between 50% and 70% during 1983. If this really is the prospect, many of the arguments above become secondary. A year spent in training/work experience is not as good as a year spent paying one's way. But the question is whether it is better than a year spent doing nothing. We feel certain that it is.

3.3 Compulsory or voluntary?

3.3.1 Although we think it would be right to make the training year as universal as possible, there are obvious hazards about the "compulsory" label. These dangers could be reduced by the right presentation and by designing some flexibility into the system. Specifically:

- (a) As paragraph 30 of the CPRS report suggests, the scheme could be presented as an entitlement. 16-year-olds could be free not to participate in the scheme, but they would receive no benefit at all.
- (b) Instead of appearing to outlaw the employment of 16-year-olds, we should explain the new obligation on a company employing a 16-year-old to ensure that he was employed in a way which met the traineeship requirements.
- (c) The Government would be accepting an extended obligation to provide the (modest) youth benefit and to find/arrange training year places for all 16-year-olds that did not find approved places themselves.
- (d) Small businesses, particularly family businesses, could be treated more flexibly than large companies. Even work in, say, a shop, might be accommodated.

4. UNION REACTION

4.1 We can anticipate union opposition to the package on several points:

- (1) The training year seeks to provide a substitute for the apprenticeship system.
- (2) A widened wage differential between young people and adults could lead to substitution of older workers (union members) by younger people. It could also reduce wages at the margin.
- (3) Reduced youth benefits could look like the thin end of the wedge - with other benefits to follow.
- (4) The community work programme could supplant some public service employment (though the aim would be to avoid this).

CONFIDENTIAL

4.2

Despite these objections, we think it would be very hard for unions to carry public opinion against a package so clearly intended to help solve youth unemployment; provide better training, including skill training; and help the long-term unemployed. It is hard to see how they can oppose these objectives or a plan involving modest public spending to help solve them. This is one area where public opinion must be on the Government's side. But careful preparation would be needed to anticipate and head-off union opposition.

5.

CONCLUSION

We think the CPRS proposals could provide the basis of a politically imaginative package.

I am copying this minute to members of E, Robin Ibbs and to Sir Robert Armstrong.



JOHN HOSKYNS

Manpower
Special Employment
Measures

Manpower

HPD



10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

Mr. Prior's Office have sent the Prime Minister a copy of Sir Richard O'Brien's letter of 23 January, in reply to Sir Derek Rayner's letter of 22 December on the Youth Opportunities Programme at Marks and Spencer. If Sir Derek chooses to reply further, I am sure that the Prime Minister would be interested to see his comments.

M. A. PATTISON

3 February 1981

KRB

PART 2 ends:-

..... Employment to MAP of 30/1/81.

PART begins:-

..... MAP to Priestley of 3/2/81.