

PART 4.

Confidential filing.

Special Employment Measures.

Long-term unemployed and the Young.

Employment and Training Bill . Youth Services Review.

Industrial training.

MANPOWER.

Part 1 : Jan 80

Part 4 : April 81

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
8-4-81.		10.7.81					
April 81		13.7.81					
		Ends					
15-4-81		10.7.81					
26-4-81		Ends					
22-4-81							
23-4-81							
27.4.81							
12.5.81							
13.5.81							
14.5.81							
18.5.81							
19.5.81							
2-6-81							
11-6-81							
30-6-81							

PREM 19/525

PART 24 ends:-

~~Tu to HmT ends 10.7.87~~

~~13.7.87~~

10.7.87

PART 5 begins:-

8/5 Defence to PM 13/7

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E (81) 74	2.7.81
E (81) 75	6.7.81
E (81) 76	7.7.81
E (81) 77	7.7.81

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 19 July 2011

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Manpower Services Commission publication: Manpower Review 1981 [ISBN 0 905932 28 5]

Manpower Services Commission publication: An 'Open Tech' programme to help meet adult training and retraining needs at technician and related levels]

Signed Wayland Date 19 July 2011

PREM Records Team

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*File 16
Manspawes*

10 DOWNING STREET

From the Private Secretary

10 July 1981

Dear John,

I enclose a paper by Alan Walters, which the Prime Minister has asked to be brought to the attention of Ministers attending the E meeting on Measures Against Unemployment arranged for next Tuesday (14 July) at 1045.

I am sending a copy of this letter and its enclosure to the Private Secretaries to the members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, Wales, Northern Ireland, Social Services, Education and Science, the Chief Whip and to David Wright (Cabinet Office).

Yours,

Tina L...

A. J. Wiggins, Esq.,
H.M. Treasury.

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E. R.

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UNEMPLOYMENT MEASURES PROPOSED IN E(81)74

Introduction

1. There are really two distinct ways of looking at the problem of high levels of youth unemployment - an essentially cosmetic way, and an economic way:
 - The cosmetic way is to ask "How much can we afford to spend in order to move as many people as possible, especially young people, from the group embarrassingly labelled 'unemployed' to some other group - eg still at school, in training, in some work experience scheme?"
 - The economic way is to ask "How can we reduce the cost of employing young people so that they immediately have a better chance of finding a job; which then exerts a downward pressure - through simple labour price competition - on all pay levels?"

2. Of course some extra training and even work experience schemes can be worthwhile and are in any case politically necessary. But to extend these devices further and further beyond their capacity to provide useful experience, is to adopt the cosmetic approach. This is expensive, distorting, and in the end, dishonest, because it only temporarily suppresses the symptoms. The economic approach is cheaper, designed to reduce distortions by exerting downward pressure on wages elsewhere, and honest because it helps the labour market to adapt permanently to the monetary constraints.

The Analysis

3. The analysis of unemployment in Section 1.3-1.5 of E(81)74 does not mention wage rates. It says that the three main factors affecting unemployment in the next 2-3 years are:
 - a. the rate at which output expands;
 - /b. the trend of

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- 2 -

- b. the trend of productivity; and
 - c. over-supply as well as the change in skill mix and technological change.
4. It is hard to understand how, either in the short run or the long run one can sensibly talk about unemployment without analysing and commenting on the predominant importance of the real wage rate. This is like the analysis of demand and supply without mentioning price! As an illustration, does not everyone believe that were the real wage rates in Britain to fall 10 or 15%, there would be a most dramatic reduction in unemployment?
5. The tone of the report by officials is of a given number of jobs which have to be shared out among a larger number of applicants. This is the concept of a job for one man means no job for another; a fixed cake. But the whole point is that the cake would expand significantly with the reduction of wage costs per unit of output.

Measures for dealing with youth unemployment

6. The main recommendation is a comprehensive scheme for the young (COSY), to be phased in to replace the current YOP. It is a general subsidised State training scheme for school leavers who are unemployed after a year. It would need to be closely supervised by the State. If young people are unable to find a job and don't join the scheme they lose their SB.

The Main Deficiencies of the Scheme

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The main deficiencies are:

- 7.1 There is little or no effect on reducing wage rates both for juveniles and for others. The main reason for unemployment is the high level of wages. Unemployment is concentrated among youth because the trade unions, which are dominated by adults, keep the youth wage rate high to discourage their employment. In Germany relative youth wage rates are much lower, and so is youth unemployment.

COSY will not moderate youth wages. It will tend to exacerbate the problem. There will be, as will be shown below, an incentive to switch youth out of the normal working labour force into COSY. This will reduce the supply of youth labour on the market - an effect which the adult-dominated trade unions will applaud. Under the scheme the youths will do some work which would have been done by adult workers, but it is likely that in each company unions will ensure that this is a fairly small overlap.

In the labour market it is true that the supply of juvenile labour will be increased by reducing the allowances, making idleness on the dole less attractive. But the important point is that there is no positive inducement, in the way of low wages affecting the demand side, to enable entrepreneurs to expand their absorption of youth labour. Nor is there any knock-on effect on adult wages at the lower end of the scale, where adults and juveniles are fairly close substitutes.

- 7.2 COSY will create a considerable incentive to off-load existing "apprenticeships with proper training" on to the finance of the public sector. This is contrary to the Government's aim of getting employers to shoulder more of the burden of training.

The report, para 3.4, suggests that youths would be encouraged, on leaving school, to get into jobs including apprenticeships with proper training. But it must follow that there would be very considerable incentive on the part of the employer - and by suitable arrangements to the employee - to make young workers nominally unemployed at the end of 12 months and then join the

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State scheme for the next 12 months. Then effectively the State would pick up the bill for one year of any apprenticeship scheme. Yet of course both employer and apprentice may have been perfectly happy with the present arrangements.

- 7.3 The scheme would require considerable administration and it is not clear that it would provide an appropriate training.

The claim is that the bureaucracy will be minimised by stimulating the creation of "consortia" or "networks of sponsors in a locality" and that this will reduce costs. But, as the report says, the scheme would require an expansion of the Manpower Services Commission. Furthermore it is clear that administrative costs will be minimised by restricting the YOP generally to large firms where the training element can be easily supervised. This seems undesirable at various levels. First, it will be subsidising the large firms more than the small ones. Secondly, many of the youths who join the scheme will be incapable of profiting from the additional training. What they require is the opportunity to acquire the disciplines and habits of work-punctuality, reliability, etc. But although many would be much better off working at a normal job, the incentive will be for them to go through the motions of "training".

- 7.4 Delay in implementing the scheme. The problem of youth unemployment is an urgent one, which probably deserves tackling on something like an emergency basis. Yet the paper recommends that the scheme cannot really be put into operation for another two years.

- 7.5 The budgetary cost of the scheme does not take account of the fact that such public expenditure, if raised either by taxes, borrowing or money creation, will also generate substantial unemployment. The gross and net costs are calculated only for the elimination of youths from the register and their transfer to COSY. Department of Employment apparently believes that the additional net expenditure will not cause the diminution of output and unemployment in the rest of the economy through, let us say, raising interest rates by 1 or 1½ percentage points. And since the measures are unlikely to reduce wages, and may increase the monopoly power of unions, they are likely to reinforce rigidities which increase unemployment.

The requirements of an alternative scheme

8. A better scheme would meet the following requirements:
 - 8.1 It should directly stimulate the reduction of wages to juveniles, in particular reducing the wage cost per juvenile to the employer.
 - 8.2 It should avoid the administrative costs of a large State administered and approved scheme.
 - 8.3 It should avoid the invidious distinctions between those who are formally on training and those who are not. It should thereby avoid providing an incentive to young people (and employers) at the end of 11 months employment to become unemployed for the twelfth month in order to qualify for the scheme.
 - 8.4 It should encourage school leavers to go straight into employment and stay there, if they are likely to be quickly both valuable and competent members of the labour force. Implicit in my approach is a belief that real work experience is much more valuable than artificial "training" packages.
 - 8.5 It should be cheaper, ie not put at risk our whole strategy of reducing public spending.

An Alternative Approach

9. An alternative scheme would be to concentrate on the central problem of wages at too high a level to sustain a higher level of employment, and to do so quickly.
10. The best way to generate employment is to devise a subsidy, or tax remission scheme, which subsidises low wages and, by implication, penalises high wages. One way of doing this would be:

To remit the employer's National Insurance contribution for any school leaver during his first year in the labour market (or, for simplicity, any 16 year old). This remission would last for one year and would be justified on the grounds that for his

the first year he is effectively in training. But this tax remission would only apply to those earning, say, less than £40 a week.

11. This scheme would then give school leavers, without any interim period of unemployment, the opportunity to get on the first rung of the ladder. It would enable him to show that he was a reliable and competent worker. Under present legislation the employer would be able to dismiss him before twelve months expired without recourse to the employment tribunal.
12. The main advantage of this scheme would be to encourage the employer and employees to agree to lower wages for youths. It would also have some effect on the wage negotiations for adults since they would be affected by the substitutability of these low paid youths for nominally adult jobs.
13. The scheme would be politically attractive. It could be introduced alongside YOP on the present scale. It might be feasible to extend the approach to a modest outright grant, thus reducing the scale of YOP. By exempting the employer from National Insurance contributions (equivalent to 13.7% of earnings) we are recognising the training element in every first job. We can forcefully argue that we are reducing taxes on only the lower paid youths. Those who are potentially high income earners will not receive the subsidy. We can say that this is a way of subsidising a first job and giving youth a chance. There will be much less opportunity to plead that particular youths "never had a chance to show what they could do".
14. The main disadvantage of the scheme is that there would be a temptation on the part of the employer to fire the youth at the end of his first year of employment. But any youth who had proved himself, would be likely to be retained by the employer. Those who would be again on the dole at the end of the first year may find it more difficult to get employment than in the absence of the scheme. But this will be mitigated by:
 - a. the effect of bringing down real wages, which will ensure that there are more jobs available; and
 - b. the value to potential employers of genuine work experience acquired.

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(It might make sense to ease the transition to the normal regime by having a half-rate employer's contribution for 17 and 18 year olds.)

15. The other aspect of the scheme that would make it unwelcome in some quarters would be the encouragement it gives to employers to substitute young employees for adults. We see this as a benefit, tending to depress wages elsewhere and thus expanding employment. But the trade unions will, of course, see it quite differently.
16. This scheme could probably be introduced rather quickly and would require fairly minimal supervision. It would not require, for instance, employers to register and form the "consortia" that is required by COSY. All employers would automatically qualify, provided they paid the £40 a week or less wage. Similarly, there would be no need for any detailed inspection of training. The presumption would be that all first-year employees were receiving some relevant training. In any case, this approach would put much more emphasis on the value of real work experience as the most important training requirement.
17. This alternative scheme is presented here in only general terms. It is not at all clear that either the subsidy element, in terms of eliminating the National Insurance contribution or the £40 maximum, are the best values. A little study may show that they are quite wrong and different numbers may be appropriate - even including a modest outright subsidy. It is only suggested that the general principle of subsidy with a maximum wage restriction is the appropriate way to proceed.

Costs

18. We have attempted below a very rough indication of the orders or magnitude involved in such an approach. Obviously this would need close examination by relevant Departments.
19. Assuming a maximum of 400,000 eligibility, the gross cost might be:

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	<u>£m</u>
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(Note that the greater the subsidy, the larger the take-up; so that the £10 subsidy is likely to give a gross cost of about £200m, whereas only the NIC remission will cost, perhaps, some £25m)

20. The budgetary benefits depend on the reduction in registered unemployment and will increase over time - and about half the ultimate benefits would accrue by a period of about 20 months. With no knock-on effects, a very conservative estimate is that, with the £10 subsidy, the 40% decrease in wage costs would increase youth employment by 80,000 in 20 months, and eventually by 160,000. With knock-on effects, which is what the scheme is designed to achieve, the increase in employment should be much larger, but there is no basis for giving even a rough figure.
21. With no knock-on effects, the net budgetary annual cost per job created in the 20-month period is about £1,000, while the cost per job ultimately is about £500. These estimates should be taken as very rough figures only. But it is important to note that they are not merely the costs of eliminating youths from the register: the newly-employed would be producing real goods and services under the aegis of private sector disciplines.

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Alan Walker's 'CONFIDENTIAL' A.

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This is a slightly revised version of Alan Walters' paper, which I have circulated to E...

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8 July 1981

PRIME MINISTER

UNEMPLOYMENT MEASURES: 1981/2 AND BEYOND

Prime Minister
This is first draft
of Alan's paper.
Final version -
Page A.

1. I agree with the Chancellor's view that the Secretary of State for Employment's proposals in E(81)74 should not be adopted.
2. I attach a paper which:
 - (a) questions the Department of Employment analysis;
 - (b) points out some of the deficiencies of their proposals;
 - (c) identifies some of the requirements of a better scheme for the young;
 - (d) sketches out a possible alternative approach for the young which would be much cheaper, put the emphasis on real work, and promote our wider objectives of economic recovery.
3. I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Industry, Robin Ibbs and Sir Robert Armstrong.

AW

ALAN WALTERS

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UNEMPLOYMENT MEASURES PROPOSED IN E(81)74

1. The Department of Employment's analysis of unemployment in Section 1.3-1.5 of their report does not even mention wage rates. They believe that the three main factors affecting unemployment in the next 2-3 years are:
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3. The tone of the report by officials is one where there is or there appears to be a given number of jobs which have to be shared out among a larger number of applicants. Implicitly it is the socialist concept of a job for one man means no job for another. It is the concept of a limited and fixed cake. But the whole point is that the cake would expand significantly with the reduction of wage costs per unit of output.

Measures for dealing with youth unemployment

4. The main recommendation is a comprehensive scheme for the young (COSY), to be phased in to replace the current YOP. It is a general subsidised State training scheme for school leavers who are unemployed after a year. It would comprise a structured programme of training and work experience, which would presumably be closely supervised by the State to ensure that the subsidies are appropriate. If they are unable to find a job and don't join the scheme they lose their SB.

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5. The main deficiencies are:

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State scheme for the next 12 months. Then effectively the State would pick up the bill for one year of any apprenticeship scheme. Yet of course both employer and apprentice may have been perfectly happy with the present arrangements.

- 5.3 The scheme would require considerable administration and it is not clear that it would provide an appropriate training.

The claim is that the bureaucracy will be minimised by stimulating the creation of "consortia" or "networks of sponsors in a locality" and that this will reduce costs. But, as the report says, the scheme would require an expansion of the Manpower Services Commission. Furthermore it is clear that administrative costs will be minimised by restricting the YOP generally to large firms where the training element can be easily supervised. This seems undesirable at various levels. First, it will be subsidising the large firms more than the small ones. Secondly, many of the youths who join the scheme will be incapable of profiting from the additional training. What they require is the opportunity to acquire the disciplines and habits of work-punctuality, reliability, etc. But although many would be much better off working at a normal job, the incentive will be for them to go through the motions of "training".

- 5.4 Delay in implementing the scheme. The problem of youth unemployment is an urgent one, which probably deserves tackling on something like an emergency basis. Yet the paper recommends that the scheme cannot really be put into operation for another two years.

- 5.5 The budgetary cost of the scheme does not take account of the fact that such public expenditure, if raised either by taxes, borrowing or money creation, will also generate substantial unemployment. The gross and net costs are calculated only for the elimination of youths from the register and their transfer to COSY. Department of Employment apparently believes that the additional net expenditure will not cause the diminution of output and unemployment in the rest of the economy through, let us say, raising interest rates by 1 or 1½ percentage points. And since the measures are unlikely to reduce wages, and may increase the monopoly power of unions, they are likely to reinforce rigidities which increase unemployment.

The requirements of an alternative scheme

6. A better scheme would meet the following requirements:
 - 6.1 It should directly stimulate the reduction of wages to juveniles, in particular reducing the wage cost per juvenile to the employer.
 - 6.2 It should avoid the administrative costs of a large State administered and approved scheme.
 - 6.3 It should avoid the invidious distinctions between those who are formally on training and those who are not. It should thereby avoid providing an incentive to young people (and employers) at the end of 11 months employment to become unemployed for the twelfth month in order to qualify for the scheme.
 - 6.4 It should encourage school leavers to go straight into employment and stay there, if they are likely to be quickly both valuable and competent members of the labour force. Implicit in my approach is a belief that real work experience is much more valuable than artificial "training" packages.
 - 6.5 It should be cheaper, ie not put at risk our whole strategy of reducing public spending.

An Alternative Approach

7. An alternative scheme would be to concentrate on the central problem of wages at too high a level to sustain a higher level of employment, and to do so quickly.
8. The best way to generate employment is to devise a subsidy, or tax remission scheme, which subsidises low wages and, by implication, penalises high wages. One way of doing this would be:

To remit the employer's National Insurance contribution for any school leaver during his first year in the labour market (or, for simplicity, any 16 year old). This remission would last for one year and would be justified on the grounds that for his

the first year he is effectively in training. But this tax remission would only apply to those earning, say, less than £40 a week.

9. This scheme would then give school leavers, without any interim period of unemployment, the opportunity to get on the first rung of the ladder. It would enable him to show that he was a reliable and competent worker. Under present legislation the employer would be able to dismiss him before twelve months expired without recourse to the employment tribunal.
10. The main advantage of this scheme would be to encourage the employer and employees to agree to lower wages for youths. It would also have some effect on the wage negotiations for adults since they would be affected by the substitutability of these low paid youths for nominally adult jobs.
11. The scheme would be politically attractive. It could be introduced alongside YOP on the present scale. It might be feasible to extend the approach to a modest outright grant, thus reducing the scale of YOP. By exempting the employer from National Insurance contributions (equivalent to 13.7% of earnings) we are recognising the training element in every first job. We can forcefully argue that we are reducing taxes on only the lower paid youths. Those who are potentially high income earners will not receive the subsidy. We can say that this is a way of subsidising a first job and giving youth a chance. There will be much less opportunity to plead that particular youths "never had a chance to show what they could do".
12. The main disadvantage of the scheme is that there would be a temptation on the part of the employer to fire the youth at the end of his first year of employment. But any youth who had proved himself, would be likely to be retained by the employer. Those who would be again on the dole at the end of the first year may find it more difficult to get employment than in the absence of the scheme. But this will be mitigated by:
 - a. the effect of bringing down real wages, which will ensure that there are more jobs available; and
 - b. the value to potential employers of genuine work experience acquired.

/13. It might

13. (It might make sense to ease the transition to the normal regime by having a ½-rate employer's contribution for 17 and 18 year olds.)
14. The other aspect of the scheme that would make it unwelcome in some quarters would be the encouragement it gives to employers to substitute young employees for adults. We see this as a benefit, tending to depress wages elsewhere and thus expanding employment. But the trade unions will, of course, see it quite differently.
15. This scheme could probably be introduced rather quickly and would require fairly minimal supervision. It would not require for instance employers to register and form the "consortia" that is required by COSY. All employers would automatically qualify, provided they paid the £40 a week or less wage. Similarly, there would be no need for any detailed inspection of training. The presumption would be that all first year employees were receiving some relevant training. In any case this approach would put much more emphasis on the value of real work experience as the most important training requirement.
16. This alternative scheme is presented here in only general terms. It is not at all clear that either the subsidy element, in terms of eliminating the National Insurance contribution or the £40 maximum, are the best values. A little study may show that they are quite wrong and different numbers may be appropriate - even including a modest outright subsidy. It is only suggested that the general principle of subsidy with a maximum wage restriction is the appropriate way to proceed.

Other measures to remove obstacles to employment

17. Of course we continue to believe that removing young people from the purview of wages councils would be beneficial. We have argued elsewhere that it would be better still to abolish them altogether.

Labour supply and early retirement

18. The concept of a fixed number of jobs is again dominant throughout the discussion of early retirement. The measures are partly

/cosmetic


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- 7 -

cosmetic, as in the case of the early retirement long-term unemployed, and partly designed to reduce output and maintain the level of wages. For example the compulsory retirement of civil servants at 60, would mean that the Civil Service would not have the option of retaining those workers whose productivity is high, and considerably in excess of the wage rate, while at the same time requiring those to retire at 60 whose performance has been not more than barely satisfactory. Compulsory retirement would then increase the costs of operation of the Civil Service. (On average the newly recruited member would have, of course, normal productivity, whereas those retained after 60 would have much higher productivity, relative to their wage.) Similarly, the suggestion that the earnings rule not be relaxed is a method whereby those who could productively engage themselves in employment, with benefits both to themselves and their employer, would be, and indeed are, discouraged from production. (Again the concept of a limited cake and the refusal to contemplate a reduction in the wage rate generating jobs and output.) One of the advantages of the relaxation of the earnings rule would be to generate a supply of relatively cheap labour which will, of course, have effects on wage negotiation throughout the relevant occupations.

- of the report
19. Throughout this section/the thrust of the argument is to discourage people from working, in the hope that somebody else from the unemployment register will get the job. A fixed cake again. Yet surely the whole point of the Government's policy has been not to discourage people from working, when it is mutually advantageous to both employer and employee. It is possible, as we know in the United States, that many employees would rather take a wage cut than retire. They prefer to carry on working. Such a wage cut would have, of course, beneficial effects on employment. Yet the Department of Employment paper does not even consider these. (Although it discusses rather sniffily the partial retirement used in Sweden.)

8 July 1981


ALAN WALTERS

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P.0517

PRIME MINISTER

MEASURES AGAINST UNEMPLOYMENT
E(81)74, 75, 76 and 77

BACKGROUND

In E(81)74 the Secretary of State for Employment makes substantial proposals for special employment measures to reduce unemployment in 1981-82 and beyond. The Secretary of State for Education and Science discusses in E(81)75 the implications for the education services; in E(81)77 the Chancellor of the Exchequer comments on the public expenditure aspects and calls for a more selective approach directed to young people in particular; and the Central Policy Review Staff comment generally in E(81)76.

2. The background to the Secretary of State for Employment's proposals is the prospect of unemployment reaching 3 million this summer and rising above it at seasonal peaks in the next two years, and within that total the young, the long-term unemployed, and ethnic minorities being hit particularly hard. Even with economic recovery the impact on the unemployed could be limited because of (otherwise welcome) productivity improvements. Ministers will no doubt regard the recent riots in Toxteth and elsewhere as an added reason for taking early action.

3. The Secretary of State for Employment's measures are directed to three groups: the young, those nearing retirement, and the long-term unemployed. At present, special employment measures keep around 300,000 people off the register and, if his proposals were implemented, the Secretary of State estimates that this figure could build up to over 600,000 by March 1983. The effect of each of his proposals, in terms of numbers off the register, is tabulated in Annex I to his paper.

1 Young
2 long-term unem.
3 Nearing retirement

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4. As shown in Annex 2 of E(81)74, the measures represent enormous additional public expenditure bids of, in total:

	<u>£26</u>	<u>£26</u>	
1981-82	82-83	83-84	£ million cash
169	<u>1177</u>	<u>1550</u>	1550

In addition, there would be a cost of at least £220 million a year if means-tested allowances were made available to young people continuing in full-time education, and a further £60 million in 1982-83 rising to £100 million in 1984-85 if the other proposals put forward by the Secretary of State for Education and Science in E(81)75 were accepted. The gross costs of the employment measures would be offset to some extent by social security benefits which would not have to be paid, and by some tax and national insurance payments. It should be possible to secure some financing of the schemes for young people from the European Social Fund but, given that the United Kingdom contributes 23 per cent to the Fund, the net benefit would be at best marginal. The Secretary of State for Employment estimates that the additional staff required would be offset by reductions in those staff now dealing with benefits.

5. In E(81)77 the Chancellor of the Exchequer points out, not surprisingly, that acceptance of additional expenditure on this scale would make it impossible to reduce public expenditure planning totals overall. He appears to accept that it is necessary to decide now on the further expenditure necessary in 1981-82 in relation to the existing commitments to training of young people, and that this will have consequences for 1982-83. Beyond that, he is against any commitment on the remaining proposals, and he implies that he wants to rule out all those measures related to people nearing retirement and to the long-term unemployed, and to concentrate on young people. He is not persuaded that the Secretary of State for Employment's approach to young people offers the best way forward, and he calls for 'a new, coherent philosophy for young people leaving school' which he wants further developed for discussion and decisions in the autumn in the context of the 1981 Public Expenditure Survey.

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6. The Secretary of State for Employment will no doubt argue that his approach to young people is both coherent and carefully considered and he will want it, together with his other proposals, discussed in detail. His proposals, and the issues arising, are summarised in the following paragraphs (with references to his own summary list, in paragraphs 26 and 28 of E(81)74, shown in the margins). The Chancellor of the Exchequer's particular points on the approach to young people can be picked up under these headings; as noted above, he appears to be against all those measures concerning people nearing retirement and the long-term unemployed.

Young People

26.1

7. In November 1980 the Government asked the Manpower Services Commission (MSC) to offer unemployed school-leavers a place on the Youth Opportunities Programme (YOP) by Christmas 1981 and other young people unemployed for three months a place on YOP within three months. It was then estimated that this would require 440,000 YOP places. On the latest estimates, about 540,000 places are required if the pledge is to be met and, for this purpose, the Secretary of State for Employment asks for additional provision of £93 million in 1981-82 and of £113 million in 1982-83. He wants a firm decision on this as soon as possible so that he can authorise the MSC to set about providing the additional places. You will recall that, in answer to Questions on 23 June, you said that you hoped that the 440,000 places would be enough but that if it was not the Government would increase the number in order to guarantee school-leavers some work experience by Christmas (Hansard Col 133 23 June). It may be that the Committee will be willing to authorise the additional places now, subject to the Secretary of State sorting out the public expenditure consequences with the Chief Secretary.

Wages
Committee
lower and
for young people

26.2

8. The Secretary of State also proposes expenditure of £9.3 million in 1981-82 and £11 million in 1982-83 to provide 12,000 places for long-term skilled training for young people, and in particular trainees who have been made redundant by their firms. Again he wants a decision now in order to get things moving with the MSC.

26.6

9. The Secretary of State for Employment further proposes that from September 1983 there should be a comprehensive scheme of training, work

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experience and community service for unemployed 16 year olds, who would be on the programme for up to 12 months, and that in the meantime YOP should be developed to this end. Under this approach no 16 year old would have to accept unemployment. The Secretary of State asks for approval in principle now so that, after informal consultations, he could come back with firm proposals in the autumn. The main features of this scheme are:-

(i) Additional costs of £600 million in 1982-83 building up to £950 million in 1984-85.

(ii) Option B training allowances of £20 (£15 for those waiting for a place) rather than Option A allowances of £8 with beneficiaries regarded as dependent on their parents who would continue to draw Child Benefit. The Secretary of State judges that young people and unions would not accept Option A and so the scheme would be unworkable. Option B allowances cost approximately £130 million a year more than A. The Chancellor of the Exchequer strongly prefers Option A; the CPRS support Option B. The Committee will need to choose.

(iii) The Secretary of State for Education and Science (paragraph 9 of E(81)75) wants allowances (whether Option A or B) to be paid to those in full-time education as well as those on YOP-type schemes in order to remove the disincentive to stay at school or college. It is estimated that, assuming Option B allowances for trainees, this would cost £220 million a year if means-tested and about £450 million a year if not (and not much less for Option A). Whatever the merits, the Committee may wish to rule this out as too expensive.

(iv) Anyone refusing one of the new training places would not get supplementary benefit. The Secretary of State for Social Services will wish to comment on this.

(v) Legislation would be necessary early in the 1982-83 Session to provide for the allowances and for the new supplementary benefit rules.

(vi) CPRS propose (paragraph 9 of E(81)76) that there should be further

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work on possible 'levers' to encourage employers to shoulder an increasing share of the training burden in due course. This is in tune with the Chancellor of the Exchequer's point in 4(d) of E(81)77.

People nearing Retirement

26.3 10. At present, under the Job Release Scheme (JRS) an allowance is paid to men aged 64 who retire and are replaced by someone from the unemployment register. The Secretary of State for Employment proposes that the age for JRS should be reduced to 63 this November and to 60 next February at an additional cost of £57 million in 1981-82, and of £303 million in 1982-83. His figures assume that the scheme would revert to age 64 in March 1983. I understand that if it proved impracticable to revert in this way the costs could rise from £300 million more in 1982-83 to well over £1 billion more by 1986-87; the Committee will wish to consider whether, in view of this risk, this proposal should be ruled out.

26.4 11. He further proposes that those who have been unemployed and drawing supplementary benefit for more than one year, and are aged 60 or over, should be enabled to retire on the long-term supplementary benefit rate. This would cost £5 million in 1981-82 and £21 million in 1982-83 and should take 45,000 people off the register (but would not, of course, create any new employment). The Secretary of State for Social Services will wish to comment.

The Long-Term Unemployed

26.5 12. The Secretary of State for Employment wishes to consult the MSC on the possibility of developing more opportunities for voluntary service by the unemployed at a cost of £4 million in 1981-82 and of £8 million in 1982-83. Under these measures the people concerned would still be on the unemployment register.

26.7 13. Against the possibility that by 1983 there could be 800,000 people who had been without work for over a year, the Secretary of State for Employment recommends that the Community Enterprise Programme (CEP) should be expanded from 25,000 to 60,000 places at an additional annual cost rising from £100 million in 1982-83 to £200 million in 1984-85. The CPRS suggest, in paragraph 11 of E(81)76, that many more people could be employed under

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CEP if they were paid not the rate for the job but benefit plus premium and that, notwithstanding the Secretary of State for Employment's doubts, the unions might be persuaded to accept such a basis for payment in return for more jobs.

Other Proposals

28. 14. The Secretary of State for Employment proposes that further work should be done on:

(i) The possibility of providing flexible retirement through appropriate actuarial reduction of pension (paragraph 17 of E(81)74). The Chancellor of the Exchequer may argue that this would be too expensive, costing £250 million to reduce the register by 40,000.

(ii) Professor Layard's idea of a £70 recruitment subsidy to employers taking on long-term unemployed people in addition to their normal complement (paragraph 23).

(iii) The measures summarised in paragraph 24 of his paper. These include further examination of the relative wages of young people - in line with the Chancellor of the Exchequer's proposal in 4(c) of E(81)77.

The Secretary of State for Education and Science's proposals: E(81)75.

15. The Secretary of State for Education and Science generally supports the Secretary of State for Employment's proposals which he sees as providing an opportunity to make use of spare places in colleges of Further Education. He wants to see allowances paid to those in full-time education in line with those in training (see paragraph 9(iii) above). He argues that, while training is important, the best solution for many young people would be to continue in full-time education and he is putting forward additional bids, for consideration in the 1981 Public Expenditure Survey, of £60 million in 1982-83 rising to £100 million in 1984-85.

16. The Secretary of State for Education refers in his paragraph 9 (as an alternative approach to allowances) to the proposals for youth benefit

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which were discussed by the Committee on 26 March (E(81)12th Meeting, Item 1), when it was agreed that the scheme should be put on ice and reconsidered in the autumn. Briefly, YB would have applied generally to 16 and 17 year olds at school, in training or unemployed and they, or their parents, would have received child benefit plus a means-tested allowance plus a flat rate sum for those on YOP. The aim was to remove the financial incentive for young people to leave full-time education. The attraction was that, in contrast to the present package proposed for young people, it was thought to lead to no net additional expenditure. It was rejected because of the need for contentious legislation and for additional staff, and of the criticism which would be aroused by paying less to those unemployed at a time of rising youth unemployment.

HANDLING

17. One of the main difficulties which the Committee will face in dealing with these papers will be to keep track of the interrelationships between individual decisions and to see both the emerging package and its costs in the round. It may be that there is no alternative but to plough on and let the decisions (and the total costs) emerge from the discussion. Another possibility however might be to suggest that any decisions taken at the meeting should be regarded as provisional and subject to confirmation, say next week, on the basis of a new summary paper by the Secretary of State for Employment outlining the provisional decisions reached and showing the cost as agreed with the Treasury. In either event you will wish to open the discussion by inviting the Secretary of State for Employment, the Secretary of State for Education and Science, the Chancellor of the Exchequer and Mr Ibbs each to speak to their papers. Unless any other Ministers want to make general comments thereafter, I suggest you use the proposals listed in paragraphs 26 and 28 of the Secretary of State for Employment's paper E(81)74 as an annotated agenda. In doing so you could draw on the points made in paragraphs 7 to 16 above.

18. The Secretary of State for Education and Science's proposals (in paragraph 11(1) and (2) of E(81)75) for persuading the MSC to make maximum use of the education service in developing YOP and for introducing

John Volt,
Kurt Johnson

Increase step up
or help by
10%.

CONFIDENTIAL

allowances for those staying in full-time education should be picked up in the course of discussion of the Secretary of State for Employment's proposals, as should the detailed points made by the Chancellor of the Exchequer. The Secretary of State for Education and Science's other proposals for expanding full-time education and making more resources available (his paragraph 11(3) and (4)) could be left over for later discussion in the context of the 1981 Public Expenditure Survey.

19. The Secretary of State for the Environment may refer to the possibilities of creating employment opportunities by more investment in public sector projects (see the housing and environment examples in Annex 5 at the back of the second report by officials attached to E(81)74). If the Committee judged there was anything in this, it could be picked up in the public expenditure discussion.

CONCLUSIONS

20. You will wish to record conclusions on each of the proposals listed in paragraphs 26 and 28 of the Secretary of State for Employment's paper E(81)74 and on those in paragraph 11 of the Secretary of State for Education and Science's paper E(81)75; in doing so you will also cover the detailed proposals put forward by the Chancellor of the Exchequer and by the CPRS. If the Committee has agreed that its decisions should be regarded as provisional you will want to invite the Secretary of State for Employment, in consultation with the Chancellor of the Exchequer, to bring forward an early paper summarising the decisions reached and accompanying them with an agreed estimate of the cost. If however the Committee prefer (or feel that timing requires) only one bite at the cherry you will need to ensure that there is no doubt as to which proposals are approved now and may be announced; which should be left for decision in the autumn in the context of the public expenditure discussion; and which are ruled out. You will also want to ensure that proper arrangements are made to secure the maximum public and political mileage from the presentation of what could well be the biggest single package of social measures in the lifetime of this Government. You might ask the Secretary of State for Employment and the Chancellor of the Duchy of Lancaster to consider this after the meeting and put specific proposals to you.

Cabinet Office
8 July 1981

P Le CHEMINANT



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Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
LONDON SW1

*Prime Minister 2
Mr Pica wants more
funding for the
transitional period while*

*the various ITB's
are wound up.*

*(Ray Pennock has
written to you about*

6 July 1981 will).

Leon

mt

*DL
47*

OPERATING COSTS OF INDUSTRIAL TRAINING BOARDS

When I announced last November our decision on a phased transfer to industry of the operating costs of Industry Training Boards I said, as had been agreed by my colleagues, that we would be prepared to look again at the timing in the light of the MSC's sectoral review of future industrial training arrangements.

The MSC have undertaken to complete and publish their review by the end of this month. Allowing time for reactions and necessary discussions with interested parties I expect to be consulting my colleagues and announcing decisions as to which ITBs are to go and which are to be retained in October or November. It will then take between 3 and 6 months or more, depending on their particular circumstances, to wind up the Boards to be abolished. The substantial costs of winding up could in some cases be offset by disposal of assets but in others a terminal levy would be needed.

Against this timetable it is already clear to me that we must make some move to meet pressure from the CBI, most recently in a letter from Ray Pennock to the Prime Minister on 1 July, that Exchequer funding should be continued in full for a longer transitional period. (The Engineering Employers Federation have suggested 5 years, I understand that the MSC will suggest 3 years). Few, if any, of the Boards being abolished could actually be wound up much before the end of the current financial year. I therefore think that as a minimum we must be prepared to meet the operating costs of all Boards throughout the current financial year. This would mean restoring from the Contingency Fund the £14.7 million in cash terms which we cut from the MSC grant-in-aid for this purpose, with consequential amendment to the MSC's cash limit.



I am also writing to you about this now because you will want to have it in mind in considering other proposals which I shall be bringing before our E Committee colleagues very shortly for increases in the MSC grant-in-aid in 1981/82 for expansion of special employment measures.

As regards subsequent years I am making a bid in the current PES for 1982/83 with a view to avoiding any terminal levies (which would fall mainly on the firms which have hitherto been exempt) and to providing some help towards Boards' operating costs in that year, and some pump priming grants where necessary to get voluntary arrangements going in sectors where Boards are being wound up. All that however will be for later discussion.

If you agree, I would propose to make an announcement limited to the 1981/82 provision before Parliament rises for the Summer Recess..

I am copying this to the other members of E Committee and to Sir Robert Armstrong.

*Y
have
T
me*

MR WOLFSON

c.c. Mr. Lankester ✓
Mr. Ingham

YOUTH OPPORTUNITIES PROGRAMME

I agreed to try and find out what kind of a response the MSC were having to their series of newspaper advertisements seeking more sponsor employers for the Youth Opportunities Programme.

I spoke to the people running the campaign in the MSC. They are highly defensive, both about the Youth Opportunities Programme in general and about this campaign in particular. They referred me to a "Campaign Guide", which has apparently been sent to No. 10, which you may want to get hold of. They went out of their way, at very considerable length, to dispute that the effectiveness of the campaign could possibly be measured by the number of responses to it: they see it primarily as a campaign to project the quality of the programme, rather than to gain new sponsors. Behind all this lies, I detect, the feeling that the YOP has run into a good deal of criticism, and they want to use these series of advertisements to make it respectable.

The facts are that in the first week of the campaign they received 588 calls, and by the end of the second week they had reached 956. Of these, 12 per cent were from firms employing more than 50 people, which is the threshold at which they consider an employer capable of running a good quality scheme with no substitution. No further analysis will be available for some time since the follow-up consists of directing the enquiry to one of 41 area offices to follow up. These offices give priority to the large employers.

The MSC, in consultation with the COI, is undertaking a full appraisal of the effectiveness of the campaign, which I gather will be available by Christmas.

J. M. M. VEREKER

6 July 1981

Prime Minister 4
PA in 4/7
1/7

PRIME MINISTER

Manpower.
ms

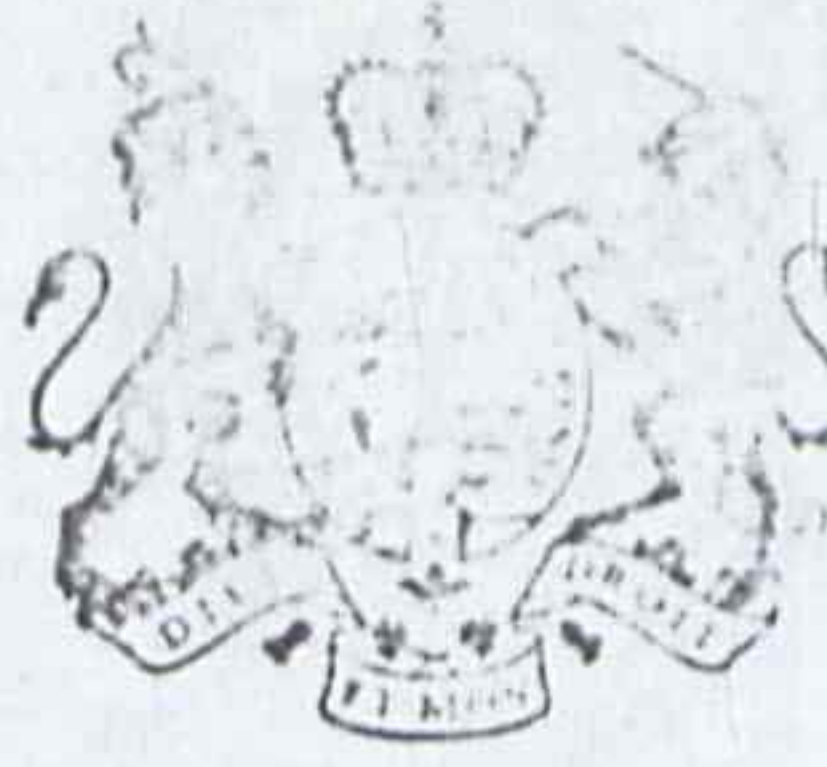
LR in Gt.
You will recall your correspondence earlier this year with Alec Reed of Reed Executive about jobcentre advertising. I have now heard from Sir Richard O'Brien of the Manpower Services Commission about the results of the review we asked for. The outcome seems to me to be at least a step in the right direction. The Employment Service is tightening up its rules on the use of advertising and expenditure this year will be substantially reduced as compared with last year.

Last year the Commission spent £590,000 on advertising the services of jobcentres individually and collectively. Advertising by individual jobcentres, to which Alec Reed drew our attention, accounted for more than half of this. The rest of the budget went on national or regional campaigns.

In 1981/2 the Commission expect that total expenditure on jobcentre advertising will be reduced by about half to under £300,000. Advertising directed at people looking for work will be cut right down, except where an employer asks the jobcentre to advertise on his behalf, and pays the full cost. Advertising aimed at employers will normally only be used when new jobcentres open, or when a special promotion is being mounted - for example to try to find jobs for workers involved in a major redundancy. The Commission cannot say at this stage precisely what the average local spending by jobcentres will be, but the guidelines they have issued to local managers make it clear that spending must be cut back hard, and that it must be resorted to only in the circumstances I have outlined, and when other means of getting through to employers or people suitable for particular needs of work have been tried.

P H M
30 June 1981

PH Morris (PUS Employment)



10 DOWNING STREET

11 June 1981

THE PRIME MINISTER

Dear Mr. Price,

Thank you for your letter of 18 May about the reference I made to extending training opportunities for young people in answer to a question from Mr. Douglas in the House on 14 May.

I understand from Mark Carlisle that there is a certain amount of spare capacity in colleges of further and higher education, mostly in accommodation intended for technical subjects like engineering and construction, which might amount to as much as 40-50 thousand places. We are naturally anxious to make the best possible use of this resource, in ways which will both ease unemployment amongst young people and help to build up our supply of qualified manpower in areas of critical importance to our economy, and Mark Carlisle and Jim Prior are urgently looking at the possibilities.

Yours sincerely,

(sgd)

MT

Christopher Price, Esq., M.P.



G.R.

Type for PM, M
cc G.G.

MAF

With the Private Secretary's Compliments

DEPARTMENT OF EDUCATION AND SCIENCE

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DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

M Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

8 June 1981

Dear Mike

Your letter of 19 May requested a draft reply for the Prime Minister to send to Christopher Price MP in answer to his letter to her of 18 May.

... I enclose a background note, and suggest that the Prime Minister might wish to reply along the following lines:-

"Thank you for your letter of 18 May about the reference I made to extending training opportunities for young people in answer to a question from Mr Douglas in the House on 14 May.

I understand from Mark Carlisle that there is a certain amount of spare capacity in colleges of further and higher education, mostly in accommodation intended for technical subjects like engineering and construction, which might amount to as much as 40-50 thousand places. We are naturally anxious to make the best possible use of this resource, in ways which will both ease unemployment amongst young people and help to build up our supply of qualified manpower in areas of critical importance to our economy, and Mark Carlisle and Jim Prior are urgently looking at the possibilities."

Yours sincerely

Pete Shaw

P A SHAW
Private Secretary

Primi Ministr Margaret

MS



The Chancellor had a good meeting with Mr Pinn on youth unemployment, which I attended. The Chancellor is

NOTE OF A MEETING HELD AT NO. 11, DOWNING STREET AT 6 PM *being v.*
ON TUESDAY 2 JUNE 1981

Present:

- Chancellor of the Exchequer
- Secretary of State for Employment
- Mr. Ibbs (CPRS)
- Miss MacKay (CPRS)
- Mr. Lankester (No.10)
- Mr. Hoskyns (No.10)
- Mr. Walters (No.10)
- Mr. Dixon
- Mr. Gieve
- Mr. Derx (Dept. of Employment)

Constructive, and Mr Pinn has promised a paper to E in July: it will take a few weeks to cost and test the feasibility of the ideas for a universal, voluntary programme.

The meeting considered how the Government's policies on youth training and employment might be improved and what further work should be commissioned. The background to the discussion was set out in the paper by the Treasury which was attached to Mr. Jenkin's letter of 18 May to Mr. Ibbs.

I believe this is a most important issue.

2. The Secretary of State for Employment said that the Government's aim must be to ensure that all 16 year-olds had a place, whether at school, in training or through the YOP. He hoped that position could be reached quickly. There were dangers in believing that this could be achieved without increased Government resources. The YOP was under considerable pressure already. At the same time the allowance - £23.50, or £19.50 after allowing for travelling - was only one-fifth of the average wage and had not been increased for two years. It would be politically very difficult to reduce. He did not believe expanding school places to be a solution: school was expensive and the Government should only encourage those who would benefit from staying on at school. It was essential to try to persuade young people not to price themselves out of jobs. He saw, however, substantial political and other difficulties in trying to take young people out of the purview of

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wages councils.

3. The Chancellor said he recognised that the ideas which had been put forward carried certain difficulties. For this reason, he was advocating a package approach. There were a number of aspects to the present arrangements which were disturbing and which, in his view, needed changing. Firstly, the entitlement of young people in their own right to supplementary benefit (SB). Secondly, the need to widen wage differentials between the young and others: in addition to persuasion, the Government should look critically at wages councils. Finally, he was concerned at the substantial number of MSC staff who spent their time on the non-productive work of ensuring that YOP places involved neither work nor training. He was looking for a scheme to be developed alongside or unified with existing schemes which, on a voluntary basis, would make sufficient places available for all those wanting them. Under the scheme young people would be placed with employers for both work and training. He hoped that employers could be persuaded to contribute to the remuneration of the trainee - this would certainly help limit the cost to Government. Such a unified work programme (UWP) would release MSC staff from "policing" work. Allied to the scheme would be the withdrawal of a young person's entitlement to SB in his own right.

4. The Secretary of State for Employment said that he was not opposed in principle to these ideas, though he thought that they could well be subject to a number of practical difficulties. Firstly, the Government might come under pressure to contribute to the cost of remunerating intra-marginal, as well as marginal, trainees: this would be very costly in public expenditure terms. Secondly, it would be essential to retain the tacit support of the trade unions if the YOP were to be developed in this way. Whilst increased financial resources from Government should help to retain support, proposals to reduce the level of the YOP, or successor, allowance could well be counter-productive. He was however quite prepared for the Manpower Group to consider



these ideas in the present work which they were doing.

5. Mr. Ibbs said that the lesson from West Germany seemed to be that the key was making available sufficient places for young people. Having achieved this the need for, and significance of, SB seemed to decline. The critical question was how and at what speed the Government could move from the present position to a "West German" position. The attitudes of the trade unions would be crucial. They tended to be opposed to UWP because it had the effect of moving unemployment through the age range. One way of winning them over might be to concentrate in any UWP on the provision of new skills, which were poor in the UK anyway. It was agreed that the attitudes of the trade unions would be crucial. The Chancellor said it would be necessary to win the support of the General Secretary of the TUC for any proposals.

6. It was agreed that a universal scheme could well lead to new attitudes and make possible changes which would not otherwise be possible. A UWP was bound to involve some displacement of the old by the young and thus to give rise to some resentment. More emphasis on training should however tend to reduce fears about substitution and, incidentally, allow more modest remuneration, thus helping to contain the costs of the scheme. It would be important, however, to avoid giving any impression that the living standards of the young were being reduced. The relationship between such a programme and the new training initiative would need to be considered carefully. It was agreed that the next step needed to be to establish the likely timescale and cost, on varying definitions, of a universal scheme, linked to withdrawing the independent entitlement of young people to SB. Mr. Derx said that the Manpower Group would be reporting to the Secretary of State by the end of June or beginning of July and would cover the ideas canvassed. The Secretary of State said that he would bring forward a paper to colleagues in early July. Mr. Lankester confirmed that the Prime Minister, who, he explained, attached the greatest political importance to improving the Government's policies on youth employment and training, would find this



timetable acceptable.

7. The Chancellor wondered whether there might not be advantage in launching a pilot scheme in, for example, a town like Northampton. The idea would be to make more effective use of money already being spent in the locality by engendering community action and making localised changes to the SB rules. He recognised that selective change to the SB rules would be politically and administratively difficult but thought that it was not inconceivable. A pilot scheme would have the merit of enabling teething troubles to be ironed out and winning over critics to the idea. Mr. Derx questioned whether, if Ministers wanted to launch a nation-wide scheme by, for example, the autumn of 1982 there would be time for a pilot scheme. The Chancellor asked that the Manpower Group consider further the case for a pilot scheme.

8. So far as the financial resources devoted to the YOP and similar or successor programmes were concerned, Mr. Ibbs said that it was likely that the options which the Manpower Group would identify would, at first, seem too expensive in public expenditure terms. It was, on the other hand, important to consider the public expenditure implications of the likely alternatives to putting forward proposals of the sort outlined by the Chancellor, though with additional Government financial support. They were probably either a larger YOP or much higher youth unemployment, both of which would be costly in public expenditure terms. Against these alternatives, the likely Manpower Group options could well turn out to be more economical. The Chancellor recognised that there would almost certainly be very substantial pressure for additional resources to be devoted to the existing employment programmes and that, against that background, he would probably be prepared to concentrate mostly on seeing how most effective use could be



made of additional financial resources.

9. A further question was how the Government could ensure that firms made available sufficient places. The Secretary of State for Employment said that the West Germans had not needed to invoke the local power to oblige firms to provide additional places - though the power had been declared ultra vires - because the supply exceeded the demand. The West German system was a good deal more flexible: it was not organised on a sectoral basis and its UWP system included much of the work which in the UK was done by training boards. It was generally agreed that local industrial and commercial institutions in the UK like chambers of commerce and trades councils were weak and did not in their present form give much ground for thinking that they could play much more of a role.

10. Mr. Ibbs expressed concern that more attractive training schemes would tend to increase school leavers. He wondered whether in these circumstances some allowance for those remaining at school would not be appropriate. It was pointed out, on the other hand, that if the allowance payable on a UWP place was lower than the present YOP allowance this should encourage young people to stay at school. In addition, there was no evidence that the change in the supplementary benefit rules at Easter, which had tended to improve the position of young people, had increased the number of school leavers.

11. The Chancellor, concluding the meeting, said he thought the best way forward lay in a package approach under which a universal provision of places would be established, on a voluntary basis, in return for which young people's entitlement in their own right to SB would be withdrawn. He hoped that some of the cost of additional places could be moved away from Government onto employers. He looked forward to considering with colleagues in July the Employment Secretary's papers assessing, on the basis of the Manpower Group's work, the costs,



practicalities and timing of proposals along these lines.

R.I.

R.I. TOLKIEN

5 June 1981

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HOUSE OF COMMONS

MINUTES OF EVIDENCE

TAKEN BEFORE

THE EMPLOYMENT COMMITTEE

WEDNESDAY 20 MAY 1981

THE RT. HON JAMES PRIOR, MP

Evidence heard in Public

Questions 1440 - 1509

cc Mr Arbison - 2 copies (I understand No 10. were interested)

Nil - Mr Talintyre
Nil - Mr Covington
Mr Fair) Any amendments/
corrections pl. ?

cc Mr Smith
Mr Dux
Mr Bond
Mr Wake
Mr Robinson
McNodykins

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MEMBERS' CORRECTIONS

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WEDNESDAY 20 MAY 1981

Members present:

Mr John Golding, in the Chair

Mr Jonathan Aitken
Mr Andrew Bowden
Mr Michael Colvin

Mr Jim Craigen
Mr John Gorst
Dr Conagh McDonald

THE RT. HON. JAMES PRIOR, a Member of the House, Secretary of State for Employment, further examined.

Chairman

1440. Secretary of State, may I welcome you once again to the Select Committee on Employment. We would wish first to talk to you about the Corporate Plan and then the Health and Safety Executive and finally about Homeworkers, if that is convenient. Let me begin by thanking you very much for accepting the Committee's view as expressed in our report on provision for the disabled. We are very grateful that you take the point that we made and made representations to the Manpower Services Commission and the Corporate Plan has been amended accordingly. Turning from that to other matters, we note that the Manpower Services Commission's plans are made on the basis of the Government's expectations of the level of unemployment. We also note that the Treasury are not always the best guide to the future. Are you satisfied that arrangements between your Department, the Treasury and the Manpower Services Commission are such that they can operate quickly enough to prevent hardship to individuals and to the economy when there is a much greater increase in unemployment than forecast?

(Mr Prior) Thank you for what you have said, Mr Chairman, about the Corporate Plan, particularly in relation to disablement. On the question that you asked, whilst I would never suggest for one moment that everything is perfect, I think that the Manpower

Services Commission forecasts do bear in mind the likely state of the labour market. I think that the forecasting of future levels of unemployment is not an exact science, as can be seen from the various forecasts that are produced by different outside bodies. I think it is right that the MSC should use the Treasury forecasts that are available to them and then to take into consideration other views of the likely movement in the labour market, and this can be changed reasonably quickly in the course of a year if they find that they are either too optimistic or too pessimistic. For example, there have been years when there has been a considerable underspend because they did not think they needed to spend quite so much money. To take just this last year, the Youth Opportunities Programme was originally budgeted at about £250,000 and then we put it up to £280,000, and in fact it had an outturn of something like £330,000. So I think it is possible for them to vary quickly enough in the course of the year and to use the long term employment forecasts as a guide but not as a definitive proposition.

1441. Secretary of State, I wonder whether that speed actually exists? Looking at two areas firstly, the undertaking to young people was not met this year. May I say that I believe a great deal of effort was put in by the Department of Employment, the Manpower Services Commission and the careers services to try and make the Youth Opportunities Programme work, but it does seem that, because the level of youth unemployment rose very much more rapidly than was expected, you ended up the year by not meeting the undertakings, particularly in London and the West Midlands, where in both areas by Easter, which was late this year, about 1,000 youngsters remained without having been given a place on the Youth Opportunities Programme. Now, do you not think that that

was due to the failure of Government and/or the Manpower Services Commission to respond quickly enough to an unexpected rise in the level of youth unemployment?

(Mr Prior) I think that that would be an unfair criticism of the Manpower Services Commission. It is true that they just failed to meet the undertakings in those two regions. There were a number of factors which came into that. It was not just the point of more youth unemployment than they thought but also some difficulty in providing the places quickly enough. I do not really think that any better forecasting, even were it possible, would have enabled them to do more, and certainly in so far as the resources that would have been needed to meet those undertakings is concerned, the resources were there and I think it would be very difficult for them at any time to have got a greater degree of accuracy in forecasting the likely demand for the services than in fact they have. I mean that to miss the target by such a small proportion seems to me to be within the margin of error and certainly it was not through lack of Government finance that they failed to reach it.

1442. I think we would have to look at that more closely. It could well be that it is lack of Government finance agreed early enough which makes it difficult for a body like the MSC to achieve its undertakings. Let me turn from that to the apprenticeship situation, because there it does seem to the Committee as a whole that clearly Government and the Manpower Services Commission did not heed warnings of shortfall in apprentice provision by employers early enough and by failing to realise the scale of the problem and because of delays in communication and decision-making between the Department of Employment and the MSC, the shortfall in apprentice recruitment was not made up. Do you not think that

better forecasting, less optimistic forecasting, on the part of Government would lead to a better provision in the field of apprentice training?

(Mr Prior) Well, Mr Chairman, I think I must say that you have probably as much experience as anyone of how easy or how difficult it is to forecast actual figures from when you were in the Department, and it is particularly difficult at the present time. Certainly on apprenticeships it has always been difficult because one can never be certain until the last minute what the figures are going to be and also what figures the redundancies are likely to result in amongst apprentices in particular firms. I have recently seen the Commission on the subject of apprenticeships for this coming year about Government support. They have given me what they think their figures are likely to be for this coming year and have asked me whether we can make additional finance available. Last year, as you will know, we did support some 25,000 long term training places at a cost of £30 million. The number of apprentices last year dropped from 100,000 in 1979/80 to 90,000, and it is expected there will be a further fall this year, and I am now considering whether additional resources can be made available.

1443. Secretary of State, I never object to anyone learning from my mistakes! One point that we have put previously to officials is that it is imperative in the apprentice field that decisions are taken early in the year, for very good practical reasons. Why is it that you cannot bring forward the decision-making on the provision for apprentice places by two or three months in the year?

(Mr Prior) Well this is a matter for the Manpower Services Commission. They have to get information from various national training organisations. It is not easy for those to

get them in time, but as I have said, they have now come forward to me with figures for the year 1981/82 and we are considering those urgently. But apart from being in an extremely difficult situation, we are in a situation which is changing rapidly and it is not easy for either the Manpower Services Commission or anyone else to get perhaps the specific figures that you might have in a more stable situation.

Mr Gorst

1444. Secretary of State, I wonder if you could give us the latest picture of the unemployment figures, and particularly your estimates of what they are likely to be during the rest of the period 1981/82, granted all the points you have already made about the volatility of the situation?

(Mr Prior) Mr Gorst, you will know how difficult it is to give accurate forecasts on this because nearly all forecasting in this field has proved to be wrong in the past. Now, as you know, the Treasury publish each year two assumptions. They publish an assumption in November which is the Government Actuary's report and then they publish another assumption in the Public Expenditure White Paper which accompanies the Budget. The recent one which was published by the Treasury in March 1981, the White Paper, gives figures of 2.5 million for 1981/82 and 2.7 million for 1982/83 and for 1983/84; but of course the further you get away from the present situation the more difficult it becomes. All figures refer to Great Britain. They exclude school leavers, adult students and temporary staff, for whom additional estimates are given. The assumptions on which those figures are based are the assumptions with which we are working at the moment, and we have no reason, on the basis of those figures given, to think that the forecasts will be far out.

1445. What are they at the moment - the actual figures?

(Mr Prior) The actual figure on a seasonally adjusted basis? I should be pushed to give the precise figure - I do not have the actual figure in my head - but it is in the order of 2.4 million.

1446. Are you satisfied that the estimate that it will be 2.5 million is realistic between now and the end of 1981/82?

(Mr Prior) Well, it is an average figure for the whole year, so starting at a rather lower figure and building up to a slightly higher figure. Certainly in the last two years we have had to revise the figures upwards, and my own view would be that, although I think the economy shows some signs of getting near the end of the recession, unemployment figures are likely to go on rising for some months; and I would have thought - and I am now expressing entirely my own opinion on this - I would expect to see the figure of 2.5 million for 1981/82 to be slightly on the low side, taking the year as a whole.

1447. Are you not a little bit dismayed to find in paragraph 2.13 on page 7 of the Corporate Plan that they were working on a 2.3 million figure when unemployment had already at the time that Sir Richard O'Brien came to this Committee exceeded that figure, and even if seasonally adjusted they must have been under-estimated at this stage?

(Mr Prior) Well, I think it was a slightly low figure. They had of course to wait for the Treasury figure of 2.5 million to come out in the Public Expenditure White Paper. They are, of course, always I think looking at their own figures as well, and I see at the start of that particular paragraph they say that "The published forecasts for 1981/82 lie mainly within a 2.2 - 2.7 million range, with even higher figures indicated by the

organisations most doubtful about compensatory wage and price effects". So I think they have it in their own mind that that is a low figure.

Chairman

1448. Could we just clarify this? This paragraph goes on to say "The Government's own stated assumptions ...". Could you just clear up for me whether the Corporate Plan is based on this 2.3 million or on 2.5 million?

(Mr Prior) Certainly the Corporate Plan as published would have been bound to have been based originally on the figure of 2.3 million because they take the Government's assumptions, but they are, of course, entitled to update them and do update them in the course of the year. That they are perfectly entitled to do.

1449. Presumably this Corporate Plan was put to you on the basis of 2.3 million as something which you should endorse. We actually challenged that assumption, I think, but you are saying that the Treasury assumption now is 2.5 million, which you think should be slightly higher -- but that is a personal view. Now what difference has this increase in the forecast made to the financial provision of Government to the Manpower Services Commission?

(Mr Prior) None at the moment because the Government had allocated sufficient funds for the Youth Opportunities Programme and for the Community Enterprise Programme, which were the two main programmes which would be affected by the level of unemployment, and during the course of the year, as has happened in the last two years, the MSC can come back and say, "If we are to meet the guarantees, we now think we shall have to have more money", and generally on those occasions the Government has found the additional resources required. So at the moment the MSC is working on a figure of 450,000 places for YOP, which takes into consideration

a very considerable increase for this year, and they are working on figures for apprentices, which was the other point raised, of a rather lower intake of apprentices and therefore a need for some extra resources for that purpose. So it is entirely a matter for them to come back to me if they feel the resources they have are not sufficient; then the Government has to decide.

1450. Could I put it to you bluntly? Are you personally absolutely satisfied that at no stage, that is to say, at no month during the current period 1981/82, unemployment figures will exceed 3 million?

(Mr Prior) No, I am not giving any indication like that at all, and I would be quite wrong to do so. I cannot possibly -- no one can possibly -- forecast to that degree of accuracy.

1451. So it is possible?

(Mr Prior) It is possible.

1452. You would not rule out the possibility that they will exceed 3 million?

(Mr Prior) When you are getting near a figure of that dimension it is impossible to forecast with a sufficient degree of accuracy, say, whether it would be reached or not, and I would be entirely wrong to lead the Committee one way or the other. I simply do not know. But obviously the figure is going up, I mean the figure of 2.5 million which is a Treasury assumption. Of course that is a seasonally adjusted figure and it excludes school leavers and the raw figure will undoubtedly be higher, particularly in the coming months when the school leavers are coming out of school. But I simply could not give an indication, and it would be quite wrong to do so.

. Mr Colvin

1453. Can we go back to the regional question of the Youth

Opportunities Programme? Secretary of State, on the Youth Opportunities Programme are you satisfied with the number of places being offered by employers, bearing in mind the current need?

(Mr Prior) Am I satisfied with the number of places being offered by employers? Yes, I think employers are coming forward pretty well with places. We may have a few difficulties in certain areas like the West Midlands in this coming year. We also, of course, are trying to be a good deal stricter in the type of places that are being taken up, where these are related to work experience on employers' premises. We are trying to see that there is a greater element of training, and of course there is the constant worry of substitution, so we are trying to be as tough as we can in that regard. Of course, although there has been a massive enlargement of the work experience on employers' premises apart from the scheme, one must not forget the community services element of the scheme, nor what one might call the training workshop and training elements, and it may well be that is where we have to look for additional places if we need them during this coming year.

1454. But it has been suggested to me by some employers that, by insisting on a greater degree of training within the places in industry, you are actually putting off a lot of employers from offering places. They say that the whole system is becoming far too bureaucratic and there are far too many forms to fill in, and that basically the youngsters doing the work are not going to be living in the real world. What would you say to that?

(Mr Prior) I would say "You can't win!", because the whole purpose of the scheme is not that employers should be able to take on young people for six months at the expense of the Government. The whole purpose of the scheme is that it should provide young

people with some work experience and some training which will then enable those young people to be better equipped either to take jobs in those firms or jobs elsewhere. If employers are now saying that they are getting fed up because the Manpower Services Commission is concentrating too much on training, in some respects I think that is a good sign, because I do want to get this whole scheme far more based on training than anything else. What I hope to do and what I have an aim to do, as and when it becomes possible from the point of view of resources and everything else, is to see that every young person leaving school at 16 has the opportunity of either going into work and having an apprenticeship or taking what is known as a Unified Vocational Preparation scheme, which gives them I think, judging from what I have seen of the scheme, some very good training; or, if they become unemployed then they have a Youth Opportunities Programme which involves a larger element of training and which lasts them through for a period of time until they can get a proper job. I am hoping and aiming that as soon as possible every 16 year old should be employed at least for one year in this manner. Now I have not reached that yet, but that is what we are aiming to do, and the sooner we can get to it the better. I believe that the Youth Opportunities Programme, properly improved, as and when resources are available, can play an enormously important part in this, and I want to develop it very much more so that it has some off-the-job training in it. Already the off-the-job training for those on the work experience on employers' premises side of the programme has increased, I think, from 20 per cent of them having it the year before last to 40 per cent of them having it last year. So we are getting it better, but there is still too much substitution going on and I think we need to cut that down wherever we can.

1455. On the question of apprenticeships, which was also touched on in this first question, some members of our Committee have had the good fortune to go to Bonn recently and look at the German dual system - and possibly soon after you actually went yourself. Do you believe there are any lessons to be learnt from the way the Germans manage their apprentice schemes under the dual system, which I think means that 64 per cent of school leavers go automatically to apprenticeships after leaving school? Is there anything to be learnt from their system which you think could be applied to ours, which will make it more flexible and ready to respond to current needs?

(Mr. Prier) I think there is a tremendous amount to be learnt from the German system. One has to recognise that the German attitude to training has been a far more progressive attitude in all directions than the one we have had in this country for many years. You have got hold of rather different figures from the ones I got hold of in Germany. Broadly speaking, the figures I worked on, from what the Germans told me, were that about half the 15 year olds stayed on at school - remembering that they do actually leave school at 15 - and of those who left school at 15 about 90 per cent go into a three-year apprenticeship. I think the apprenticeships vary a bit, but they really are training, and in some of the places I have visited they were not allowed to do anything which might have been regarded as ordinary work. It was really training that they had to do for that three-year period. As for the remaining 10 per cent who did not go into training, they went into jobs, but the Germans were quite specific that those jobs would not be better paid jobs than for those who were going into an apprenticeship. Again, one of the startling things is that they have kept their rates of pay and allowances for young people -

particularly because they nearly all go into apprenticeships -- low; the relationship is much lower than the relationship that there is in this country. I think I would be right in saying that whereas a third-year apprentice in Germany would get 40 per cent of the basic skilled wage, here in Britain in engineering the fourth-year apprentice would be getting 80 per cent of the basic skilled wage.

Chairman

1456. How much is it for the third-year apprenticeships?

(Mr Prior) I do not know the third-year figure. They have a three-year training system as opposed to our four-year. I only enquired about it from the point of view of the last year as to what they considered the apprenticeship should be. I think the other lesson is that as they are able to offer every young person who leaves school either an apprenticeship or a job -- and very few of them do go into jobs and they nearly all go into apprenticeships -- on these wages, they then say, "We will not pay anyone who does not wish to do anything; we will give them no supplementary benefit". So this has the effect of pushing young people into training, chiefly into apprenticeships, with the evident good results for the whole of the German economy. So I think there is a great deal we would need to learn from this both in extending our training and also in aiming towards not pricing young people out of jobs or out of training. I think this is a message we have to get through.

1457. Taking that point up, do you support having a compulsory system of social service?

(Mr Prior) We are getting very wide! The answer to that, Mr Chairman, is "No". Personally I do not believe that it is going to be right to move to a compulsory system. I think that

we need to develop our voluntary systems and perhaps to develop along the lines that I have just been suggesting. That I think would be much more productive. I believe that we must anyhow seek to provide for all young people who do not stay on at school after 16 either work or a place in a training scheme, and the sooner we can do that the better.

Mr Colvin

1458. The third factor in Germany is that their equivalent of our Department of Education has responsibility for training. This seems to me to facilitate the dual system. Do you think that in this country it should also be the responsibility of the Department of Education in order to encourage greater cooperation or to help bridge the gap between work and school?

(Mr Prior) I am not certain I am in total agreement that their Department of Education is responsible for training. Actually, from what I could see of it and from what I could find out, the apprenticeship system is very much the responsibility of people like the local Chambers of Commerce and the equivalent of the Manpower Services Commission. I think there is a much greater degree of vocational preparation within the schools for training for industry than perhaps there is here, although I think it is improving here. Of course one has to recognise too that they have a school leaving age of 15 and not 16 years.

Mr Craigen

1459. Secretary of State, the MSC Corporate Plan indicates that there will be a shift in the expenditure pattern over the next few years from the Employment and Training Services Division of the MSC to the Special Programmes Division. Now you have touched on the issue of job substitution. Does it not alarm you, the fact that about one-fifth of the present programme as a whole is thought

to be involved in job substitution and about one third of the work experience element in the programme is affecting permanent employment in industry?

(Mr Prior) Well it does not alarm me. It is inevitable that in a scheme of this nature there will be some job substitution. Obviously we need to keep the element of substitution down to a minimum. Having said that, one wants to keep that level of substitution down to a minimum without allowing, as it were, bureaucratic controls to render useless the whole scheme, and it is trying to keep a balance on this which I think is important. Of course, at a time of industrial depression and recession there tends to be more job substitution than there would be at other times.

1460. Yes, I accept that the MSC is trying to monitor the situation much more closely. What concerns me is that the extent of job substitution would indicate that industry itself is having difficulty in absorbing the numbers of young people who would like to do a programme.

(Mr Prior) Yes, I think perhaps I ought to mention here the CBI Unit, which has been set up and is working very well to try and get additional places. Even then, though, I think one has to recognise that it is not easy for a number of firms to take on people for training with some element of work experience at a time when they are experiencing some financial difficulties themselves. So of course we are looking to see how else we can make use of existing resources to give these young people a chance of getting into a scheme quickly, bearing in mind that we have improved the guarantee from the Easter guarantee to the Christmas guarantee.

1461. You mentioned the CBI Unit. I wonder if you discussed with them the extent to which there is a disinclination - or

perhaps it is even discrimination - on the part of employers to recruit young people to permanent full-time employment?

(Mr Prior) I am not quite certain what you mean.

1462. Do you not get the impression that more and more employers are now reluctant to take on young people? If anything they are showing a preference for adult workers, even to the extent of upgrading the training and skills of those adults in preference to taking on a young school leaver and giving him or her the necessary training.

(Mr Prior) I have not, in my discussions with the CBI Unit, got that impression. I got it from a number of other sources; and this actually, I think, relates to what I said earlier about the cost of employing young people. I think there are dangers that we are tending to price young people out of jobs.

1463. Could there be some intervention that the Department of Employment could make here to try in some way to reduce the initial training costs that employers have to bear? After all, the State is now paying a very substantial sum of money towards special programmes. Have you considered, for example, reducing employers' national insurance contributions where they take on youngsters, or similar initiatives?

(Mr Prior) Yes, I have considered that particular proposition and I am constantly considering new propositions. The trouble about that particular proposition, which is really one that you would either take off the national insurance surcharge or take off all insurance contributions for young people of, say, 16 to 18, in order to try and make their labour cheaper, is that there is an awful lot of deadweight in a scheme of that nature - and by "deadweight" I mean that the vast majority of young people do get a job and therefore they do make a contribution. If, as you would

have to do, you exempt all young people between 16 and 18 years from the national insurance surcharge or national insurance generally, you would have, as it were, spending a lot of money to achieve a comparatively small result. So I do not think personally that that is a particularly good scheme to be going for. All I can say is that I do not reject any of these schemes. When I say "reject" them, we look at them each year; there is a manpower group within the Government machine which looks at these schemes and produces further schemes for Ministers to look at. Generally speaking, I believe that we are right if we try to build and improve the existing schemes rather than think we can turn the whole thing upside down and develop new ones. But none of these schemes is a substitute for permanent jobs, but they can be very useful at a time of recession in helping, particularly where there can be a large element of training in them, and that is what I wish to develop.

Mr Aiken

1464. Secretary of State, you have hinted several times this afternoon that you are soon going to be seeking extra resources, or you may be seeking extra resources, and also that probably your priority in spending those resources would be in developing the Youth Opportunities Programme along the lines you have indicated. Can you give us any kind of a figure as to what sort of ball park area of resources you think you would need?

(Mr Prior) I must not give the impression that I am definitely seeking additional resources at the moment. The Manpower Services Commission has asked me for additional resources for the increase in the amount of money that they think they are going to have to give to help apprentices both to keep up the numbers and to deal with redundant apprentices. As far as the

Youth Opportunities Programme is concerned, so far they have not made a proposal to me. As you will know, they have resources for about 440,000 to 450,000 young people to go through the scheme in the current financial year. In answer to a question about whether the forecasting was sufficiently accurate, I said that if it meant that the guarantees could not be sustained, then no doubt they would come back and ask me for additional resources. But I do not want to get myself into trouble with the Treasury by trying to give you figures for provisional resources when I have not got as far as talking to the Treasury myself yet. I honestly do not know, and I do not want to make my opportunities or my chances of getting the money more difficult.

1465. I at least have detected something in your answers this afternoon which might be helpful in any discussions with the Treasury, because I understood you to say that if you could get the Youth Opportunities Programme with greater training and were really able to offer one to everybody who needed such a place, and if also you could be following more on the German method, so that if really every place is available then it might be possible to have a scheme whereby someone who did not get a job^{and}/did not get offered a place in the Youth Opportunity Programme, upgraded along those lines, then you would support a policy of not paying, as the Germans do not, supplementary benefit to any young person who had refused those options. Is that a fair summary of what you said?

(Mr Prior) Yes.

1466. You also indicated I think that you would prefer such a development in the Youth Opportunities Programme, with the attraction we have just been talking about of the supplementary benefit not going to those who refuse it. Would you prefer such a universal scheme to the ideas floating about at the moment of

some sort of compulsory national service? Again, am I summarising you correctly?

(Mr Prior) Yes. Do you want to go on, or could I say something?

1467. Please go on.

(Mr Prior) I did not actually come with a view to answering questions on community service schemes this afternoon.

Chairman

1468. Secretary of State, if you do it will save you answering them outside, as you did the last time, in deciding that we will have the discussion rather than the Press.

(Mr Prior) Now, now -- do not lead me astray! What I think one has to realise is that there are about 900,000 young people who either leave school or leave higher education or, I suppose, university, each year. If you go for a compulsory scheme -- and this is one of the issues which would have to be sorted out -- presumably everyone would have to go into this compulsory scheme and what it would mean, in effect, is that you would have to be subsidising in some manner vast numbers of people who would be getting jobs and performing useful functions in society. Given, Mr Aitken, that the resources which are ever likely to be available to my Department in the near future are pretty limited, I have to make a judgement in conjunction with colleagues and with this Committee and with the House as to the best way of using those resources. My preliminary judgement -- and it would only be a preliminary judgement and I am having all this looked at thoroughly -- would be that the cost of a universal scheme, a compulsory universal scheme, would be such as to make it so expensive that it would have to be run on practically minimal lines, and I just feel it is better to use the resources that are likely to be available for helping those who have a real need for those

resources. Apart from all the difficulties, what happens if you have a compulsory scheme and people say they do not want it? You have all sorts of problems there. But we are looking through all these problems and we will come forward with reasoned arguments. All I have tried to do today is to trail some of the thoughts I have had about this.

1469. If I may say so, you have trailed them in a very attractive way. I have one last question on this point. If you look at the alternative to compulsory service as an up-graded Youth Opportunities Programme with the consequence that supplementary benefit would not be available to those who rejected a job or that option, is it not valuable to look at the criticism that your non-compulsory option would be a little bit like the army, saying "Who is going to volunteer -- you, you and you", because you can take away the supplementary benefit?

(Mr Prior) I should like to emphasise that I was quoting what the Germans were doing. We certainly could not move down that direction until we were able and certain that we could offer places to everyone at the right time - and I would emphasise that we are a long way off that at the moment. I could not but remark to my colleagues in Germany, the two Socialist Ministers that I met, who told me that they had absolutely no intention of paying supplementary benefit to those in Germany who were not prepared to take a job, that they were being considerably harder than a Conservative Government was in Britain. Having said that, it does depend upon having places available, and I would emphasise very strongly that we are not yet in that position and therefore there is no question at the moment at any rate of moving down that path, although I do not think we should rule it out when we have the places available, and that is what I aim to try to provide.

Dr McDonald

1470. I want first of all to go back to the unemployment figures. You referred to the Treasury forecast, which is an average of course over the year, of 2.5 million. I think you indicated in your replies that there was a possibility that that was rather low, and indeed all the independent forecasts suggest a figure approaching 3 million by the fourth quarter of 1981 and in some cases over 3 million by the fourth quarter of 1982. An average of all these forecasts gives a figure of 2.7 million for the fourth quarter in 1981 and 2.86 million for the fourth quarter of 1982. In view of that, would you be able, looking at the MSC's Plan, to move resources into the MSC quickly enough to enable them to provide the employment and training and Youth Opportunities Programmes and so forth which would aid in unemployment. We do not, of course, wish to make any possible battle with the Treasury any more difficult, Secretary of State, and I am sure we sympathise with you in that, but you would presumably, should unemployment show signs of rising, be able to press for more funds and to move them in quickly enough for them to be effective. Are you satisfied that this is the case?

(Mr Prior) I have not noticed any difficulties about the MSC coming forward to me when they felt they required additional resources, and I have no doubt that if they felt that during the course of the year the forecasts or assumptions written into the Plan on unemployment were too low and that they needed additional resources that they would quickly come. I think in the timescale available we would be able to provide those additional resources, or at any rate give our reasons why we were not going to provide them, if that was the case that we adopted. All I can say at the moment is that they have so far only been to see me about apprentices. They are a very responsible organisation. They

take their forecasting seriously and their use of public money seriously. They would not come to me unless they really have a need for the money. They know we will have to scrutinise very carefully any proposals they put forward. But I am quite certain that they will come if they want to.

1471. All the independent indicators from independent forecasts are that such moneys are going to be necessary, are they not?

(Mr Prior) Well, quite honestly, in this task of forecasting unemployment figures you look at what figure you like and take your choice. I mean that there are so many wide variations in people's judgements -- but Treasury forecasts have proved to be a little bit on the low side last year and one would just have to see.

1472. I know that today there is an announcement that funds would be available from the EEC to Britain for job formation courses, particularly for the underprivileged youth and so on, and of course also for underdeveloped regions. Can we have an assurance that the EEC resources will be used in addition to the funds that the Treasury might make available?

(Mr Prior) I think you know the answer to that already. The answer is no, I cannot give that assurance. As you know, under Governments of varying persuasions the thorny question of additionality has been raised, and the fact is that the figures that I am given are gross figures. We obtain the maximum that we can from the Community's budget, and the Treasury pockets it. I can give no undertaking that any changed system will be introduced.

1473. Nevertheless, it would be useful to press for additionality in these circumstances, would it not?

(Mr Prior) I think I had better say "No comment" to that.

1474. Can I move to rather a different aspect of unemployment,

because it is not just the numbers of unemployed at issue. We have talked about youth unemployment but also I think there is another type of unemployment which appears both in the report and elsewhere, namely, the increased rate of adult unemployment. This unemployment is increasing, but such unemployment arises not so much from a shake-out but from plant and firm closures; in other words, these jobs are not likely to reappear once the recession comes to an end. Therefore the work which can really, perhaps, only be carried out by the Manpower Services Commission rather than the private sector in analysing the future structure of the labour market is extremely important and therefore the cut in the research staff and the capacity of the MSC is disturbing. Are you disturbed by that, in view perhaps of the changing nature of unemployment as well as the increasing numbers?

(Mr Prior) Well, not particularly disturbed by that, quite frankly. I think we need to be very careful at a time of great demands on public expenditure. We need to be very careful to see that we are making the best possible use of the money, and I have asked the Manpower Services Commission to make a number of economies which I believe are entirely justified, and they have responded very well to that. I think that some of the things that they would like to do in "the best of all possible worlds" obviously will not be done, but I am absolutely convinced myself that the Government has to show that it is actually doing all it can to reduce the size of the Civil Service and the amount of public expenditure which is devoted to the costs of the Civil Service commensurate with the performance of proper duties, and I think that is what we are expected to be doing. I am very grateful to the Manpower Services Commission and to my civil servants for the cooperation they have given me in carrying this through.

I know it will not be easy for them, and therefore I think a lot of the criticisms of the Civil Service are misplaced criticisms, but at the same time I think the vast majority of them recognise that the Government has to make savings wherever it can.

1475. But do you not think that those savings should not be assessed solely in terms of numbers but also in terms of effective use of resources? If one has a proper analysis of the future nature of the labour market, then one can ensure that one is providing the right kind of training facilities for the future and that surely is a much better way of looking at the use of public resources rather than merely saying "We have to save some money, so we will cut in this section".

(Mr Prior) If I really felt they were being cut to the extent they were not able to provide the information or the analysis required, I think I might take a different view, but I will leave that to the MSC. I believe that at the moment they still have adequate resources for carrying out that analysis.

1476. Have you sought assurances from them that they have got adequate resources to carry out that analysis?

(Mr Prior) I have not sought assurances from them on that particular point, but I leave it to them, and I have no reason to think that they have not got sufficient resources. In the Employment Services Division they have a number of staffing posts - on the 1st April it was 2,029. I should have thought that ought to have been sufficient to have allowed for that sort of work to take place, granted that they have other things to do as well.

Chairman

1477. Secretary of State, I do not think it is the normal practice of Ministers to ask people if they need the money to do their job. On the whole they come and tell you, do they not?

(Mr Prior) On the whole they come and tell me if they are not satisfied.

Dr McDonald

1478. May I ask two further questions on the Youth Opportunities Programme? There are some suggestions that the job placement rate has fallen considerably from 69 per cent in 1978 to a level of 38 per cent now. That is a suggestion that has been made in some quarters. Is that an accurate claim?

(Mr Prior) I have not had a recent figure presented to me. I have heard figures as low as 38 per cent mentioned, but I do not think that is an official figure at the moment. I heard it mentioned to me when I was in Birmingham on Friday evening. I think one knows that the actual placement rate has fallen very considerably from the figure of 68 per cent, which it was some year or 15 months ago, but I do not think I have a more up-to-date accurate figure. No, I have not got it.

1479. Then as regards the staff to deal with the increased number of places, it is suggested that the ratio of staff to young people is of the order of 1 to 260. Does that not mean that there is a decreased possibility, as it is a much lower ratio than it was before, if that is indeed an accurate figure, of arranging appropriate placements and proper training, if the ratio has dropped from something like 1 to 182 to 1 to 260?

(Mr Prior) Well, we have increased the numbers of places in the careers service.

1480. I am taking that into account.

(Mr Prior) This is obviously something we will have to bear in mind, but again there is a certain tightening up in the service altogether. We are asking people to do rather more, I have to say that, and I am grateful to them for what they are

doing, but they are having to do rather more.

Mr Colvin

1481. On the question of resources for assistance to the unemployed, in which I very much include training, there is a lot of money available from the Social Fund. Following on from Dr McDonald's question earlier, do you feel that the way in which these funds are only available to the assisted areas is unnecessarily restrictive for the United Kingdom, leaving us at a disadvantage? I see in the latest figures made available by the EEC for 1978 that Germany, to which you referred, had 393,000 of its unemployed assisted by the Social Fund whilst the United Kingdom only had 197,000 out of a total of about 1,000,000 unemployed who received assistance. I would argue that our need was rather greater than Germany's at the moment. Are you taking any steps to try and get the rules altered so that Social Fund money can be applied anywhere in the United Kingdom?

(Mr Prior) A review of the Social Fund is going on at the moment and out of this may come some revision of these points. As far as we are concerned, we are there to get as much money as we possibly can out of the Fund. One of the difficulties is that some of the schemes in the Community keep changing the whole time, and not necessarily changing so that they fit into ours. So there have been some minor difficulties, but generally speaking - and I have not, again, got the figures with me - I think we have had a fair percentage of the Fund. We have done reasonably well. We did not do so well in 1978/79, but I think that in 1979/80 we did better; in 1980/81 we did not quite so well as we did in 1979/80. But we are getting a very reasonable percentage of the total of the Social Fund, and obviously we are looking for ways the whole time of trying to increase our share.

Mr Gorst

1482. Will you be announcing any new schemes or plans in the near future to alleviate unemployment?

(Mr Prior) I do not think so. I think we are constantly looking at improvements to existing schemes and not ruling out suggestions that are put forward to us; but I think it would be quite wrong to think there were any rabbits likely to be produced out of a hat quickly. I do not think there are.

1483. You said several times that you were looking at this and examining that and considering something else. Does that mean to say that at this moment in time you mean that all that is being done to alleviate unemployment or all that can be done is being done?

(Mr Prior) Commensurate with the resources that are specifically available for this purpose, the answer is "Yes".

1484. But more could be done if more resources were available?

(Mr Prior) Obviously, if one had more resources one could help more people.

1485. What sort of resources do you have in mind when you say that?

(Mr Prior) Cash.

1486. I know, but what would you use it for?

(Mr Prior) Well I do not think I ought to allow myself to speculate too much on that. But I have been talking about the Youth Opportunities Programme and the length of the courses at the moment is about 4½ to 5 months on average and some of these courses could of course be extended. If one could extend training courses for a longer period of time, obviously that would help. Similarly on the Community Enterprise Programme, there is more that we could do there for various groups of people. These are all matters

on which we could spend more money, but I have to recognise the limitations that there are.

1487. But you make it sound as if Parliament is being penny-pinching in its fight against unemployment.

(Mr Prior) I did not mean in any way to give that impression. I think that Government and Parliament have recognised the problems which we face on unemployment, and I was immensely grateful for the increased resources that were made available to me last November of some £250,000, which was an enormous help and enables us to go for this much greater scheme.

1488. But more could be done if more money was available?

(Mr Prior) I suspect that that is true of a good many parts of the Government service, and it is certainly true of mine, yes.

Chairman

1489. Secretary of State, last week some of us went to Northern Ireland - for which you have not got responsibility. We do want to ask you whether you have examined the Industrial Training Boards set up in Northern Ireland, where there are nine ITBs with a common administrative service, the Northern Ireland Training Executive, which also coordinates the Boards' activities in areas of common concern, and where the Boards deal directly with the Department of Manpower Services which sends a representative to all Board meetings? Would a similar system in Great Britain meet the criticism that the system here is too cumbersome and bureaucratic? And I would add, could it get rid of the absolute frustration that exists among many Board Chairmenⁱⁿ that they are not sufficiently informed in the making of policy in respect of industrial training in this country?

(Mr Prior) Well of course Northern Ireland does not

have a Manpower Services Commission and therefore there is direct responsibility of Ministers. We do have a Manpower Services Commission, and I am quite certain that it is right, as I have said before, that the primary responsibility for Training Boards should be to them. I think a good deal of frustration felt by Training Board Chairmen has arisen as a result of the transferring of operating costs from levy funds to the Exchequer under the 1973 Act, and this added quite considerably to the problems of control because it introduced Government money for the first time. I think this has added to the frustrations which Training Board Chairmen express to me. This, I hope, can be alleviated by the new proposals that may come forward following the review of Training Boards that is now going on. But I certainly do not think that putting them back into the direct responsibility of the Department of Employment would be right, nor do I think it would make any difference.

Mr Gorst

149C. On that point, I wonder to what extent you have actually personally looked into the system operating in Northern Ireland? When we were taking informal evidence from the Chairmen of all the ITEs in Northern Ireland, one could not but be impressed that they were not merely not frustrated but that they were working a system which was very well liked by them. Simply to brush it off on the grounds that we have a system which is not working very well but we will not consider one that is seems a little unfortunate.

(Mr Prior) I am sorry. I do not wish to appear to be brushing anything off, because I am not. But I am saying that there would, I think, be very great problems about changing the control of Training Boards from the Manpower Services Commission back to the Department. Obviously this is very much in one's mind, following the passage through this House of the Employment

and Training Bill, and in view of the review of Training Boards that is taking place, and I am worried about the complaints that have been made to me by Training Board Chairmen.

1491. One of the features which they seem to like particularly is the fact that they have an Executive on which all nine of the ITB Chairmen sit, which gives them an opportunity to inter-relate and to pass responsibilities between the Boards if there were overlapping. Now, no such system seems to apply here. Any coordination is handed down rather than agreed laterally. Is this really not something which would repay examination?

(Mr Prior) Yes, I should think it could well do.

I will take this on board and have it looked at and see if there are any other lessons we have to learn from this. I think it is obviously more difficult where you have 24 Training Boards and more difficult when you are operating on the scale that these Training Boards are operating on; but certainly there are problems of what one might term "cross-lateral arrangements".

1492. Surely the need for coordination is greater the greater number you have rather than less?

(Mr Prior) Yes, I think there are great problems here and this is something which the Manpower Services Commission has been asked to comment on in its Report sector by sector.

1493. But you will take this into account - the need to involve them?

(Mr Prior) I will certainly have a careful look at the Northern Ireland experience and see if there is anything we can learn from it, of course.

Chairmen

1494. Secretary of State, could I ask you about the Health and Safety Executive? Are you aware of the great concern that

that is being expressed about the dispersal of the Executive to Bottle? What is your present attitude to the problem?

(Mr Prior) I know that the Health and Safety Executive has never wanted to move to Bootle, but it is Government policy that we should disperse wherever we can. It is important from the point of view of some of our development areas. I think this has been a matter of concern to Governments for a number of years, and I certainly would like to see the Government continue with this policy. Do you want me to deal with it in detail, Mr Chairman?

1495. No. What you are saying, in effect, is that the policy remains as it was?

(Mr Prior) The policy remains as it is. I am aware of difficulties. We have been into this with the late Sir John Methuen of the CBI and with Mr Murray, and we have come to what we think is the best decision.

1496. Secretary of State, we understand that the conveyance of nuclear waste is the responsibility of the Department of Transport. Should not all industrial processes, including transport, which may lead to major hazards, be the responsibility of the Health and Safety Commission under your control?

(Mr Prior) Well I think that the official reply is that the original allocation of responsibilities by Ministers in 1973 has since been seen to be broadly satisfactory. The Commission has studied the containers used in transporting nuclear waste and fuels and the loading and unloading procedures, and they were well acquainted with the capability of the Department of Transport to supervise the transport operation. If it had appeared that things were going wrong, the Commission would have expressed concern. As a general principle they accepted that to have all health and safety matters within the scope of one agency and so handled

separately from commercial matters was sound. They went on to say that they felt that in practice this original demarcation would have little relevance to the effectiveness with which safety matters were handled in this field. Quite honestly, Mr Chairman, they are the responsible body and I leave it to them. It is up to them, if they are not satisfied, to come to me, and in this case, as far as this reply is concerned, they seem to be satisfied.

1497. Secretary of State, when we asked them, their attitude seemed to be -- and I may be summarising very widely -- that "Government has decided on this division and we accept it, because Government has so decided". Is there not something to be said for the issue of health and safety to be separated away from control of commercial operations -- for the control of health and safety to be an entirely separate and independent matter?

(Mr Prior) Well, I know that you, Mr Chairman, argue that the responsibility should rest with the HSE rather than with the Department of Transport, but really the advice that I have is that the present system has worked well in practice and that if any change were made it would have little relevance to the effectiveness with which safety matters are handled.

1498. Secretary of State, there is a great deal of public disquiet about the conveyance of nuclear waste. Now that disquiet may have no basis in reason at all, and what is apparent to me is that as far as public debate is concerned it is ill informed. Do you not think that it should have been the role of the Health and Safety Commission to have led and guided debate on such issues as the conveyance of nuclear waste? Can you really see the Department of Transport becoming involved in major issues of safety in the way that is called for by such processes as these?

(Mr Prior) I agree with you that I think there is great

public concern on this issue. I think that the Commission have satisfied themselves that they believe that the way it is being carried out by the supervision of the Department of Transport is correct. But this is a matter that certainly could be looked at again with a view, at any rate, to reassuring the public that this is the best way of doing it.

1499. May I put it this way: you seem to be much less well acquainted with the arguments dealing with health and safety and the issue of responsibilities than you are, when you are now answering our questions, with unemployment and the special measures. Should not you, as Secretary of State for Employment with responsibility for the oversight of the Health and Safety Commission, be as familiar with the arguments in this field as you obviously are in the field of unemployment?

(Mr. Prior) Well, one tends to be more familiar with the arguments in matters which are more commonly raised, and in the course of the last two years or so this matter has never been raised with me. I have learned enough as a Minister on the whole not to raise matters which are not raised with me.

1500. I think in this area people will say that you should have taken an interest.

(Mr. Prior) I stand rebuked, Mr. Chairman, in that case.

1501. If there is a major disaster then people would certainly say that you should have taken more interest, because this is an area where you do not get a lot of public attention when matters are going well but certainly you will get attention if something goes badly wrong.

(Mr. Prior) I am certain that if the Commission had in any way been dissatisfied, they would have raised the matter with me and they have not done so. If they have not raised it with me or expressed concern, then I think the presumption is that

they are satisfied with the way that the Department of Transport supervises this particular matter. But in view of the views that you have expressed of course I will have a further look at it.

Mr Bowden

1502. Has the Department of Transport or the Secretary of State for Transport indicated to you at any time that they were unhappy about the present procedures and circumstances and that they would like a greater involvement by you and/or the Health and Safety Executive?

(Mr Prior) Not to my knowledge.

Chairman: May I just comment that I hope you will go into this in more detail. I am advised that the Commission have not satisfied themselves. They are just saying at the moment that it is not their business. So they are, in fact, not looking at this particular issue.

Mr Craigen

1503. Yes, Mr Chairman, the impression one got was that they just wanted a quiet life. They did not want to disturb the matter. Yet in the evidence they submitted to us, it seemed that there was a very strong case for them looking after this area of activity.

(Mr Prior) Mr Chairman, I did not think this was coming up. I only had one note on it.

Chairman

1504. Shall we move to the next question and raise it with you again at another time?

(Mr Prior) In view of the Committee's interest in it, I will of course have a further look at it now and if necessary report back to the Committee.

1505. I think that is the best procedure. I know you have had a long innings, but if we could turn to the last question?

You know that we have been looking at the question of outworkers or homeworkers. Can I ask you if you are satisfied personally that your Department is doing everything possible to ensure that there is no exploitation of homeworkers?

(Mr Prior) The answer to that is that I do not have enough information at the moment to be able to judge whether we are doing enough or whether more needs to be done, and it is because I do not have enough information that we have this particular national survey, which I have approved to take place this Autumn. I think that is quite important.

Mr Craigen

1506. Secretary of State, given that reply, why has the Homeworking Advisory Committee not met since the General Election? We know there are something like a quarter of a million people working from their own homes. I would have thought there was a case for the Committee performing an active task.

(Mr Prior) I do not believe that it is able to perform an active task unless it actually has some information on which to work. I hope perhaps that this Committee will be able to perform a more useful task when it actually has some knowledge of the situation. But as Mr Craigen will know, this is a field in which knowledge is not easily come by, and sometimes people are reluctant to let one have information, for reasons we had better not go into now.

1507. Given that response, are you satisfied that those people in your Department who are concerned with these enquiries are sufficiently enthusiastic about the matter, or are they seeing it simply as one of many priorities that they have to deal with, given the wide range of activities that your Department covers?

(Mr Prior) When I was being briefed on this particular

subject, I was most impressed by the attitude of the officials concerned in the Department, and I thought I had an extremely full and informative briefing on this problem. I think that they accept -- in fact I know they accept -- that our knowledge of all this is, perhaps, not as great as it should be, and they hope that the survey will help to put the matter right.

1508. I am heartened to hear that, Secretary of State. I expect the public meeting of this Committee may help to stimulate their ideas a little. I wonder if you would just, finally, comment on whether you are satisfied with the existing manning levels within the Wages Inspectorate, and particularly the Homeworking Unit?

(Mr Prior) Of course the Wages Inspectorate will only deal with the homeworkers who come under the auspices of the Wages Councils. There are a number who do, if I can just give you the details of that.

1509. It is about 25,000 to 30,000, I think.

(Mr Prior) That is right, 25,000 to 30,000. I think that they are still able to carry out inspections of all complaints and to investigate about 10 per cent of listed establishments in each year. The number of designated officers who make up the Homeworking Unit remains the same, so I think they are in as good a position as any other and I am satisfied that that is sufficient.

Chairman: Secretary of State, thank you very much indeed. We look forward to seeing you on another occasion.

HS

19 May 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 18 May. I will place your letter before her and a reply will be sent to you as soon as possible.

M.A. PATTISON

Christopher Price, Esq., M.P.

CP

HS

Mr Christopher Price MP 2/6

Education

Chase? Here tomorrow 8/6

19 May 1981

Yes M MP

I enclose a copy of a letter the Prime Minister has received from Christopher Price, M.P. I should be grateful if you could provide me with a draft reply for the Prime Minister's signature by Tuesday 2 June.

M.A. PATTISON

Peter Shaw, Esq.,
Department of Education and Science. 1572

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Mansfield
TL

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Hayson



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

19 May 1981

Robin Ibbs, Esq.,
Central Policy Review Staff,
Cabinet Office

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Dear Robin,

TRAINING AND EMPLOYMENT OF THE YOUNG.

.... The Chancellor has asked me to send you the attached paper on Training and Employment of the Young which sets out in a very preliminary way his ideas for a new and radical approach to the related problems of employment, training and income support for young people in the 16-17 year old age range. He has discussed this informally with the Secretary of State for Employment, who has agreed that a package of this kind is certainly worthy of serious consideration. As the next step the Chancellor would like to have a small meeting with Mr. Prior, yourself, John Hoskyns and Tim Lankester to discuss these ideas further and the best way of taking them forward. Miss Birnie, the Diary Secretary, will be in touch shortly to arrange a date.

I am copying this letter and attachment to Richard Dykes (Employment), John Hoskyns and Tim Lankester.

Yours,
Peter

P.S. JENKINS

CONFIDENTIAL

TRAINING AND EMPLOYMENT OF THE YOUNG

The aim of this note is to describe in outline a new and radical approach to the related problems of employment, training, and income support for young people in the 16-17 year old age range. Many of the constituent proposals have been considered and rejected by Ministers in the past. However, there is a case for looking at these again as elements in a co-ordinated package of measures.

2. The broad objective is to use the limited resources available to greater effect. At present, for example, substantial sums are spent on Supplementary Benefit for unemployed young people; this is not done in Germany and there should be a more productive use of State finance. The reallocation of resources would have the following intermediate objectives.

(a) Making it worthwhile for young people to remain in education rather than become unemployed.

(b) Encouraging employers to offer jobs and training to more young people.

(c) Providing an administrative and financial framework for the New Training Initiative.

(d) Providing opportunities for useful service for those who for one reason or another cannot be absorbed in normal work, training, or education.

3. The proposed package of measures is as follows.

(a) For social security purposes treat young people who remain unoccupied as if they were still in education, ie ineligible for SB but parents eligible for CB, FIS, and SB for dependants.

(b) Widen differentials between young people and adults by, for example,

(i) removing young people from the scope of Wages Councils or otherwise diminishing the impact of the Councils on young

peoples' wages,

(ii) encouraging employers and unions to lower young peoples' wages or, perhaps, to negotiate special trainee rates for school leavers.

(c) Build on present pattern of Unified Vocational Preparation in which work and training on and off the job are integrated; employers should be encouraged to finance at least part of the costs of trainees, with the Government also meeting a share.

(d) While (c) is building up to continue with YOP but with the allowance reduced (at least) to current SB levels and with a change in orientation to include more training, more actual work (which would inevitably involve more substitution for those already in employment), and more community service. Increasingly employers would be encouraged to make financial contributions towards the trainees' incomes; ultimately that part of YOP which places young people on employers' premises would merge into UVP and the provision of community service would remain to overcome personal disadvantages, geographical mismatches, etc.

4. A package on these lines should go a considerable way towards achieving the objective. The removal of young people from the scope of wages councils, the reduction in YOP allowances and the changes in social security should help to increase differentials between adults and young people. This should in turn help to hold down adult wages and encourage young people to remain in education. Lower allowances would also increase the cost-effectiveness of Government programmes for young people by allowing the available money to go further. In order to receive State allowances in their own right, young people would have to participate in community service (or expanded YOP). Those who did not qualify for allowances and remained unoccupied would render their parents eligible for continuing Child Benefit and would be treated, financially, exactly as if they were at school. Parents for whom this posed financial problems would still be protected; if eligible for SB, they would be able to claim for 16 and 17 year old dependants in exactly the same way as they can for children and students now.

5. The approach would have a number of advantages over existing measures to deal with youth unemployment. It would allow the MSC and Government to

concentrate on raising the standard of training rather than checking on substitution. The relaxation of the rules against substitution would provide a justification for looking to employers to meet part of the cost of the trainees provided through both the expanded UVP and YOP.

6. It is close to the proposal which the Secretary of State for Employment and the MSC put forward in February that by 1990 all 16 and 17 year olds outside full-time education should have the opportunity of undertaking traineeships combining work, training and education. It goes further on measures to reduce young peoples' wages and benefits and this should make it easier to encourage employers to offer places and young people to take them up within the limited resources available.

7. Difficulties to overcome would include the following.

(a) Union opposition to the introduction of cheap labour undercutting existing wages.

(b) Criticism of the withdrawal of SB from young people.

(c) Getting employers to provide sufficient opportunities for trainees; the financial inducements from the Government might need to be generous and the contributions from employers low, especially when the scheme was expanding; other ways of encouraging, or even obliging, employers to offer places might also need to be considered in order to prevent the cost to the Exchequer from getting out of hand.

8. The transition to the new approach raises its own problems. A number of the elements require legislation and cannot be introduced bit by bit. This applies to the change to Wages Councils and to the reform of social security regulations. Proposals (c) and (d) on the other hand imply mainly organic development on the lines of the New Training Initiative rather than instant reform. It might be possible to experiment in pilot areas, for example, on the scope for replacing the 'work experience in employers premises' element of the YOP by generous grants to employers who took on young people and gave them approved training on and off the job on UVP. The timing of different elements in the programme would need to reflect the overall employment position - and avoid for instance too abrupt a substitution of young people for adults in employment. Ultimately such substitution, as the labour market comes into balance, could improve total employment.

and output.

9. The new approach could also require a change in administrative machinery. The availability of adequate opportunities in each area would have to be monitored and the training approved. Initially it might be sensible to build on the MSC's area boards (on which employers, unions, voluntary organisations and local authorities are represented). As UVP comes to predominate, a more decentralised approach might be suitable relying, asⁱⁿ Germany, on Chambers of Commerce, local CBIs and Trades Councils to monitor performance.

10. The cost would depend on the details of the proposals and cannot be reliably estimated at this stage. Money would be saved by removing the independent right of young people to SB, reducing YOP allowances*, employer contributions to YOP, less demand for state support because of lower employment costs to employers for young people. Extra costs would arise from catering for more young people in education and training and expanding the coverage of UVP/YOP; there would also be a cost in additional income support for adults displaced from employment. To hold down costs, it would be essential to make the SB changes and the reduction in YOP allowances. The costs of such a programme would have to be a vital ingredient in the detailed design.

11. Major further questions for decisions would include the following.

(a) Should the approach apply to 16s and 17s or only 16s? The organic approach suggested would point perhaps to 16s in the first instance.

(b) Should there be a standard level of allowance for all trainees (as in YOP) or a more market-oriented approach (as in UVP)?

(c) Should allowances (and if so on what basis) be available to those young people willing to participate in the programme but for whom no places could be found?

IP Group
HM Treasury
18 May 1981

* Reducing the allowance to present SB levels might save £65.70m a year within existing PES provision.

From: Christopher Price, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

01- 219 3437

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

18 May 1981

Handwritten initials

Dear Prime Minister

With reference to your reply to Mr Douglas, as reported in cols.880/881 of Hansard 14 May 1981, I would be grateful if you could tell me to which places in further and higher education you refer, and exactly what you think they should be used for.

Handwritten signature
Christopher Price

The Prime Minister: There may be opposition to a compulsory service, but the extension of such a service voluntarily would have a very wide welcome across the country. There are already youth opportunities schemes and community enterprise schemes, and those are very welcome. There will be a few places in the Armed Forces. I suspect that those, too, will be over-subscribed. My right

hon. Friend and I are anxious to secure more training opportunities and, in particular, to use the many places available in further and higher education for that purpose.



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A. Duguid
A. Walker
Ma-power

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18/5

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

18 May 1981

Ma-power

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 14 May. I have also seen Michael Heseltine's letter of 12 May.

In the light of what you and he say I think that we shall need to get together to consider this subject further. My Private Office has been in touch with yours and Michael's and a meeting has been arranged for 8.30am tomorrow morning.

I do not think that it would be, or would be considered to be, a breach of faith if we were to seek to restore the enterprise zone provision to the Employment and Training Bill in an amended form. There are clearly different possible ways of drafting legislative provisions to give effect to the different forms of relief, and it is entirely justifiable, and indeed sensible, to draft the provisions in a way which will confine the benefits in question to those working wholly or mainly in the zone.

I am copying this letter to the recipients of the earlier correspondence.

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cc Mr Ingham



Manpaul 2

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 14 May 1981

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

Prior Minister

You should be aware
that the Chancellor is
fighting a rear-guard
action to get the original
clause exempting E2 firms
from the ITB levy restored.
You said we could accept an
amended ^{version} suggested by
Mr Prior.

Dear Jim

EMPLOYMENT AND TRAINING BILL: ENTERPRISE ZONES

Thank you for your letter of 8 May.

I think you should let them
argue it out: if the

I regret that I cannot agree with your conclusion that we should seek to restore the provisions in the amended form you suggest. I am not persuaded that the degree of bureaucracy you envisage would be as minimal as you suggest, nor that we would not be taking a remedy for a problem which might well in the event neither occur or at least not occur on a scale of any importance.

Chancellor wins, so much the better.

But in any case that does not go to the heart of matter. We have undertaken as part of the enterprise zone package to relieve firms within them from the ITB levy. We should be guilty of a breach of faith if we did not make every attempt to carry through the necessary legislation. There could be no breach of faith if we were to try and fail (although I consider this outcome improbable). There are only two courses consistent with meeting our obligations: reinstatement of the original clause, or introduction of an amended minatory clause. If you judge that the latter is impracticable, then I believe we should go for the former.

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I am sorry to appear persistent on a matter which I know is causing you more anxiety than any of us could have foreseen. But I do think that the case I make deserves some further consideration. I should be happy of course to get together

/with yourself and



with yourself and Michael Heseltine to consider the matter further if you wish.

I am copying this letter as before.

y —
Geoffrey Howe
—

GEOFFREY HOWE

ps

040

(36)



Mike -

Questions tomorrow?

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

13 May 1981

Dear Tim

I attach a copy of a consultative document by the Manpower Services Commission entitled "An "Open Tech" Programme". The document makes proposals on a programme to help meet adult training and retraining needs at technician and related levels, using open learning techniques. E Committee has seen earlier drafts. The document will be published on 14 May, with a joint foreword by my Secretary of State and the Secretary of State for Education and Science.

I am sending copies of this document to Private Secretaries to all E Committee Ministers, and the Secretaries of State for Scotland and Wales.

Yours sincerely

John Anderson.

J ANDERSON
Private Secretary

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bc Hoskyns
Wolfson
Ingham
Walters

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SUBJECT



10 DOWNING STREET

From the Private Secretary

13 May 1981

Dear Richard,

Unemployment and young people

As you know, the Prime Minister held a meeting this morning to discuss the question of unemployment and young people. The following were present in addition to your Secretary of State: Chancellor of the Exchequer, Secretaries of State for Industry, Education and Science, Scotland, Social Services, Sir Robert Armstrong and Robin Ibbs. They had before them the note circulated under cover of your letter of 7 May, and the CPRS note of 11 May.

The Prime Minister said that she was concerned about the rising tide of youth unemployment, and she wished to reconsider some of the ideas which had been considered by Ministers earlier in the year. While she understood the difficulties, she thought that more could be done within the existing resources to ensure that young people either stayed in school, took some sort of training, or obtained a job. Her impression was that some of the options were not as costly as had been indicated. For example, she understood that there were still many unfilled places in technical colleges.

The Secretary of State for Employment said that it was right to be concerned about the rise in youth unemployment and in unemployment generally. While there were a number of forecasts, all of them put total unemployment at 3 million by 1982; and the more pessimistic forecasts put it at 3½ million by July 1982. A considerable amount was already being done to alleviate youth unemployment. Thus, the Youth Opportunities Programme (YOP) had provided three hundred and sixty thousand places over the last year - well in excess of the two hundred and fifty thousand places budgeted; they were budgeting for four hundred and fifty thousand places in the coming year. However, more needed to be done. The contrast between Britain and Germany was striking. In Germany, there was scarcely any youth unemployment because nearly all those leaving school at 16 entered into some kind of training or apprenticeship. There was no shortage of apprenticeship places, and those who did not become apprentices or take up other training found it easier to find jobs because unskilled wages were far lower in relation to skilled wages than in Britain. Furthermore, those who remained unemployed were not paid social security. But for Britain to emulate the German position would require a substantial increase in resources for training.

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/ The Secretary of State

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- 2 -

The Secretary of State for Education said that there was anecdotal evidence that some young people were being persuaded to leave school earlier because of the decision by the DHSS to postpone payment of supplementary benefit until September for those leaving at the end of the Summer term. But he believed the effect of this change was a good deal smaller than some had suggested. There were also undoubtedly some who were leaving school who would not otherwise have done so to take up YOP places and to become eligible for supplementary benefit. By contrast, there was a good deal of evidence that the total number of young people staying on in school and in FE colleges was increasing. Yet there was still some spare capacity in technical and FE colleges. Although the proportion of spare capacity varied from area to area, in total some 40 - 50 thousand extra students could be accommodated in the system. Spare capacity was also emerging in secondary schools as the secondary school population declined. There was bound to be some additional cost if colleges and schools were to take on extra students; but their extra costs would almost certainly be less than the costs of some of the alternative proposals for taking young people off the unemployment register.

The Chancellor said that he did not believe that the existing resources set aside for alleviating youth unemployment were being used efficiently. The money being spent on YOP could, in his view, be spread more thinly so as to provide for more places. Instead of paying an allowance of £23.50 to each participant, the Government should reduce it to, say, £10 and employers should be asked to make a contribution of, say, £20. At the same time, YOP participants should be allowed to undertake proper work or training. In this way, many more would benefit and both the individuals concerned and the community would get more out of it. The changes he proposed would have to be discussed with the trade unions and the employers; he believed they would go along with them.

The Chancellor went on to say that there were also other defects in the present system. Firstly, the pay structure was wrong. Further consideration ought to be given to removing young people from the ambit of Wages Councils; and efforts should be made to persuade negotiators in collective bargaining to accept larger differentials between the pay of young and older employees. Secondly, the pattern of incentives was unhelpful. The payment of supplementary benefit to people under 18 was expensive and gave undue encouragement to them to leave school and not take advantage of training and work experience places. One option would be to continue to pay child benefit to parents of those participating in training or work experience, and to pay them an allowance equivalent to supplementary benefit or slightly below. Those who refused to participate would not be eligible. In the Chancellor's view all of these issues needed to be considered thoroughly afresh.

Mr. Ibbs briefly outlined the points in the CPRS note. The biggest problem, as they saw it, was the structure of incentives. To encourage young people to stay in full-time education, they needed greater financial incentives. To pay for this, either supplementary benefit levels for 16-18 year olds and YOP allowances would have to be reduced; alternatively, there would have to be additional public expenditure.

/ In discussion,

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- 3 -

In discussion, the following points were made:

(i) It would be very expensive to pay a flat rate allowance to all 16-18 year olds who stayed on in school. On the other hand, means testing of such allowances would be politically difficult. An alternative to providing improved incentives for young people to stay in education would be for the Government to mount a publicity campaign to persuade them to do so.

(ii) Given that it would require some extra resources to fill the 40 - 50 thousand unfilled places in technical and FE colleges, it might be possible to allocate part of the existing YOP provision for this purpose. The cost for each extra student could well be less than a £23.50 plus expenses which each YOP place cost.

(iii) If it were the case that some young people were leaving school prematurely because of the decision to postpone supplementary benefit for summer school leavers from July to September, the decision might have to be reviewed.

(iv) The question of the level of supplementary benefit for 16-18 year olds was being looked at by the Secretary of State for Social Services; even if it were decided that the supplementary benefit for this group should be reduced, or even eliminated, nothing could be done about it before the next upratings. On the other hand, it was suggested that it might be necessary to put through a bill very quickly in order to implement such a measure.

(v) There was no point in changing the structure of incentives unless there were enough training places available. To come anywhere near to eliminating youth unemployment, would require a much larger number of places than the 40 - 50 thousand unfilled places in technical and FE colleges.

(vi) As regards the Chancellor's proposal that YOP should be modified, it was unlikely that many employers would be interested in participating. Furthermore, the trade unions would almost certainly unite against it.

Summing up, the Prime Minister said that she understood that the Secretary of State for Employment would be submitting a report to E Committee in early July on some of the issues referred to in the discussion. Any concrete ideas on how the present arrangements for keeping young people off the unemployment register could be improved would be most welcome, and the Secretary of State would no doubt take into account the points made in the discussion. There seemed to be a strong case for reducing the supplementary benefit payable to 16-18 year olds; but further consideration would have to be given to this by the Secretary of State for Social Services in advance of the next upratings. In the meantime, the Secretary of State for Employment and the Secretary of State for Education should consult urgently on how the unfilled college places might be taken up; in particular, they should look at the possibility that some YOP funds should be allocated to the colleges for this purpose. If the Chancellor wished to press his proposals for a reform of the YOP, he should clarify them further in consultation with the Secretary of State for Employment, the CPRS and the Manpower Group.

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/ I am sending

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- 4 -

I am sending copies of this letter to Peter Jenkins (H.M. Treasury), Ian Ellison (Department of Industry), Mary Bowden (Department of Education and Science), Godfrey Robson (Scottish Office), Don Brereton (Department of Health and Social Security), David Wright (Cabinet Office) and Gerry Spence (Central Policy Review Staff).

[Handwritten scribble]

[Handwritten signature: Tim Laker]

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Richard Dykes, Esq.,
Department of Employment.

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Manpower



10 DOWNING STREET

From the Private Secretary

12 May 1981

New Training Initiative

This is just to confirm that, following the redrafting of the foreword to the Consultative Document on the New Training Initiative as indicated in your letter of 11 May, the Prime Minister is now content that the Document should be published on the basis of the draft circulated under your Secretary of State's letter of 1 May.

I am sending copies of this letter to Peter Shaw (Department of Education and Science), Godfrey Robson (Scottish Office), John Craig (Welsh Office) and David Wright (Cabinet Office).

T. P. LANKESTER

Richard Dykes, Esq.,
Department of Employment.

Telephone
01-212 8001

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB



*With the Compliments of the
Secretary of State for the Environment*



2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/13847/81

Your ref:

12 May 1980

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ENTERPRISE ZONES - EMPLOYMENT AND TRAINING BILL

Thank you for your letter of 23 April about the Enterprise Zones clause of the Employment and Training Bill. I have also seen your further letter of 5 May, and Geoffrey Howe's letters of 29 April and 6 May.

I agree with the view set out in Geoffrey Howe's letter of 29 April. I am glad therefore that you now feel able to restore the ITB concession for Enterprise Zones. However, like Geoffrey Howe I am concerned that the amendment which you propose will, as you say, impose extra burdens on establishments in Enterprise Zones, thereby diluting our original intention. I imagine that this would not merely be a question of form filling - there are bound to be definitional and enforcement problems as well. Wherever possible we have striven to achieve simplicity in any remaining bureaucracy facing industrialists in EZs. I am thus frankly reluctant to accept the necessity for these sort of procedures until the need has been established.

I would have preferred to have seen any departure from the original clause take the form of a power to introduce an order to prevent, at a later stage, any abuse which might become apparent. However, the procedural difficulties you outline might rule this out. On balance therefore I hope you will feel able to reinstate the original clause without amendment.

I would, of course, be happy to have a word on this should you so wish.

I am copying this letter to the recipients of yours.

Yes see
WLL

MICHAEL HESELTINE

Rt Hon James Prior MP



Ref. A04874

PRIME MINISTER

Unemployment and Young People

Your meeting at 9.00 am tomorrow, 13th May, has been arranged to discuss problems of unemployment and young people and to take further stock of the issues discussed by the Ministerial Committee on Economic Strategy on 24th February and 26th March. Those attending are the Chancellor of the Exchequer, the Secretaries of State for Employment, Social Services ^{Scotland} and Education, Mr Ibbs and myself.

2. The Department of Employment and the CPRS have both tabled notes, sent to Mr Lankester on 7th and 11th May.

3. The Department of Employment's note describes work currently in hand, and in particular:

- (i) The publication next week of the consultative document on the New Training Initiative leading to substantive decisions, in the light of comments, in September.
- (ii) A report to the Ministerial Committee on Economic Strategy in early July by the Secretary of State for Employment on a number of outstanding proposals for dealing with unemployment both of young people and adults which were in the CPRS' report E(81) 22.

The note also discusses in Section II the prospects for youth unemployment with forecasts in the annexes.

4. The CPRS judge that there is now only limited scope for action this year and that the main issue is what could be said this year on action in 1982. They have compiled, in the annex to their note, a check-list of options for the Committee to consider. Of these the most important are those grouped in Section A2 for the reform of financial support for 16-18 year olds with a view to reducing the bias against those in full-time education. For the most part the other options put forward are the responsibility of the Secretary of State for Employment and should, or could, be covered by his further report to E at the beginning of July.



5. At their meeting on 24th February (E(81) 8th Meeting, Item 1) E agreed that improvements in industrial training should be on the basis of a voluntary approach, and they did not accept the CPRS' suggestion for mandatory arrangements. 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 this to work the present structure of benefits and training allowances for young people would need to be rationalised.

✓ 6. The meeting of E on 26th March (E(81) 12th Meeting, Item 1), chaired by the Chancellor of the Exchequer, discussed in particular the proposals for a Youth Benefit (YB) scheme. The proposal was that, if YB were to be applied generally to 16 and 17 year olds, at school, in training or unemployed, they, or their parents, would receive child benefit plus a means-tested allowance of up to £10.50 plus a flat rate of £8.00 for those on the Youth Opportunities Programme (YOP). The objective was to remove the present strong financial incentives for young people to leave full-time education where, on present weekly rates, their families are eligible for child benefit of £4.75, and either to get YOP traineeships with allowances of £23.50 or to be unemployed with supplementary benefit of £15.25.

7. Although some Ministers were attracted to this scheme in principle, the Committee agreed that it should not be introduced now because of the following main objections:

- (i) The extension of means-testing to enable more to be paid to those staying in full-time education and less to those who were unemployed would be deeply resented at a time of rising youth unemployment and when training opportunities were insufficient for all young people to be offered an alternative to involuntary unemployment.
- (ii) The change would reinforce the unions' criticism of YOP as a source of cheap labour.
- (iii) Funds would be re-distributed from families with children who were unemployed to families who might be no worse off financially but who had chosen to let their children stay at school.



- (iv) Major legislation would be needed in 1981-82.
- (v) Several hundred additional Department of Health and Social Security staff would be needed to administer the new payments for children still at school and the means-testing of the benefit.

The Committee agreed, nevertheless, that the scheme should be put on ice rather than written-off and that it should be considered again in the autumn when they looked at the recommendations in the light of the consultations on the New Training Initiative. It looks, however, as if, unless the Committee were now to alter fundamentally the view they have taken of YB, there will be no new factors arising in the autumn from the training consultations which would of themselves lead to a change of heart.

8. The Secretary of State for Education and Science was strongly in favour of YB, which he saw as helping to meet the Manifesto commitment that the Government would 'review the relationship between school, further education and training to see how better use can be made of existing resources'; the Secretary of State for Social Services was sympathetic in principle but worried about the practical difficulties and extra staff required; Treasury Ministers had some sympathy in principle but feared that pressures for concessions on the proposed allowances would lead to substantial increased public expenditure; the Secretary of State for Employment was firmly against, because of worries about the reactions of the young unemployed and of those on YOP.

HANDLING

9. You might open the meeting by asking the Secretary of State for Employment and Mr Ibbs to speak to their notes. Each of the other Ministers present will then wish to comment.

10. The main question before the meeting is whether to stay with the approach endorsed by E Committee, which allows for some useful though relatively modest tidying up of the present arrangements (eg revising training allowances), or to look for a much more radical approach for 1982 which might involve reviving the idea of the YB scheme (or something like it) and/or stepping up training opportunities, perhaps to the extent of providing a universal training year. To answer these questions you might use the check-list annexed to the CPRS' note as an annotated agenda, but giving most of the time to Section A2 on financial



support for 16-18 year olds. In looking at the latter you will need to bear in mind that, although there are obvious objections to an extension of means-testing, this is an essential part of the scheme if the overall public expenditure costs are not to be increased. If the scheme were to go ahead the legislation could presumably be tacked on to the Social Security Bill in the provisional programme for 1981-82.

11. If the proposals in paragraph 6 of the CPRS' note for further work were to be endorsed, each of the Ministers at your meeting would be involved; but I would suggest that:

- (i) The Secretary of State for Employment might lead on the work he already has in hand on the CPRS' earlier training and employment proposals, plus an analysis of the feasibility of developing a universal training year for those not employed or in full-time education.
- (ii) The Secretary of State for Social Services, in close consultation with the Secretary of State for Employment, should lead on any further examination of the reform of benefits and YOP allowances on the lines of YB.

I suggest that the Secretary of State for Social Services should be put in the lead on the second exercise in part because he is responsible for child benefit, for supplementary benefit and for the additional staff who would be required to implement the scheme, and in part because, on the evidence of discussions so far, he is much more sympathetic in principle to the idea than is the Secretary of State for Employment.

CONCLUSIONS

12. In summing up the discussion you will wish to record conclusions on any further work which is now to be put in hand in addition to that already commissioned by E Committee. If the meeting does decide that urgent consideration should be given to a more radical approach you might divide the tasks as suggested in paragraph 11 above and ask for further reports by end June/early July. Whichever Minister takes the lead should ensure that all the other Ministers at the meeting should be closely involved.


ROBERT ARMSTRONG

12th May, 1981

Manpower

PRIME MINISTER

The Prime Minister agreed to X1
MMS.

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New Training Initiative

You asked me to explore whether it would be possible for the Government to distance itself from the MSC consultative document which Mr. Prior is planning to publish later this month.

I have spoken to the Department of Employment, who have told me that the report is being published in MSC's name. The Secretary of State is only providing an introduction.

In the light of your comments and the Treasury's, Mr. Prior's forward has been somewhat toned down: in particular, it now avoids giving the impression that we have substantial extra resources for training. It also goes some way in the direction of distancing the Government from the report - though, I have to say, not as far as you and the CPRS would have liked.

Mr. Prior has personally asked me to say that, in the light of the comments which were made on the earlier draft, the other "parties" in MSC have made substantial concessions in the present draft; and that to withdraw the Government's name altogether now would put off any hope of reforming the training system. He also points out that colleagues, at the last meeting of E on this subject, specifically asked him to reach agreement on the document with MSC.

X | The Chancellor has now said that he is content for the document to be published. Can I tell Mr. Prior's office that you reluctantly go along with it too? (They are committed to publishing this month, which in practice means no later than 21 May because Mr. Prior is then going to the United States. To meet this deadline they need to get the document to the printers tonight, or at the very latest, first thing tomorrow morning.)

T.P. LANKESTER

11 May 1981

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11 May 1981

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

Handwritten initials: R 11/5

Handwritten signature: D. G. J.

NEW TRAINING INITIATIVE

Handwritten note: inside file

Thank you for your letter of 1 May. It would obviously be difficult to negotiate further changes to the draft consultative document and it would be a pity to risk aborting the whole exercise at this late stage when all the parties are agreed on the main outlines of the new initiative. However the passages on the need for more resources for training and, in particular, paragraphs 40, 51 and 61(5), do seem to me to go too far towards promising extra public expenditure. They can only increase pressure on us to accede to the MSC's forthcoming bid for extra apprentice grants and to make a long term commitment to expanding expenditure on training. There is a danger also that, should we resist these pressures, we will be accused of abandoning the approach set out in the document and this would undermine our attempts to persuade employers and unions to pursue the 3 objectives.

I note that you intend that the paper should be published as an MSC document with a foreword by Ministers rather than as a full joint publication. I suggest that it should be possible by careful drafting of the foreword and by some very slight amendments to the main text to make clear that, while supporting fully the broad aims of the initiative, the Government is not committed to extra public expenditure but will do its utmost within available resources. I suggest that the last two paragraphs of the draft foreword might be amended on the following lines:-

"This will make demands on all parties. But it will also bring benefits to all, in the short and the long term.

The Government therefore welcomes this document and will be considering with MSC what it can do within the available resources to advance the objectives."

/Within the

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Within the document itself, I should like to see paragraph 50 amended so as to refer to the MSC alone rather than "The Government and the MSC", and paragraph 61 (5) amended to read:

"What is the scale or resources likely to be required and in what way should those who benefit from training - employers, trainees, and the country at large - contribute to its cost?"

I hope you will be able to agree to these minor amendments. They will not stop MSC and others from pressing for more expenditure but they should serve to make plain that the Government is not committed to increases at this stage.

I am sending copies of this letter to the Prime Minister, Mark Carlisle, George Younger, Nicholas Edwards, and Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "Geoffrey Howe", written in a cursive style.

col. 4 August



CONFIDENTIAL

cc N. ...
A. ...
M. ...

Qa 05363

Prime Minister
This is the
promised 'collection brief'
11 May 1981 from CPRS.

You might also look
again - if you have
time - at the CPRS
report (read) of February
last year (also in this
folder).

To: MR LANKESTER
From: J R IBBS

Unemployment and Young People

1. In preparation for the Meeting which is to take place on 13 May, I attach a note by the CPRS which reviews the options available for getting young people to remain in education or to train, rather than become unemployed.
2. I am sending a copy of this minute and attachment to the Chancellor of the Exchequer, the Secretaries of State for Employment, Education, Social Services, and Scotland, and to Sir Robert Armstrong.

TL
17/5

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UNEMPLOYMENT AND YOUNG PEOPLE

1. The objective at this stage ought to be to identify ways of getting young people to remain in full-time education or, if they leave, to opt for training rather than register as unemployed. In particular Ministers will wish to consider whether there are any immediate ways of affecting this summer's leavers.
2. There are no easy options, as earlier discussions in E Committee of our report "Unemployment and Young People" showed. Any course is likely to involve one or more of the following:
 - major increases in public expenditure
 - paying substantially less to some young people
 - some form of regulation which makes unemployment so unattractive as to exclude it
3. There is no prospect of putting a major initiative into effect this year. The only feasible options (additional to those mentioned by the Employment Secretary) which might be implemented at fairly short notice appear to be:-
 - Encourage local authorities to provide more education maintenance allowances: this has obvious difficulties at a time when great pressure is being put on them to curtail expenditure.
 - Mount a campaign to get colleges to run more vocational and work-orientated courses: time for organising this is short and some finance would be needed.
 - Expand YOP in high unemployment blackspots to provide a full training year for the unemployed: costly, given present levels of allowance.
 - to achieve savings, cut YOP allowance to S B level and make SB conditional on accepting any YOP offer: probably unacceptable if not part of a coherent universal training package (see para 6 below).
4. In our view, it is preferable to concentrate on developing measures which could be implemented as a coherent package for school leavers in 1982, when, as the Employment Secretary's note shows, unemployment is likely

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to be even higher than this year.

5. The CPRS has compiled a check list of options (based partly on our report "Unemployment and Young People") under 4 separate headings:-

- A. make staying on in education more attractive
- B. more training
- C. more employment in normal labour market
- D. more opportunities outside the labour market

This check list is set out, with a brief summary of the advantages and disadvantages of each option in the annex to this note.

6. In our view the most promising course lies in the development of a universal training year to be available for all 16 year olds who are not in employment, or in full-time education. This would be accompanied by a reform of benefits and YOP allowances on the lines of Youth Benefit (so as to help meet the cost of additional training places and to encourage staying on in school or college); there would be no benefit for those who refuse a training place. We recommend that the Departments concerned be asked to carry out within a month an initial assessment of the feasibility in broad terms of introducing such a scheme with effect from autumn 1982. This would enable Ministers to decide whether to announce this summer a commitment to introduce such a scheme.

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UNEMPLOYMENT AND YOUNG PEOPLE

A. Methods of encouraging young people to stay on in full time education

1. Increase the value of education in the eyes of young people

(a) by exhortation - can only be beneficial but government exhortation unlikely to have much effect; local employers' views likely to have more effect.

(b) by increasing the relevance of the courses offered

- the CPRS support the rapid development of the pre-vocational 17+ courses particularly if the "exam" is heavily supplemented by a 'log-book' of achievements for each young person.

- crash programme would be possible (perhaps via the MSC Special Programme areaBoards): but there is a limit to how much this development can be speeded up even with superhuman efforts.

2. Alter the balance of financial support for 16-18s so that there is less bias against those in full time education.

(a) by adopting a form of Youth Benefit (YB)

- the CPRS support the principles of YB and see advantage in it being a flat rate benefit using the existing (adapted) means tested benefits for additional family support.

- E committee agreed to leave open the possibility and review in the autumn in the light of consultations with the New Training Initiative (NTI)

- but would require legislation, need more staff.

(b) by increasing the financial advantages for young people who stay in full time education

- increase Child Benefit levels; but expensive and may have little impact on the young people themselves.

- encourage more use of Educational Maintenance Allowances by Local Education Authorities; but no direct control unless reimbursed, which might require legislation, and impact might be small; could be targetted to unemployment black spots.

- pay Child Benefit direct to the young people; administratively complicated but cost free, apart from staff, and could have an impact on young people's perception of the position; might require legislation.

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(c) by decreasing the financial advantages of young people who leave full time education

- no SB until September after session in which became 16: remove incentive to leave in December or Easter but increases summer bunching.
- reduce the Supplement Benefit levels for 16-18s and YOP allowances; but difficult to present and justify unless part of a wider package; risks withdrawal of MSC co-operation in YOP.
- remove independent entitlement to SB for 16-18s and treat as dependent on parent; but needs legislation; difficult presentationally as above; would require reduction in YOP allowance for full effect.

B. Methods of encouraging the provision of more training for young people

1. Persuade employers to take on more young people for training

(a) by speeding up the expansion of the Unified Vocation Preparation, and/or developing it to a foundation traineeship.

- the CPRS supports such an expansion; especially if it could be linked to a maximum training wage; but there are limits to the amount it can be speeded up, even with an increased allowance, and it would have little effect on unemployment.

(b) by an expanded training for skills programme

- MSC is preparing proposals for expanding the current programme (from about 24,000 places to 33,000 places) in which grants are given to young people on the first year of apprenticeship or similar training; but it is not clear to what extent this would simply substitute government funds for employers' funds.
- CPRS strongly supports the development of a training for skills programme but thinks that it should not solely be linked to the existing apprenticeship system, but used as a means of developing new forms of skilled training. This is the direction we should like to see YOP develop.

(c) by an expansion of special employment measures

- (i) CPRS has suggested the development of YOP into a Training Year for all 16 year old school leavers so that unemployment would not be an option; expensive unless the allowance reduced (e.g. through YB), as part of a package; no benefit for refusers.

(Cont'd)

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Would be very costly to cover entire 16-18 age range; concentrate initially on the 16+ group.

(ii) - further expand the current YOP programme; probably necessary anyway, but there should be scope to expand beyond what is necessary to keep to the present guarantees.

- deny benefit to those who refused a YOP offer; but refusal rate already low; would have little effect on unemployment of school leavers in the autumn as most would still be waiting for an offer, (under present arrangements).

C. Methods of attempting to increase the employment of young people

The CPRS had a number of proposals, but none of them would be likely to have much impact in the short term. They concerned trying to lower young people's wage levels; giving young people access to a wider range of jobs, and some recommendations on pensions and early retirement. These are now under discussion in the official Manpower Group.

D. Methods of expanding the opportunities outside the labour market

By means of an expanded community work programme

- a compulsory community work programme for all school leavers or for all unemployed school leavers; but unlikely to be enough suitable activities acceptable to the parties on whose co-operation such a programme would depend; voluntary organisations would be particularly hostile to a programme compulsory for the unemployed; managerial and organisation problems insurmountable unless the government itself was willing to take on the task - or fund other agencies to do so (e.g. the local authorities). CPRS view is that any universal programme should be focussed on training - although community work would play a part.
- CPRS suggest a massive expansion of the Community Enterprise Programme (quadrupled to 100,000), and biassed to areas of high unemployment, on the basis of a payment of 'benefit plus premium' rather than 'rate for the job'; this should be aimed at all age groups, with young people having access to it by merging the community work part of YOP with it. Withdrawal of benefit would be considered for those refusing an offer to participate.



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Switchboard 01-213 3000

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

11 May 1981

Dear Tim, *R* *11/5*

NEW TRAINING INITIATIVE

As promised, I enclose a copy of the revised version of the Foreward to this document which has now been agreed with the Treasury following the Chancellor's letter to my Secretary of State today.

You are

Richard Dykes

R T B DYKES
Principal Private
Secretary

DRAFT FOREWORD TO NTI

To be signed by S of S's for Employment, Education
and Science, Scotland and Wales

Vocational education and training have been the subject of continuing public debate and attention; yet to a considerable extent we still lag behind our competitors in having an educated, trained and flexible labour force.

Overall not enough priority is given to training, too little is done, too much of it is misdirected and inflexible, and not enough use is made of the nation's available skills. A number of steps have ^{already} been taken to build on the best of our vocational education and training and to make it more responsive to the nation's present and future needs.

This document spells out three important objectives for the 1980s and beyond: first, better arrangements for skilled training to agreed standards; second, improving the vocational education and training of all young people; third, opening up more opportunities for adults to train. Whilst many of the individual points are not new they are here presented as a coherent package showing what employers, trade unionists, central government and the education services are doing and must do to help achieve the objectives.

An important issue in achieving the objectives is how those who benefit from training contribute to its costs. This implies demands on all parties and may call for a reassessment of priorities in the use of resources. But improved training also entails benefits to all, in the short and the long term.

The Government therefore welcomes this document and will be considering with the MSC what can be done within the available resources to advance the objectives. We hope that all those concerned with the future of training will respond both to the request for comments by September and to the call for immediate action where this is needed.

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 May 1981

Robin Ibbs, Esq.,
Central Policy Review Staff,
Cabinet Office

cc CST
FST
MST(C)
MST(L)
Sir D Mass
Sir A Rawlinson
Mr Ryrie
Mr Middleton
Mr Byatt
Mr Bridgeman
Mr Kemp
Mr Buckley
Mr C D Butler
Mr Judd
Mr Hartley
Mr Speedy
Mr Ridley
Mr Dixon
Mr Gieve

Dear Robin,

TRAINING AND EMPLOYMENT OF THE YOUNG.

.....
The Chancellor has asked me to send you the attached paper on Training and Employment of the Young which sets out in a very preliminary way his ideas for a new and radical approach to the related problems of employment, training and income support for young people in the 16-17 year old age range. He has discussed this informally with the Secretary of State for Employment, who has agreed that a package of this kind is certainly worthy of serious consideration. As the next step the Chancellor would like to have a small meeting with Mr. Prior, yourself, John Hoskyns and Tim Lankester to discuss these ideas further and the best way of taking them forward. Miss Birnie, the Diary Secretary, will be in touch shortly to arrange a date.

I am copying this letter and attachment to Richard Dykes (Employment), John Hoskyns and Tim Lankester.

Yours,
Peter

P.S. JENKINS

TRAINING AND EMPLOYMENT OF THE YOUNG

The aim of this note is to describe in outline a new and radical approach to the related problems of employment, training, and income support for young people in the 16-17 year old age range. Many of the constituent proposals have been considered and rejected by Ministers in the past. However, there is a case for looking at these again as elements in a co-ordinated package of measures.

2. The broad objective is to use the limited resources available to greater effect. At present, for example, substantial sums are spent on Supplementary Benefit for unemployed young people; this is not done in Germany and there should be a more productive use of State finance. The reallocation of resources would have the following intermediate objectives.

(a) Making it worthwhile for young people to remain in education rather than become unemployed.

(b) Encouraging employers to offer jobs and training to more young people.

(c) Providing an administrative and financial framework for the New Training Initiative.

(d) Providing opportunities for useful service for those who for one reason or another cannot be absorbed in normal work, training, or education.

3. The proposed package of measures is as follows.

(a) For social security purposes treat young people who remain unoccupied as if they were still in education, ie ineligible for SB but parents eligible for CB, FIS, and SB for dependants.

(b) Widen differentials between young people and adults by, for example,

(i) removing young people from the scope of Wages Councils or otherwise diminishing the impact of the Councils on young

peoples wages,

(ii) encouraging employers and unions to lower young peoples wages or, perhaps, to negotiate special trainee rates for school leavers.

(c) Build on present pattern of Unified Vocational Preparation in which work and training on and off the job are integrated; employers should be encouraged to finance at least part of the costs of trainees, with the Government also meeting a share.

(d) While (c) is building up to continue with YOP but with the allowance reduced (at least) to current SB levels and with a change in orientation to include more training, more actual work (which would inevitably involve more substitution for those already in employment), and more community service. Increasingly employers would be encouraged to make financial contributions towards the trainees' incomes; ultimately that part of YOP which places young people on employers' premises would merge into UVP and the provision of community service would remain to overcome personal disadvantages, geographical mismatches, etc.

4. A package on these lines should go a considerable way towards achieving the objective. The removal of young people from the scope of wages councils, the reduction in YOP allowances and the changes in social security should help to increase differentials between adults and young people. This should in turn help to hold down adult wages and encourage young people to remain in education. Lower allowances would also increase the cost-effectiveness of Government programmes for young people by allowing the available money to go further. In order to receive State allowances in their own right, young people would have to participate in community service (or expanded YOP). Those who did not qualify for allowances and remained unoccupied would render their parents eligible for continuing Child Benefit and would be treated, financially, exactly as if they were at school. Parents for whom this posed financial problems would still be protected; if eligible for SB, they would be able to claim for 16 and 17 year old dependants in exactly the same way as they can for children and students now.

5. The approach would have a number of advantages over existing measures to deal with youth unemployment. It would allow the MSC and Government to

concentrate on raising the standard of training rather than checking on substitution. The relaxation of the rules against substitution would provide a justification for looking to employers to meet part of the cost of the trainees provided through both the expanded UVP and YOP.

6. It is close to the proposal which the Secretary of State for Employment and the MSC put forward in February that by 1990 all 16 and 17 year olds outside full-time education should have the opportunity of undertaking traineeships combining work, training and education. It goes further on measures to reduce young peoples' wages and benefits and this should make it easier to encourage employers to offer places and young people to take them up within the limited resources available.

7. Difficulties to overcome would include the following.

(a) Union opposition to the introduction of cheap labour undercutting existing wages.

(b) Criticism of the withdrawal of SB from young people.

(c) Getting employers to provide sufficient opportunities for trainees; the financial inducements from the Government might need to be generous and the contributions from employers low, especially when the scheme was expanding; other ways of encouraging, or even obliging, employers to offer places might also need to be considered in order to prevent the cost to the Exchequer from getting out of hand.

8. The transition to the new approach raises its own problems. A number of the elements require legislation and cannot be introduced bit by bit. This applies to the change to Wages Councils and to the reform of social security regulations. Proposals (c) and (d) on the other hand imply mainly organic development on the lines of the New Training Initiative rather than instant reform. It might be possible to experiment in pilot areas, for example, on the scope for replacing the work experience in employers premises element of the YOP by generous grants to employers who took on young people and gave them approved training on and off the job on UVP. The timing of different elements in the programme would need to reflect the overall employment position - and avoid for instance too abrupt a substitution of young people for adults in employment. Ultimately such substitution, as the labour market comes into balance, could improve total employment

and output.

9. The new approach could also require a change in administrative machinery. The availability of adequate opportunities in each area would have to be monitored and the training approved. Initially it might be sensible to build on the MSC's area boards (on which employers, unions, voluntary organisations and local authorities are represented). As UVP comes to predominate, a more decentralised approach might be suitable relying, as ⁱⁿ Germany, on Chamber of Commerce, local CBIs and Trades Councils to monitor performance.

10. The cost would depend on the details of the proposals and cannot be reliably estimated at this stage. Money would be saved by removing the independent right of young people to SB, reducing YOP allowances[†], employer contributions to YOP, less demand for state support because of lower employment costs to employers for young people. Extra costs would arise from catering for more young people in education and training and expanding the coverage of UVP/YOP; there would also be a cost in additional income support for adults displaced from employment. To hold down costs, it would be essential to make the SB changes and the reduction in YOP allowances. The costs of such a programme would have to be a vital ingredient in the detailed design.

11. Major further questions for decisions would include the following.

(a) Should the approach apply to 16s and 17s or only 16s? The organic approach suggested would point perhaps to 16s in the first instance.

(b) Should there be a standard level of allowance for all trainees (as in YOP) or a more market-oriented approach (as in UVP)?

(c) Should allowances (and if so on what basis) be available to those young people willing to participate in the programme but for whom no places could be found?

IP Group
HM Treasury
18 May 1981

* Reducing the allowance to present SB levels might save £65.70m a year within existing PES provision.

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Prime Minister

The Chancellor is expected to comment on Monday, but I have been unable to find out in what terms. In the meantime, shall I

Qa 05361

To: MR LANKESTER

From: J R IBBS

New Training Initiative

Yes please. I just explore the "way out" suggested don't, but we are getting at the heart of the matter. 8 May 1981 - in para 6 below?

1. The Government faces a difficult choice in deciding how to deal with the document attached to the Employment Secretary's letter of 1 May.
2. In Mr Prior's view the Government must accept the document as it stands, or risk losing entirely the chance of publication of an agreed document jointly with the MSC. The background to this is apparently that the TUC representatives on the MSC are becoming increasingly unhappy with certain Government manpower policies (e.g. on registration for work) and would be likely to throw the NTI document out if it had to be referred back to the MSC.
3. Both publication and failure to agree a document entail risks. Publishing the document means accepting obscurely worded statements (para 40 and 51) which in my view create a presumption that there will be more public resources for training, even though - as Mr Prior says - these statements avoid giving a definite commitment. There is a danger that these paragraphs will produce a cynical response or else arouse expectations which it may not be possible to fulfil.
4. Another unsatisfactory paragraph is para 34.2 which pulls its punches so much on trainee's pay rates that it implies that present apprentice/craftsman pay ratios are not too high.
5. On the other hand, failure to agree a document is likely to result in:
 - a marked deterioration in the Government's relationship with the TUC representatives on the MSC
 - loss of the TUC representatives' endorsement of the need to reform apprenticeships which might be valuable in leading to action at company and industry level.
6. It is difficult to assess where the balance of advantage lies. A way out of the difficulty would be to accept the document for publication


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as an MSC document, removing all attributions of Government opinion.
The Government could provide a foreword broadly on the present lines,
but welcoming the MSC's initiative, rather than describing it as a
joint venture.

7. I am sending a copy of this Minute to Sir Robert Armstrong.

RF



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Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

Handwritten initials
8 May 1981

Handwritten signature: Dear brother

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 6 May, in which you acknowledged the difference between the situation on ITB levy and that concerning certain other enterprise zone benefits on which pressures have arisen.

I recognised in my letter of 5 May that the amendments I propose would involve a marginal increase in form filling, in that some employers would have to provide information in respect of their employees who work outside the zones. However I do not agree that my proposal would increase rather than diminish the paperwork for many establishments in enterprise zones. What it would do is to reduce form filling, but by less than the clause as published. Moreover insofar as the employees were actually working wholly or mainly within the enterprise zone then the form filling burden would be the same under my proposal as under the clause as published. It can only be materially different for many establishments (as you said) insofar as those establishments have a significant number of workers working outside the zone.

If establishments in a zone do have a significant number of employees working outside it, I think that it is right that they should pay levy in respect of those employees, unless of course the number of them comes below the small firm exclusion level. I agree that we are not clear about the extent of this problem at present, but if, as you say, many establishments would be affected by the amendment that I propose then the problem must be significant. If not, then the extra administrative burden would be small.

As I said in my letter of 23 April, my Department has received representations from the CBI, and organisations representing employers in the Construction Industry, about the abuses which the clause as published would permit, and I do not think that it



would materially reduce the extent of their criticism if we merely took a power to restrict the operation of the clause at some later date. They would point out that minatory powers would in any case not affect people already in the zone, might well not be sufficient to discourage those who might rearrange their affairs so as to exploit the provision, and in any case could not be used retrospectively, and would argue that the possibility of abuse should be prevented now.

There is a further problem related to the Parliamentary handling of the provision, which derives from the fact that at Report Stage new clauses are considered first. The main provisions of the Bill (which concern the power to abolish industrial training boards, and the cessation of Exchequer support for the operating costs of such boards) are quite controversial, and the opposition imposed a three line whip on second reading. It would make the handling of the report stage and third reading considerably more difficult if very early on there were a controversy about the enterprise zone provisions. Parliamentary Counsel has advised that it would be possible to reinsert the provisions in the amended form in some other way, but is insistent that if the minatory power is included then the provisions must go in as a new clause. I consider this to be a significant argument against including a new order making power unless it is absolutely necessary.

In the light of the above I am still of the view that we should seek to restore the provisions in the amended form. I now understand that the report stage will not be next week, and so I did not take up your suggestion of a word in the margins of Cabinet yesterday morning. However report stage will probably be early in the week beginning 18 May, and government amendments will need to be tabled on Wednesday or Thursday next week. I very much hope that you will now feel able to agree to what I propose. If you still have doubts perhaps we could have a word, together with Michael Heseltine, before lunchtime on Wednesday?

I am copying this letter to the recipients of the previous correspondence.

I really think we have gone as far as we should

Yours

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CF → for to



Monday
0900 a.

Prime Minister

This is for the meeting next Wednesday. The CPRS will be providing a "collective brief" which will, I am assured, look at the whole issue afresh.

Caxton House Tothill Street London SW1H 9NA
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Switchboard 01-213 3000

cc to Dyke
by hand
L. B. M.

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

7 May 1981

R
8/5

mb.

Dear Tim,

I understand that the meeting to take stock of the issues discussed by E Committee on 24 February and 26 March will take place on 13 May.

My Secretary of State thought it might be helpful to circulate a note which briefly sets out how the issues discussed are being followed up and the outlook for unemployment, particularly of young people.

I attach a note prepared by officials here, and I am sending copies to the private secretaries to the Chancellor of the Exchequer, Secretary of State for Education, Secretary of State for Social Services, Sir Robert Armstrong and Robin Ibbs.

You ever

Richard Dyke

R T B DYKES
Principal Private Secretary

TRAINING AND YOUTH UNEMPLOYMENT

Note by the Department of Employment

I. Follow up to the discussion in E Committee

a) New Training Initiative

At E Committee on 26 March the draft consultative document on the New Training Initiative was welcomed and generally endorsed. The Secretary of State for Employment circulated a revised version to colleagues directly concerned on 1 May with a view to joint publication with the Manpower Services Commission on 21 May. Comments will be requested by the end of September.

b) Benefits and allowances

i) Youth Benefit

E Committee agreed that YB should not be introduced, for the reasons set out by the Secretary of State for Employment in E (81) 34. They recognised however that although there were severe practical objections YB was in many respects attractive in principle. It should therefore be put on ice rather than written off and could be considered again in the autumn when the outcome of the consultations on the NTI was considered. If it were then confirmed it was impracticable to introduce it, it might be possible to reconsider it at a later stage when further advances had been made towards the longer term aims of the NTI and all young people could be offered a realistic alternative to involuntary unemployment.

ii) Training Allowances

The review of MSC training allowances agreed by E has now been put in hand.

iii) YOP Allowance

As agreed, the DE will consider the possibility of lowering further the real value of the YOP allowance at the next uprating in the autumn of 1981.

c) Unemployment and Supplementary Benefit Rates for 18 year olds

The Social Services Secretary has pointed out (letter to Chancellor of 9 April) that the benefit rates for the November 1981 uprating have been announced, but he will consider the matter further when the question of youth benefit is taken up in the autumn.

d) Proposal for 1,000 trainees in Army

The Employment and Defence Secretaries will shortly put forward a proposal involving an additional bid of £2 million.

e) Other proposals in CPRS report on unemployment and young people

The Secretary of State for Employment has asked the interdepartmental Manpower Group to consider further the remaining CPRS proposals on unemployment both of young people and adults, including an appraisal of the scale and nature of unemployment problems over the next two years and the approaches (other than macro-economic) open to the Government for coping with these problems (including the possibilities of additional support for apprenticeship training, the scope for earlier retirement and further support for community work). The Secretary of State will report to E Committee in early July on what further action could be taken.

II. Prospects for youth unemployment next

2. School leaver unemployment reached a peak of 282,000 in July 1980 and would exceed 300,000 in July 1981 but for 3 factors:

a) A higher proportion of 16 year olds than usual may have left at Easter because supplementary benefit will not be available to summer school leavers this year until September (DHSS have agreed to review the SB arrangements when the effects of the change this year are clear);

b) for the same reason, some summer leavers may not register for work or may delay their registration, which would affect the number counted as unemployed, although there is still an incentive to register to obtain a YOP place.

c) the expansion of YOP means that some 25,000 more young people than last year will be in YOP.

3. The combination of school leaver unemployment and seasonal factors will however push up total unemployment this summer. Annex 1 is a projection of total unemployment prepared last month for the Prime Minister's Office on the given assumption of a monthly rate of increase in the seasonally adjusted series of 60,000. Annex 2 is a projection prepared in the Department of Employment based on the expected path of output over the period (which is not dissimilar to the path based on the assumptions in the Public Expenditure White Paper). The latter projection leads to a significantly lower path of unemployment; broadly, the levels that are reached in the second half of 1981 in Annex 1 are not reached in Annex 2 until the first half of 1982.

4. The following factors could affect the level of youth unemployment:-

a) the MOD proposal for 1,000 Army places could make an impact this summer: the scheme could be operative within a month or two of approval.

b) MSC will consider in June whether YOP will need additional resources in 1981-2. MSC is capable of providing more places than at present planned, but if an early impact was required, eg by mounting additional YOP training courses in September, the decision on additional resources would have to be advanced.

c) Training for Skill

The number of young people entering apprenticeships and similar long term training for skill in industry and commerce has fallen dramatically in the last two years both absolutely and as a proportion of the age-group. An estimated 100,000 (11% of all 17 year olds) entered such training in the 1979/80 training year; a fall to 82,000 (9%) is forecast for 1981/82. This is mainly the effect of the recession, and to that extent will aggravate the likely shortage of skilled labour in the upturn.

To counter this cyclical shortfall the MSC has already made available to firms, through ITB and non-statutory industrial training bodies, grants towards the first year costs of apprenticeship and similar training to encourage additional recruitment of up to 25,000 in 1980-1 and 1981-2.

In view of the substantial worsening of the position in recent months, as regards both recruitment and redundancy, the MSC is currently preparing proposals for extending these schemes, both in scale and to meet the emerging need to continue support in

some cases into the second year. A figure of £13m additional in each of the years 1981/82 and 1982/83 has been tentatively mentioned. If this were to be approved, it would enable support in the 1981/82 training year to be increased by a further 9 or 10,000 places.

6 May 1981

Department of Employment

ANNEX 1

PATTERN OF UNEMPLOYMENT, GIVEN A 60,000 A MONTH INCREASE IN THE SEASONALLY ADJUSTED SERIES, EXCLUDING SCHOOL-LEAVERS, FROM APRIL 1981

UK, Thousands

	Unemployed excl. school-leavers seasonally adjusted	Approximate seasonal element	Unemployed excl. school-leavers	School leavers	Total unemployed
	(1)	(2)	(1) + (2) (3)	(4)	(3) + (4) (5)
1981 Apr*	2446	- 1	2445	73	2518
May	2506	-52	2454	100	2554
Jun	2566	-86	2480	185	2665
Jul	2626	+ 1	2627	295	2922
Aug	2686	+52	2738	265	3003
Sep	2746	+50	2796	205	3001
Oct	2806	+31	2837	145	2982
Nov	2866	+26	2892	110	3002
Dec	2926	+13	2939	95	3034
1982 Jan	2986	+89	3075	100	3175
Feb	3046	+69	3115	90	3205
Mar	3106	+26	3132	80	3212

*published figures.

Pattern of Unemployment 1981-2

based on expected levels of output

UK, Thousands

	Unemployed excluding school leavers seasonally adjusted	Approximate seasonal element	Unemployed excluding school leavers	School leavers	Total unemployed
1981 Jan*	2228	89	2317	102	2419
Feb*	2304	69	2373	90	2463
Mar*	2381	26	2407	78	2485
Apr*	2446	- 1	2445	73	2518
May	2485	- 24	2461	90	2551
Jun	2525	- 62	2463	185	2648
Jul	2555	- 5	2550	295	2845
Aug	2585	41	2626	265	2891
Sep	2615	48	2663	205	2868
Oct	2650	25	2675	145	2820
Nov	2685	24	2709	110	2819
Dec	2715	16	2731	95	2826
1982 Jan	2740	89	2829	105	2934
Feb	2760	69	2829	90	2919
Mar	2780	26	2806	78	2884
Apr	2800	11	2811	68	2879
May	2815	- 24	2791	90	2881
Jun	2830	- 62	2768	185	2953
Jul	2830	- 5	2825	295	3120
Aug	2835	41	2876	265	3141

* Published figures

6 May 1981

Questions
U.F.
pa. YOP file
Ms.
Ms Pa

MARKS AND SPENCER AND THE YOUTH OPPORTUNITIES PROGRAMME

1. We touched last Saturday on the problems which Marks and Spencer has had with the Youth Opportunities Programme (YOP). Mrs Thoms gave Mr Pattison a brief note on these yesterday. I understand that you are still concerned about MSC's methods and you may, therefore, like a more detailed account of where we now stand.

2. Last December, I passed to Sir Richard O'Brien four complaints which the M and S Personnel Group had made:

- (a) Before agreeing that an individual store which had not previously offered YOP places could do so, MSC insisted on visiting the store and making a report - even though M and S had shown that they always operated the scheme properly. This meant extra paperwork and delay before school leavers could take up the opportunities on offer.
- (b) M and S's financial system allows for trainees' allowances to be reimbursed either centrally or through individual stores. M and S would much prefer one central agreement, but MSC insisted on area agreements (29 in all) which mean more paper and considerable inconvenience to M and S.
- (c) Offers of extra places had to be confirmed in writing and recorded on a separate legal agreement.
- (d) MSC's Bristol office asked M and S to run a short training course, but could not explain how it differed from the Work Experience on Employer's Premises (WEEP) scheme which M and S already ran.

3. Following my correspondence with the MSC (copied to your office) and discussions between M and S and MSC:

On (a): MSC stopped their visits to and reports on M and S stores not previously involved in YOP.

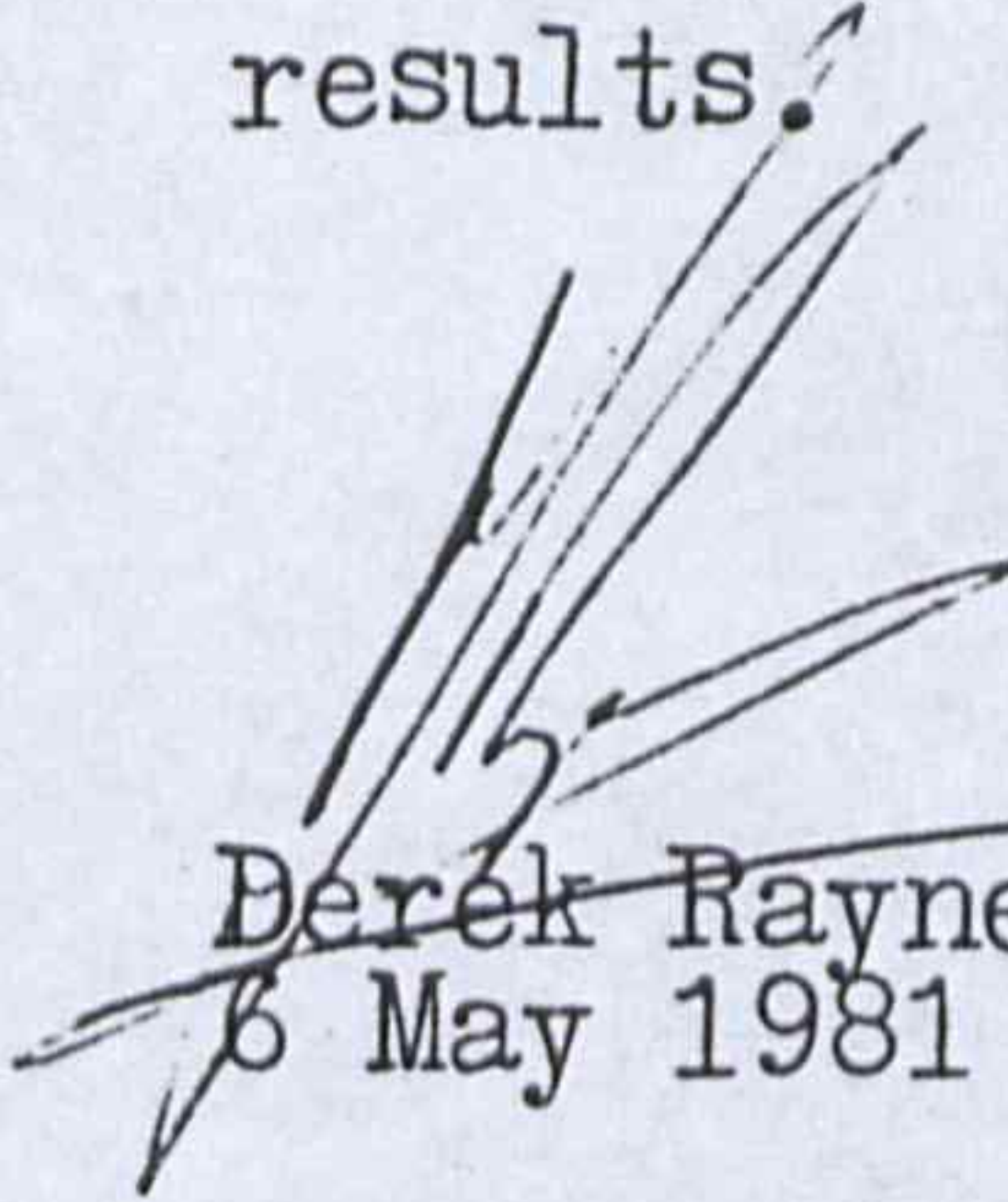
On (c): MSC will transfer written confirmation of extra places to the legal agreement.

On (d): MSC have instructed their Bristol office on the aims of the various schemes and told them they must not run overlapping courses.

4. That leaves (b), the central versus area agreements problem. This will be covered in MSC's 1981 scrutiny (terms of reference annexed). I have made sure that this scrutiny covers value for money from special programmes as well as procedures for dealing with sponsors.

5. In addition, at MSC's request, M and S are seconding a very able man - Mr Michael Johnson - to the scrutiny team.

6. I shall be watching the progress of this scrutiny carefully (it has been designated "particular interest") and believe it has all the ingredients for achieving very good results.


Derek Rayner
6 May 1981

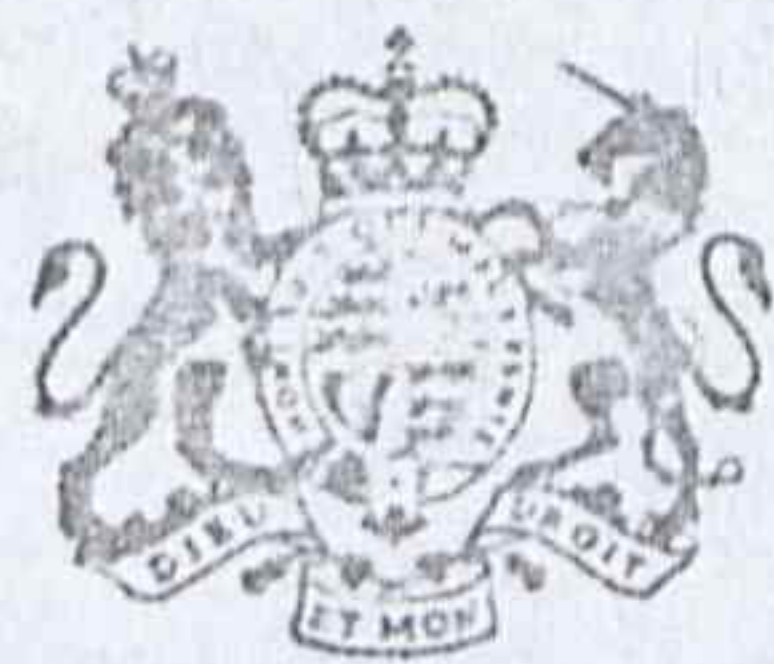
MSC's 1981 RAYNER SCRUTINY

Terms of Reference:

"To review the MSC's procedures and paperwork in recruiting, paying and maintaining relations with the sponsors of schemes under the Youth Opportunities Programme and Community Enterprise Programme, with a view to simplifying them so far as is consistent with the requirements of public accountability, to obtaining value for money from the programmes, and to ensuring adequate checks on fraud and abuse (including "substitution")."

of Mr Wolfson

Blind copy - Mr Luttrell



Prime Minister

CABINET OFFICE

Details of the

70 Whitehall, London SW1A 2AS Telephone 01- 233 8550

Marks & Spencer/MSD case. I will let

Please show to Jim Brown and for his comments re.

22 December 1980

you know next week whether Derek Rayner would be embarrassed by public quoting of this.

Sir Richard O'Brien
Manpower Services Commission

John Hubbard

Our Personnel Group at Marks and Spencer provided me with some notes recently on the MSD procedures surrounding the operation of the Youth Opportunities Programme. They told me as follows -

"Offers of Extra Places: should be made in writing - many MSD offices will not accept an offer over the telephone.

Agreement of Places: The MSD have a policy of visiting all prospective sponsors before agreeing to the allocation of places. Although all our stores offer the same training and conditions, each new store is visited and a report written before places are agreed. This results in a tremendous backlog of work and the MSD are still considering a few of the places which we offered in August. Some MSD officers even visit if the new offer is just an expansion of an existing scheme.

Decentralisation of the Scheme: Although we realise the reason for this (to invite a local involvement), we would prefer one central Agreement. Many MSD offices are reluctant to operate Area Agreements covering several stores and both the catering and retailing programmes. We constantly remind some offices that we do not wish to have individual store Agreements (this would result in 202 x 2 Agreements). Although an Area Agreement system is supposed to be possible, many stores are also allocated individual scheme numbers.

Different Opportunities within YOP: Stores are often approached to help in other ways eg short training courses. One recent example highlighted the fact that many schemes overlap:- We were asked to offer a 13 week training course in retailing and we were offered £70 per week for 8/12 places. On investigation we found the course very similar to our existing WEEP scheme. We chose to increase the number of WEEP trainees - at no charge."

This strikes me as rather laborious and duplicative. May I have your comments at leisure? If we could arrive at something less burdensome, I think it would help everyone concerned.

Derek Rayner
DEREK RAYNER

MD 23/12



Maupower

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6 May 1981

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

MBM
12 45

See Jim

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 5 May proposing that we restore Clause 4 of this Bill in an amended form which would distinguish between establishments with and without the bulk of their employees inside an enterprise zone, for the purposes of giving relief from the ITB levy.

I understand why you favour this course. In particular I can see that there is a difference between exemption from the ITB levy, which can be regarded as a tax on employment, and the other fiscal incentives which are related to buildings or the land they occupy. I also recognise that, in principle at least, an employment related incentive could prove particularly attractive to firms in certain industries and thus in theory at least be open to abuse.

Nevertheless, I am not attracted to the amended form of the clause you propose. We cannot know in advance whether firms will seek to abuse the ITB levy exemption and I am against taking powers requiring further administrative interference to deal with what may turn out to be a trivial problem. Small firms find the levy and its associated paperwork a burden and I am keen to avoid any extra bureaucracy if we can. The scheme you propose would tend to increase rather than diminish the paperwork associated with the ITB levy for many establishments in enterprise zones.

Consequently I remain opposed to the proposal described in your letter. However, since, at the same time, I do recognise that there is, in principle, potential scope for abuse, I can see a case for taking order-making powers to restrict the scope of the clause later - if widespread abuse became

/evident. I



evident. I believe that if our reasons for taking such powers were explained fully to the House - namely our desire for contingency powers to block an abuse whose likelihood cannot be gauged in advance - we would be able to get the measure through. Moreover we could find that taking the minatory powers was sufficient to discourage those who might otherwise have exploited the position.

I hope therefore that you can agree to a clause in this form rather than that proposed in your letter. If, however, you feel unable to agree, perhaps we could have a word, together with Michael Heseltine, in the margins of Cabinet tomorrow, in view of the urgency involved.

I am sending copies of this letter to the recipients of previous correspondence.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "G. Howe", with a horizontal line underneath.



Caxton House Tothill Street London SW1H 9NA

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Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

5 May 1981

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 29 April in reply to mine of the 23rd. You will also have seen the letter from the Private Secretary to the Prime Minister of 27 April.

In the light of your views, and of those of the Prime Minister, I agree that we should seek to restore to the Employment and Training Bill some kind of provision about exempting establishments in Enterprise Zones from levy imposed by an industrial training board, and from the obligation to provide information to such a board. However, if we do this, I am very much in favour of seeking to restore the clause in the amended form referred to in paragraph 4 of my letter, which the Prime Minister seemed to favour.

You referred in paragraph 3 of your letter to the fact that it is undesirable to discriminate between one firm and another in an enterprise zone. I quite agree with this, and that is one of the reasons why I rejected the possibility of expressed exclusion of the Construction Industry. I understand that the pressures to which you referred were pressures to exclude particular sectors, such as retailing, from the relief from rates available in the zones, or pressures to confine relief to new establishments. I can see that if it were proposed that we should exclude a particular sector, such as Construction, from the relief in respect of industrial training levy, then this might give rise to further pressures from other sectors for special treatment in relation to other enterprise zone benefits. However this is not what the proposed amendment would involve. It can best be seen not as discriminating between firms within an enterprise zone, but as getting right the definition of what counts as being in an enterprise zone for the purpose of relief from industrial training board levy. For the same reason I think that the proposed amendment is quite different from a provision which would confine relief to



new establishments. In the light of this I do not think that such an amendment need lead to pressures of the kind you describe, but insofar as it did they could surely be resisted by pointing out the essential difference to which which I have just referred.

I do not think that it would be particularly difficult to restore the clause as amended as I suggest, but I do think that it would be difficult to seek to restore it as originally drafted, as it has aroused criticism on the ground that it could have the effect of extending the benefit of relief from levy to many people working outside the zone. Peter Morrison accepted in Committee that this was a problem, and said that we would be looking at it. We can hardly use the argument that an amendment to deal with this problem would entail giving way to other pressures because, as I have explained above, the situations are not comparable. Thus the only reason we can put forward is that the amendment, as compared with the original clause, would involve a marginal increase in form filling, in that some employers would have to provide information in respect of their employees who work outside the zone. This does impose a slight extra burden on establishments in the zone, but it would not be justifiable, in order to try to avoid this, to permit the large scale anomalies that the clause as originally introduced could lead to. There is a real danger that the Enterprise Zone concept may be damaged if companies can make use of it to avoid paying levy on large numbers of employees outside the Zones.

I think that an order making power to restrict the scope of the clause later if the potential loop-hole were seriously exploited would be difficult to get through the House, because we would obviously be under pressure to draft the clause now in a way which does not permit abuse rather than take a power by order to redraft it later when such abuse had already happened.

For the above reasons I now think that we should seek to restore the clause in the amended form referred to in my earlier letter. I understand that Report Stage is unlikely to be before 11 May, but we need to get this resolved quickly so that the necessary clause can be tabled in reasonable time. In the meantime my Department is asking Parliamentary Counsel to draft the amended provision so as to keep open this option.

I should be grateful if you would let me know by Wednesday 6 May whether you can agree what I now propose.

I am sending copies of this letter to the recipients of the previous correspondence.



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Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

/ May 1981

Dear Chancellor,

NEW TRAINING INITIATIVE

E Committee on 26 March invited me to seek to agree with the Manpower Services Commission a consultative document on the lines of the draft circulated with E(81)33, with a view to joint publication.

I attach a revised text which has now been agreed by the Commission, and which the CBI and TUC Commissioners are recommending to their organisations for endorsement. Subject to that, and our agreement, the document could be jointly published by the end of this month.

The text has been improved in a number of ways. Changes are indicated by sidelining. In particular paragraphs 36 onwards give more prominence and emphasis to the action required of employers, unions and others as well as of Government and the MSC. The concluding section, paragraphs 59-62, stresses the need for immediate action as well as points for consultation.

All parties represented on the Commission pressed for inclusion of a firm commitment by Government to increasing public resources for training. I made clear that we could not give such a commitment. The outcome is reflected in paragraphs 40 and 51, which are I think fully consistent with our position and are the least we can say at this stage if we are to carry the parties with us.

A statement of major policy, on a matter of this importance, agreed between Government, CBI, TUC and representatives of educational interests is I think a considerable achievement, crucial to the success of the objectives and possibly of wider significance. If we are to reach agreement - and I think we shall never have a better opportunity - we have to take the document as it now stands. I therefore propose that we should do so but contribute a Foreward on the lines of the attached draft on which I would welcome comments. This would be signed by me, Mark Carlisle, George Younger and Nicholas Edwards as the Ministers directly concerned. I envisage that Mark would join me and Richard O'Brien in presenting the document at a Press Conference.



I am copying this letter to the Prime Minister, Mark Carlisle, George Younger, Nicholas Edwards and Sir Robert Armstrong and would be grateful for views by 8 May.

Yours sincerely

RTB Dykes

R T B DYKES

(Approved by the
Secretary of State
and signed in his
absence)

DRAFT FOREWORD TO NTI

To be signed by S of S's for Employment, Education
and Science, Scotland and Wales

At least since the 1950s vocational education and training have been the subject of continuing public debate and attention; yet to a considerable extent we still lag behind our competitors in having an educated, trained and flexible labour force.

Much of our vocational education and training is excellent, and a number of steps have been taken to make it more responsive to the nation's present and future needs. But overall not enough training is done, too much of it is misdirected and inflexible, and not enough use is made of the nation's available skills.

This document spells out three important objectives for the 1980s and beyond: first, better arrangements for skilled training to agreed standards; second, improving the vocational education and training of all young people; third, opening up more opportunities for adults to train. Whilst many of the individual points are not new they are here presented as a coherent package showing what employers, trade unionists, central government and the education services are doing and must do to help achieve the objectives.

This will make demands on all parties and may call for a reassessment of

priorities in the use of resources. But it will also bring benefits to all, in the short and the long term.

The Government therefore joins with the MSC in issuing this document, as a basis for consultation and a call for action.

A NEW TRAINING INITIATIVE

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What the Problem Is	Paras 5 - 15
What We Have Been Doing	Paras 16 - 22
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Annexes

- Annex 1 Alternative Approaches to Initial Occupational Training: France and West Germany
- Annex 2 Examples of Schemes of Improved Vocational Preparation for Young People

Introduction

1 Training is not given sufficient priority in Britain. It is costly. The pay off may take a long time and people's perspectives are short. Not enough training is done and some that is done is misdirected and wasted. As a result many people are less productive and derive less satisfaction and reward from their work than they might. Although there are many examples of excellent training, our performance overall is patchy and our arrangements inflexible.

2 The time has come when we need to draw up and agree objectives to which all of us - especially Government, employers, trade unions and the education service - can work in the 1980's. This paper is about why we need such a programme of action, why it is so urgent and what the objectives might be. It is also about what the Government, employers, unions, the education service and others are doing, particularly through the agency of the Manpower Services Commission.

3 The paper is addressed to everybody with an interest in training in Britain - to managers in industry, commerce and the public services; to trade union officials and members; to educationists; to Industry Training Boards and other training organisations and to many others. What we would like to know is whether you agree with what is said in this paper and how we should proceed.

4 Your views matter. Unless we choose the right objectives and everybody concerned with training is committed to doing something about them, little will change. Some things are already on the move. We want to increase the momentum, starting now. But we also have important decisions to take in the autumn about the way forward, about resources and priorities. Before then we need your views. Please send them by 30 September to the address given at the end of the document.

What the Problem Is

5 For prosperity and growth we need to invent, to innovate, to invest in and to exploit new technologies. We must have products and services people want at prices they will pay. We must exploit new and growing markets to replace those that are declining. All that we do must be at least as well done as it is by our competitors - and there are more and stronger competitors now than there used to be. There are and will be great opportunities in the 1980s for both industry and commerce. To take advantage of them we need to adopt the new technologies - microelectronics, bio-technology, advanced chemicals, new materials, computer applications, energy and communications systems together with a host of lesser innovations affecting individual sectors, products and markets. Our standards of production and services must be every bit as competent, efficient and reliable as those of our competitors.

6 All this can be done but it means change and improved performance. This will not come right if we simply continue as we are. The nature of the technological changes now being implemented throughout the world, the emergence of the newly industrialised countries, the redistribution of manufacturing capacity worldwide all mean that we have entered a period of rapid and far-reaching transition.

7 Its effects can be seen clearly in what has been happening to jobs. Those jobs that require very limited skills have been disappearing rapidly: 600,000 were lost between 1971 and 1978, and even more will disappear in the next 5 years. Blue-collar jobs are fewer; white collar jobs will outnumber them by 1985. There has been a sharp falling away in the numbers of traditional craft jobs and a marked increase in demand for technicians and technologists. Employment in manufacturing has fallen and jobs in the service sectors have increased. All these changes will continue in the 1980's. The more successfully we compete in world markets, the more rapid and far-reaching the changes will be.

8 These changes are being felt in individual enterprises. Once it was possible for a firm to survive and grow if it had a small nucleus of trained craftsmen, managers who had come up by that route, a relatively small amount of support from professionals and technicians and a force of ancillary workers or operatives who possessed the limited skills necessary for the immediate job. The new markets and technologies require a more highly skilled, better educated and more mobile workforce in which a much larger number of professional and technical staff are supported by a range of more or less highly trained workers who perform a range of tasks and who are involved in a process rather than the repetitive assembly or manufacture of a part of a specific product.

9 Many firms are not finding it easy to cope with these changes. Even now, at a time of very high unemployment some lack key technical and professional skills, particularly in new growth sectors. There is a great risk that the ability to take advantage of an economic upturn will be severely constrained by such shortages and by the inability of firms to adapt swiftly enough. To do this many firms need to change or upgrade the skills of their existing workforce. Often they find they cannot easily do so. Sometimes facilities are not available; sometimes, because there are obstacles which prevent those who might be so trained from using their skills,

the investment is not thought worthwhile and individuals are reluctant to train.

10 If firms are having difficulty in adapting, so too are people. At a time when the potential workforce is larger than ever and unemployment is exceptionally high the prospects for many are bleak. That is not only because of the recession. People with little skill to offer - and there are very many - have less and less chance of getting or retaining a job. Young people face special difficulties and youth unemployment has risen to the point where 1 in 6 of all those unemployed is under 19. Many older workers, even when they have opportunities, find the new requirements too demanding. In many parts of the country, local communities are in decline because they lack the skills required to attract inward investment or enable new local enterprises to flourish.

11 It is not surprising that we find ourselves in this position. Even apprenticeship, traditionally the heartland of Britain's training provision, is proving increasingly inadequate to present and future needs. The skills it covers are no longer those in most demand or always relevant to the jobs in which the new apprentices will be working. Those who choose to stay on in full time education after the age of 16 find when they leave school that they are too old to be admitted to apprenticeship. There are far too few opportunities for girls outside a very restricted range of jobs and occupations traditional for women. In localities where new skills are badly needed - those where old industries are in sharp decline - the number of training opportunities is dropping because some industries are closing or contracting and the struggle for survival means that those that remain are recruiting and training fewer young people.

12 For too long we have treated training and education as a once for all experience at the start of life - as if circumstances and requirements would remain unchanged. In consequence, there have been few chances for adults to start afresh or add to what they have. Employers have too often taken or been forced by financial problems to take a short term view and relied heavily on being able to buy in the skills they need from the market place. Training has been seen as a dispensable overhead rather than an investment for the future. In some parts of the country trade unionists have taken an equally short sighted view in the restrictions that have been placed on the acquisition of skills and their subsequent use or updating.

13 Meanwhile, at school young people have often been less well prepared than they should be for working life. The vocational relevance of much that they have been taught has not been made clear to them. On leaving school opportunities to gain comprehensive training have been limited to the relatively small number of occupations,

including apprenticeships, for which this is customary.

14 In all these respects our methods and attitudes contrast markedly with those of our competitors. All the evidence we have suggests that only about half of the young people in Great Britain continue in full time education or further vocational training after reaching the minimum school leaving age and this compares very unfavourably with the practice of our major foreign competitors such as France and West Germany (See Annex 1).

15 The fact is that, for all the excellent training that some firms offer and that unions sometimes seek, we now lack a reliable system or clear framework for providing either the key skills the new technologies demand or the wide range of skills at many different levels which all firms increasingly need.

What We Have Been Doing

16 Yet for all these weaknesses and urgent problems, significant developments have taken place in the last few years.

17 Many companies, firmly supported by Industry Training Boards, have been moving towards a more systematic appraisal of their training needs, present and future. Some have replaced what they regard as outdated categories with new grading structures reflecting the wide spectrum of skills and different levels which a modern firm increasingly requires. More attention has been paid to technical training and to training for white-collar jobs. Some effort has been made to increase opportunities for girls in non-traditional occupations. There have been big improvements in the quality of skill training in some key sectors. Many firms now provide a substantial period of off-the-job training followed by planned work experience. The object has been to give trainees, including apprentices, a wide range of skill based on a solid foundation of theoretical knowledge. In many firms and sectors and for many occupations the "modular" approach is gaining ground. Under this the employer can build steadily over time on an increasing body of skills, knowledge and experience which starts with basics and continues at more advanced levels. Yet, for all this, in the last few years the Manpower Services Commission has had to give financial support to no fewer than 165,000 apprentices and other young people training for technical skills in order to sustain a future supply of the key skills employers will need.

18 Since 1976, the experimental pilot programme of Unified Vocational Preparation has sought to test new approaches to providing a foundation of training and related further education for young people in jobs where little or no training would otherwise

have been available. The evaluation of this experiment by the National Foundation for Educational Research makes it clear that most of the employers concerned, all of whom contribute to the costs, consider the improvement in the motivation and performance of their young employees well worth the effort and expenditure involved. About 3500 young people undertook a UVP course in 1980/81. The programme is being expanded but, even so, only a small proportion of those who could benefit will be covered.

19 In the schools and in the further education service also many changes have taken place. More and more schools have been developing links with local employers or have taken part in schemes promoted by the Schools Council, the CBI and others. The City and Guilds of London Institute has designed a foundation course for those intending to enter jobs directly when they reach minimum school leaving age. In Scotland the "Education for the Industrial Society" project is now in its fourth year. Colleges of Further Education have made considerable efforts to adjust to the changing requirements of employers, not least for technical skills. More attention has been paid to the training needs of those with few, if any, academic qualifications. The Further Education Curriculum Review and Development Unit has published several important reports including "A Basis for Choice" which shows the potential of pre-vocational courses. Yet, for all this, there is still a widespread feeling that much more could and should be done.

20 As youth unemployment has risen, particularly amongst school leavers and those with fewest academic qualifications, the Youth Opportunities Programme has been rapidly expanded to provide up to a year of training and work experience for unemployed teenagers, (though there is much to be done to improve the quality of opportunities under the Programme). Since 1 April 1978, 720,000 young people have passed through the Programme. It has catered for an increasing proportion of school leavers: 1 in 8 in 1978/9, 1 in 4 in 1980/81. Employers have provided two thirds of the opportunities and both in this and their subsequent recruitment of many of those who have been through Programme have shown that they regard the training and experience provided as relevant to their needs and the young people equipped and better motivated. Some measure of the task we face is that over the next decade some 3 million young people may be leaving school, with few if any academic qualifications to compete for whatever jobs are available.

the 1970s.

21 Opportunities for adults increased notably in / A recent study sponsored by MSC and the Department of Education and Science ("Education at Work"; July 1980) estimated that in the 1976/77 academic year some 3-4 million employees aged 19 or over undertook some kind of training or education as part of their employment ie primarily in working hours. Some firms have made much more systematic attempts to identify and meet needs

for retraining and upgrading amongst their existing employees. Over 350,000 adults have completed training of this kind under the Manpower Services Commission's Training Opportunities Scheme. ^{in the last 5 years} There have been cutbacks in TOPS provision in recent years, but the scheme is still planning for 60,000 course completions a year. For some this is a belated chance to get a first skill. For others it is a chance to update or retrain. The majority of trainees have found jobs readily and use what they have learned. Additionally the Manpower Services Commission's training services for which employers pay directly have been expanded and some 30,000 adults a year now have a chance to top up their skills or retrain by this means. Yet, for all this, the potential demand from trainees far outstrips the opportunities that are available.

22 Taken together, these efforts are large in scale and their achievements substantial. The resources devoted to them by private and public sector are considerable. But they are patchy and the plain fact is that the scale and nature of events is running ahead of the capability of institutions, private or public, to deal with them. The experience we have shows us what can be done and how to do it. But a new approach is needed if we are to succeed.

What Needs to Be Done

23 As a country, we must now set ourselves the aim of achieving urgent and radical changes to our training arrangements if our industry and commerce and our workforce - both young and adult - are to be adequately equipped to face the future. There are three major and inter-related aspects to the task:-

1 we must develop skill training including apprenticeship in such a way as to enable young people entering at different ages and with different educational attainments to acquire agreed standards of skill appropriate to the jobs available and to provide them with a basis for progression through further learning;

2 we must move towards a position where all young people under the age of 18 have the opportunity either of continuing in full-time education or of entering training or a period of planned work experience combining work-related training and education;

3 we must open up widespread opportunities for adults, whether employed, unemployed or returning to work, to acquire, increase or update their skills and knowledge during the course of their working lives.

24 The following paragraphs explain what each of these three objectives implies.

Developing Skill Training

25 Apprenticeship at its best does provide excellent foundation training but it tends to lack flexibility and the limited range of skills for which it is available are not necessarily those most needed for the future, particularly in the light of technological change. No one now believes that providing skill training on leaving school can equip a person once and for all for working life. To take advantage of the rapidly changing requirements of markets and technology, employees will need to be able to develop or change their skills. However the basic concept of providing a foundation of skills and knowledge by a combination of off the job training, classroom teaching and work experience is as relevant as ever.

26 The compelling need therefore is for a training system which enables all workers to acquire a basic range of skills and to develop and adapt them throughout their working lives. This means specifically that:-

- 1 employers and trade unions need to focus through agreed arrangements on the range of skills and knowledge to be covered and the level of performance required and to embody these in "standards" which employers, unions and individuals alike will recognise and accept;

- 2 opportunities for skill training and related further education need to be opened up in appropriate forms to young people who continue their full-time education until the age of 18 or 19;

- 3 similar opportunities need also to be made available in an appropriate form to adults, recognising the experience and skills which they have already acquired;

- 4 the arrangements agreed need to recognise that different individuals have different learning speeds and that what matters is that an individual can demonstrate the necessary competence.

Preparation for and Entry to Working Life

27 The situation facing us and the experience we have gained in the last two or three years make it clear that we cannot and must not rest there. In the modern world, an employer needs people who have both a foundation of skills, knowledge and experience which they can apply to practical problems and familiarity with and some knowledge of a range of tasks, activities or processes in which / ^{the employer} is, or may be, engaged. This foundation of training and planned work experience is, or should be, an integral part of the essential developments for apprenticeship. But in a world from which so many unskilled jobs are disappearing, it is more and more an essential for all young people if they are to get and retain jobs in the 1980s.

28 Much effort has been expended - here, in Europe, in North America - to identify a broad foundation of generic skills and knowledge essential for individuals if they are to make opportunities for themselves today. The Schools Council, the Further Education Curriculum Review and Development Unit and a number of studies carried out by Industry Training Boards and the Manpower Services Commission have produced lists. Most are not academic but severely practical. When academic knowledge is involved, it is familiarity with-and some competence in-the practical applications of that knowledge that employers seek.

29 Moreover employers know that an individual is much more valuable and is much more able to adapt to change if he or she has acquired some competence and practical experience in a range of related jobs or skills rather than being limited to the ability to perform one task in one context. This is the lesson of recent developments in apprenticeship and technical training and, at a different level, of the pilot Unified Vocational Preparation Programme. It is a lesson our competitors learned some time ago (as Annex 1 clearly shows) and those firms who have studied the methods and performance of their competitors in Japan, Europe and North America are impressed by the way they have extended this principle and practice to many different levels within their enterprises.

30 We are beginning to do the same here. Annex 2 gives some examples in both the private and public sector. But progress has been very slow. There has been some talk but much less action. To increase the productivity and adaptability of firms and to reduce the vulnerability of individuals to unemployment we must make progress rapidly. All young people under 18 must acquire the essential foundation in school and at work or in further education. The schools and colleges can do more, and need to emphasise their role in providing a foundation for progress in working life. But many work skills are best acquired at work. The Youth Opportunities Programme has demonstrated that work can be the mainspring for motivating many young

people towards learning and that learning takes place through a combination of work and work-related training and education. It is not a question of choosing between providing the foundation in school, further education or at work. A continuous process is needed, starting, for all young people, in school or full-time education and leading, for all, to work.

Wider Opportunities for Adults

31 The first two objectives alone do not meet all the requirements. Modernising skill training including apprenticeship may open up some opportunities for adults, particularly those in their late teens or twenties and particularly those who missed their chance or never had one when they left school. In time, a new foundation of training and planned work experience for young people under 18 will equip growing numbers of the working population with a base on which they can build as circumstances change or requirements dictate.

32 There are, however, at least four kinds of need that will not be met in these ways:-

1. growing numbers of adults with relatively few skills or with skills restricted to a narrow range of manual operations or office tasks are needing a chance to make a fresh start through accelerated training for jobs in growth sectors. The Training Opportunities Scheme shows what can be done here but is, in itself, insufficient to meet the scale and range of requirements, not least because it is restricted to unemployed people;
2. growing numbers of those with competences which have become outdated or rusty through lack of practice are seeking retraining or refresher courses. They include large numbers of married women returning to work;
3. growing numbers of skilled people are looking for progression to more demanding or responsible work. For example, skilled craftsmen are looking for upgrading to technical or supervisory posts. All too often there is no clear way forward within the limits of the particular organisation; and
4. firms and individuals alike are seeking means of responding rapidly to new demands. For example, firms in the mechanical and electrical engineering sectors are needing rapidly to acquire new electronic skills; clerks are needing rapidly to learn computer skills. In such cases, adults need additional modules of skill and knowledge to graft on to existing competences. It is not easy for them to find them.

33 For all these reasons, much wider opportunities for adults are needed - at the workplace and in the home, full or part-time, narrowly job-related or much broader in scope. Moreover, modern technology itself, including distance learning and computer assisted learning, is making all this increasingly possible if only the need for opportunities is recognised and the will and resources to provide them are there.

The Three Objectives: General

34 The three objectives offer great advantages but also require much:

1 To employers they offer a much more assured supply of key skills; a more versatile, more readily adaptable, more highly motivated and therefore more productive workforce; better utilisation of skills and more cost-effective expenditure on training. At the same time they require a new attitude to investment in training, a willingness to do more for more people and a readiness to make the resources of the workplace available for learning and work experience, especially for young people;

2 To employees, and their unions they offer a better start in working life for all young people, greatly increased opportunities for career progression in later life and full involvement in decisions about content and standards. At the same time they require removal of out-dated barriers, particularly in key areas of skill training, access to jobs for all who can demonstrate agreed standards of competence. They also involve a continued acceptance by those involved in collective bargaining that those undertaking training may not be able to command the full wages paid to more experienced workers.

3 To the Education Service they offer a realisation of many hopes and aspirations for young people and a key role, in partnership with employers and unions, in positive action. At the same time they require that some traditional approaches and values be modified or abandoned, that new techniques be adopted, that there be fuller use of resources and that the need for in-service training and retraining be met as the requirements make new demands of many teachers and staff.

35 To achieve all three objectives will call for sustained effort over a considerable period. They require commitment by all parties. That commitment can only come from the conviction that they are not only desirable but also practical. The following section deals with some of the major questions that will need to be considered.

Achieving the Objectives: the Framework

36. There are three major questions to be resolved: who should bear the costs; what organisation is required; and by what means should we seek to make progress. There are no simple and obvious answers to any of these questions. But three things are clear. First, there will have to be a significant increase in the resources devoted - whether by government or industry/^{or both} - to training. Much can certainly be achieved by more efficient training methods; but, as the early parts of the document argued, our total national investment in training is not enough. Secondly, we must look to develop or reinforce institutional arrangements which are robust and effective, and in which all partners in industry can have confidence. We need machinery, for example, to set and monitor appropriate standards of skill achievement; to promote training practices which will ensure that high standards of skill are achieved; and to help the workforce to /^{adapt} to changing demands. And thirdly, we must have the statutory underpinning which is essential to ensure that adequate resources and machinery are available. There are doubtless many ways by which these three necessary conditions for progress could be met: it is the purpose of this document to suggest some of the options, and to highlight the crucial issues which have to be considered.

(i) Bearing the cost

37. Achievement of the objectives will benefit employers, individuals and the country alike. Employers will benefit from the improved motivation and performance. They will also benefit from having a more adaptable workforce capable of more rapid development and change. Individuals will benefit from a wider range of skills, increased capability and therefore less vulnerability to change. The country will stand to gain the net benefit from improved industrial performance and hence increased wealth. It seems reasonable therefore to expect these beneficiaries to contribute to the costs.

38. Many employers already spend a good deal of money each year on training. What is proposed here would require more resources; but it should most certainly provide a much greater return on the investment. If that is so, it is fair to expect that the employer should remain a major contributor.

39. Whilst training yields private benefits, it also yields public ones. It is important therefore to consider what should be the basis of the shared responsibility between public and private support. Training can rightly be seen as an investment in the stock of skills, knowledge and experience on which the community as a whole draws. There is recognition of this in the substantial contribution which the Government already makes towards the cost of general and vocational education, and

to meeting the training needs of unemployed people. There has also been in recent years a significant programme of support measures to help meet key training needs, eg where provision would otherwise be inadequate or where economic recession inhibits the taking on of trainees.

40 However, even if there is scope in future for applying the large sums currently devoted to special programmes for the unemployed to more permanent schemes of training, we must anticipate that there would be a need for a substantial increase in spending on training if the objectives outlined above are to be achieved. The speed at which these objectives are achieved will indeed be dependent in a large part on the extent to which additional resources can be found. The scale of resources likely to be needed, and the extent to which these should be contributed by employers or by means of public funding are matters set out for discussion in paragraph 60.

41 Trainees also must recognise that the investment in training benefits them, especially in the longer term. In other countries (see Annex 1) young people often receive a trainee wage or allowance and have a training status (much as they do under the Youth Opportunities Programme). They contribute in this way to reducing the cost of a foundation which improves their prospects of employment and subsequent progression. It is already the case in this country that apprentices and other trainees receive lower rates of pay than some young people of comparable age undergoing training. It would not be unreasonable in an expanded training system for both sides of industry to apply this principle in pay structures. What is much more open to question is whether either side of industry would be willing to see young employees on training courses designated as "trainees" and paid an allowance (as under YOP) rather than a wage or salary.

(ii) Organisation required

42 The key requirements are for machinery to secure agreement on standards; some means of planning developments and securing progress at industrial sector level between sectors, and locally; and some means of monitoring progress and quality.

43 The main instrument for change must be collective agreement at the level of the sector and the company. Progress depends on positive steps being taken by individual employers and trade unions. They are best placed to work out the kind of arrangements which fit their own circumstances. Unless employers recognise the critical importance to their own competitiveness of enabling their employees - whether white collar or manual - to develop their abilities through further training, there will be no progress. Equally unless unions recognise the force of the arguments developed in this paper any initiative will quickly founder.

44 However, collective bargaining, combined with wider employer awareness of the benefits of training, needs the support of appropriate sectoral (or other) bodies in order to secure the overall commitment to achieving the key training objectives. With MSC we already have a statutory framework which provides for the establishment of Industry Training Boards; and there are a number of industries where non-statutory organisations do much to stimulate training provision. What we have now to decide is how to use this framework of statutory and voluntary approaches to maximum effect.

45 It is of prime importance to the achievement of the objectives that the country now has training institutions with considerable experience of setting standards and developing courses to meet the needs of employers. Such bodies as the City and Guilds of London Institute, the Royal Society of Arts, the Councils for Technician Education and Business Education and their Scottish counterparts can make a valuable professional contribution in the area of testing standards of individual competence. Industry Training Boards and some employer organisations and research associations can also play a major part in terms of monitoring standards of industrial training provision. The objectives may well, however, require a new approach to identifying the achievements of trainees of all ages. It is clearly of the greatest importance to employers that they should know what each person can do and to the individual that his competence is recognised.

46 Finally, needs arise and people are trained in localities. Some local organisation is required. There are models and possibilities already in existence. The Manpower Services Commission's Special Programmes Area Boards have considerable relevant experience and provide a means of achieving the full involvement of the education service, local employers and trade union representatives. Other possibilities include a developed role for the Manpower Services Commission's District Manpower Committees or some new machinery linked to local education authorities.

(iii) How to make progress?

47 It is worth repeating that no progress will be made unless people believe the objectives are worthwhile and can and must be achieved, and unless employers, unions, and the education service individually and collectively, determine to move forward using the machinery of collective bargaining and agreement. Is it necessary to supplement this with some kind of new legislation? There are arguments both ways. Some would say that legislation is at best an irrelevance and that for progress to be made and results to be achieved there can be no substitute for a voluntary approach based on a sense of common purpose. They would argue that we should rely on the imperatives facing employers and workpeople and on the experience we have gained in the last few years through some of the initiatives described above. Others would

argue that the objectives are too urgent and important for that. They would say that employers, on whose initiative so much depends, are dissuaded from investing in training by the knowledge or belief that their competitors will not do so. They point to the statutory underpinning that has proved necessary to secure developments in Europe and elsewhere. Another view is that the question of whether new legislation is required will depend on the arrangements that are made for statutory machinery and for resources. Most people, however, would agree that there is little point in legislation that seeks to enforce requirements which employers, unions or the education service regard as unworkable. Legislation works best when it supports or enforces what is widely regarded as desirable and acceptable. Are there, on that test, purposes for which we may need to extend our existing statutory framework? If legislation were to be introduced, what form might it take, for example should there be a statutory duty on employers to provide adequate vocational preparation?

48 These, then, are major questions about the framework for securing objectives. We cannot make firm accommodations or take decisions on them until we have the views of all the parties involved. There is, however, plenty of progress that can be made in the interval necessary to allow discussion. In the next section we describe the action we are setting in hand and what we hope others will begin to do.

Who Does What Now?

49 Employers - whether in the private or public sectors - are, and will remain, the main providers of training; their employees the main beneficiaries. Though the state has a prominent part to play, the country naturally and properly looks to employers (and their representative bodies) and unions to grapple purposefully with the problems this paper outlines. What should that mean? First, a hard look at the situation in each company and industry, with a view to agreeing where reform, development or expansion of training provision is most urgent. We hope indeed that the response of employers and unions to this consultative document will prompt such a review. Second, the setting up, where appropriate, of joint machinery or studies to identify the obstacles to progress and a range of options to surmount them. Third, a programme for action - including the resources needed to achieve results. Without this sense of urgency, little will be achieved, however much the Government or MSC may contribute. The Commission therefore proposes to enter into discussions with ITBs, employers and unions in certain key sectors with a view to stimulating discussion - and action - on such matters as the modernisation and development of apprenticeship arrangements; recognised standards of competence to be achieved by trainees; and widening the training opportunities available to both young people and adults.

50 The Government and ^{the} Manpower Services Commission are fully prepared to play their proper part in support of industry's efforts. They see, in the period immediately ahead, scope for such support in three main directions.

51 First, on the recruitment of apprentices. There has been a very marked decline in the numbers of apprentices recruited this last year; and the prospect for this coming autumn is even more gloomy. Urgent discussions are already taking place with industry about anticipated levels of recruitment in relation to future requirements. Where the MSC is satisfied that all appropriate measures have been taken or are planned by industries to maintain adequate training levels, it will be approaching the Government to provide funds to increase the number of grants offered for first year apprentice training in 1981/82. In due course, the Government and the Commission will wish to be assured that continued financial support for apprentice training will be accompanied by agreements within the industry concerned on the kinds of action plan referred to in paragraph 49 above.

52 Next, the Commission is setting in train immediately significant developments in improved vocational preparation for young people. In the Youth Opportunities Programme it is our intention, as resources permit, to work towards the point where every 16 and 17 year old not in education or a job will have an opportunity for vocational preparation including training and further education. This year there will be a major expansion of the Programme. The present target is to provide 440,000 young people with opportunities in 1981/82. Quite as important as the scale of the Programme is our firm intention that it shall be developed as a programme of good quality preparation for work lasting up to as much as a year for those young people who need it.

53 The Commission has also embarked on important initiatives to secure better and more relevant further education opportunities for trainees in the Youth Opportunities Programme. For example, 12 Local Education Authorities are taking part in demonstration projects to explore ways of securing one hundred per cent coverage of young trainees and to draw lessons which can be applied elsewhere. Basic skill teaching materials are being designed and promoted and training for sponsors' staff still further improved.

54 By 1983/4, the Unified Vocational Preparation programme will be expanded to cover 20,000 young people in employment, a six-fold increase. So far the Programme has been small and confined to a few sectors and localities. Our intention is to use it now as a test bed for foundation training and further education for young people in employment who are not apprentices or trainees in other schemes and to publicise its achievements so that employers, the education service and employees can see the value of such preparation and take it up more widely.

55 The two Programmes - the Youth Opportunities Programme and Unified Vocational Preparation - will be planned and developed together in order to provide experience and a foundation on which provision for all young people in the age group can eventually be built along the lines of the second objective.

56 The third major thrust is to begin significantly to widen opportunities for adults. The Training Opportunities scheme will concentrate increasingly on key skills which are in greatest demand, particularly those in the field of microelectronics and computers. This will mean more emphasis on updating and adding to skills, not least for unemployed craftsmen, as well as on providing second chances for those with little to offer in transferable skills.

57 Additionally, the Government and ^{the} Manpower Services Commission believe that there is a need for a new spur to innovation in this field through increasing opportunities for "open learning" to improve access to training for all. MSC intends to do this by establishing an "Open Tech" programme, on which they have recently published a separate consultative document. Such a programme will use the latest technology to make training much more widely available, particularly to those in full-time employment. It will enable adults, particularly at technician and supervisory levels, to shape and develop their careers and to progress to higher levels of skill and responsibility. It will build on many recent developments such as the increasing flexibility and accessibility of telecommunications and the educational programmes developed by the broadcasting authorities.

58 The Government is itself a major employer. It has been negotiating changes in the apprenticeship arrangements, is revising its release arrangements for under 18s to improve their vocational relevance and has some experimental UVP programmes in operation. It will look at these arrangements as it is urging other employers to do to see how they might be developed in the light of the three objectives. It will also encourage other public sector employers to do the same.

Conclusion

59 These then are the actions we are already setting in hand and which others can also set in hand. This autumn, however, we must take other important decisions about the way forward, about resources, machinery and priorities.

60 We have set out the 3 major objectives (paragraph 23). We have explained why we think them essential. We have described the actions we have been taking and will be taking. But if we are to change attitudes to training in the way we believe essential for the future prosperity of this country and those who live and work in it, we must all have the will to move and agreement about what we should seek to achieve. That means that many other organisations, large and small, must do things too, and must be involved in the design as well as its implementation.

61 That is why we need your views on what we have said in this paper. In particular:

- 1 do you agree that the needs are as we have described them (paras 5-15)?
- 2 do you agree with the three objectives (para 23)?
- 3 what do you regard as the priorities for action and by whom?
- 4 what are you already doing to improve matters and what further actions can you set in hand?
- 5 what is the scale of resources likely to be required and to what extent should they be contributed by employers or by means of public funding (paras 37-41)?
- 6 how can the requirements for machinery best be met (paras 42-47)?

62 These are important questions, but there are also many points on which the document shows what sort of action is needed here and now. Whether you are a manager, an officer of a trade union or employers' organisation, an educationist or a training specialist, whatever your involvement with training may be, we ask you to consider the document in this light. We should like to hear from you by 30 September on the action you are taking, the possibilities you see for future development and the answers you believe should be given to the questions in paragraph 61.

Please send your views to:

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ALTERNATIVE APPROACHES TO INITIAL OCCUPATIONAL TRAINING - FRANCE AND WEST GERMANY

FRANCE

In France there is a national responsibility for the vocational training system, including the initial and subsequent training of young people and adults entering or already established in the employment field. The content and organisation of training are laid down by the national Government, such of it by law, but with considerable involvement of the social partners at regional and local level and reflecting agreements reached at national level between employer and trade union federations. Under laws of 1971 and 1978 all employees in France have the right to paid leave for education and training purposes.

Provision for 16-18 year old school leavers who have not yet found work and all unemployed workers over 18 is the responsibility of the State both in terms of facilities and finance. All other vocational training is financed jointly by the state and employers - the latter contribute through mandatory payroll taxes, one for training in general and the other specifically for apprentice training. In both cases the employer may be exempted from paying the tax if certain criteria are satisfied.

Much vocational education and training for young people is provided through the French school system. In 1978, 67% of young people eligible to leave school continued in full-time education - 27% receiving general education and 40% obtaining vocational education. A further 14% of young people entered apprenticeships, during which indenture, registration, day or block release at state run and financed training centres and final examinations are all compulsory. Only 19% of school leavers went directly into work or unemployment.

The French Government is particularly concerned to extend provision of vocational training to those young people who leave school with poor qualifications and little vocational orientation. Recent measures for this group (and some older workers) include state funded vocational preparation courses, 90% state funded periods of practical in-firm training and state subsidised "contracts of employment with training". Trainees under the first two measures above are not granted employee status during training.

The French Government has recently introduced legislation which will be fully implemented from 1 January 1982, for a system of vocational training for young persons up to the age of 23 and for other workers who have been employed for less than two years in the preceding five years. The aim is to provide systematic training at various levels in occupations by progressing through alternating periods of education/study and work training/experience, hence the title of the scheme "Alternance". Participants will include both employees and job seekers, (the latter financed by the State) and the scheme will be funded by government grants and revenue from increased taxes on employers .

WEST GERMANY

The national training system in West Germany demonstrates an effective combination of legislative provision and public co-operation.

The normal route to employment in West Germany is provided through the extensive apprenticeship system which is controlled through the Vocational Training Act 1969. Official Government policy is to make apprenticeships, normally lasting around 3 years, available to all young people seeking them, and in 1980, 50% of school leavers entered apprenticeships on finishing compulsory schooling. Apprenticeships are available in a wide range of occupations, and since 1969 the German Minister of Education has published an annual list of occupations (currently some 450) where apprenticeship registration and indenture are compulsory. The content of apprenticeship is prescribed by the Federal Government, and Chambers of Industry and Commerce (ie employers) are responsible for monitoring arrangements for apprentice training. Apprenticeships must include day or block release to general and vocational education provided by the provincial governments, and final examinations, conducted by employers and trade unions jointly. The Federal Government provides practical and financial assistance for apprenticeships, by subsidising group training centres, providing equipment etc, but the greater costs are paid by employers. (Apprentice wages are agreed in collective bargaining; apprentice rates are less than half those of a skilled worker and are based on the stage of training reached.) Under the Training Place Promotion Law (1976), the Government is empowered to impose a levy on employers if the supply of training places is deemed insufficient; money raised through the levy would be used to provide the additional training

places required, but so far this mechanism has not been applied, and the Government, in consultation with the social partners and training authorities, are considering amendments to the existing provisions.

A substantial amount of vocational training and education is provided for young people through the school system. In 1980, over 40% of young people elected to remain in full-time education after completing the minimum compulsory school period. (Young people may leave school at 15 in West Germany). This included 25% who stayed in a full-time general education, and 18% who continued in full-time vocational education. This latter figure includes those 15 and 16 year olds undertaking the Basic Vocational Training Year (BVTY), which combines practical training and education related to one of 13 broad occupational fields.

In 1980, only 7% of young people failed to receive some further training or education after compulsory schooling by going directly into unskilled employment or becoming unemployed. The Federal Government has declared its aim of achieving full coverage of school leavers in the vocational training system, and intends, as a first step, to extend present provisions so that by 1982 only 3% of school leavers will not receive post-compulsory school training or education.

The training effort in West Germany continues beyond skilled worker level, and due to the extent of the apprentice system much subsequent training is dependent upon successful completion of an apprenticeship. Figures from the official Vocational Training Report show the effects of the German training effort - in 1979, 61.2% of the active labour force (Germans only) held some vocational training qualification.

Summary of activities of young people after compulsory
school period

	Year	Full time general education	Full time vocational education	Appren- ticeship	Work or unemployment	Other or unknown
France	1978	27	40	14	19	-
West Germany	1980	25	18*	50	7	-
Great Britain	1977	32	10	14	44	-

* Including pupils in first year basic vocational training in schools.

EXAMPLES OF SCHEMES OF IMPROVED VOCATIONAL PREPARATION FOR YOUNG PEOPLE

1. This annex contains case studies of schemes introduced into industry and commerce in the last 3 years at the initiative of employers and unions and with their full support.

- A. "Bridge" Scheme of the Chemical and Allied Products Industry Training Board
- B. The New Entrant Scheme of the International Freight Forwarding Training Council
- C. Vocational Training for Young People in the Travel Industry
- D. The Post Office Cadetship Scheme

A. "Bridge" Scheme of the Chemical and Allied Products ITB

2. This scheme is designed to prepare young people for work in the chemical and allied industries. It starts in the last three years of their schooling (13 to 16 years) continues with a period of off-the-job basic skill training, personal development and further education followed by planned work experience, and ends in full adult employment at the age of 18.

3. The basic components are:

- a. Careers information aimed at (i) choice of science subjects and (ii) jobs in the Chemical Industries. A tape/slide package has been produced for (i) and a 22 minute colour film "Formula for the Future" for (ii). Work sampling is also provided at a number of firms.
- b. Basic Training and Personal Development - This is done through courses of off-the-job basic skill training and further education run at four technical colleges in Manchester and two in East London. It includes opportunities to develop personalities and attitudes, e.g. two weeks training at selected Lake District Youth Centres, taking a first-aid course, a two-day course in helping trainees present themselves for job interviews. Training packages and business games help trainees understand how the various functions of a business are inter-related.
- c. Planned Work Experience - During their one year off-the-job training the trainees spend a period in a firm to provide direct experience of different kinds of work and the disciplines of industrial life.

4. At present schemes cover the following courses:

- Applied biologists
- Chemical laboratory technicians
- Commercial workers
- Instrument technicians
- Process plant operators.

5 Few entrants have the three or four 'O' levels usually required for entry to jobs yet approximately 80% find full-time employment. Although school leavers with few academic qualifications are recruited, the scheme is clearly intended for those who will eventually seek employment at technician level or above. There is every sign that the young people concerned will make the grade.

6 The trainees are not employed while crossing the 'Bridge'. This results in a generalised approach to the education and training elements of the scheme leading to transferable qualifications.

B The New Entrant Trainee Scheme of the International Freight Forwarding Training Council (IFFTC)

7 This scheme began on a pilot basis with the objective of demonstrating to the industry the value of formalised new-entrant training. It provides for two years of combined induction, vocational preparation and day release for education and training purposes. The whole scheme is monitored through a Training Log Book kept for each registered trainee and a written final examination is set. Successful trainees are then admitted to membership of the industry's professional body, the Institute of Freight Forwarders (IFF).

8 Entry to the scheme requires certain educational qualifications, but there are no age restrictions. All trainees are indentured employees of their companies and are paid wages while under training. It is estimated that more than 30% of course completers will progress through more advanced training to managerial posts.

9 If the pilot is successful - and there is every sign it will be - it is the aim that all entrants to the industry should pass through the scheme (or a parallel form of tuition which is currently being devised and which is adapted to the needs of those without the required educational qualifications) before being employed at a variety of different levels including those from which they are likely to progress to senior management posts.

C Vocational Training for Young People in the Travel Industry

10 This training is for young entrants aged over 16 but under 19. It consists of two periods of off-the-job training (each lasting two weeks) separated by a period of 2 to 3 months which combines work with a number of work-based training projects and job rotation. No formal qualifications are required for entry to the training.

11 The training contains the following elements:

- introduction to working life
- life and social skills training
- planned work experience
- occupationally based training
- further education

The following paragraphs described each in turn.

12 In addition to the trainees introduction to the company each learns about the industry, the Air Transport and Travel Industry Training Board and the Association of British Travel Agents and other Trade and Professional Bodies. Trainees are also given an appreciation of technology in travel.

13 For life and social skills training, each young person learns about

- 1 Personal development - self-assessment, key areas for personal development objectives and action plans.
- 2 Relationships - responsibility to self and others, importance of personal relations, dealing with people, relating to colleagues.
- 3 Personal finance - simple arithmetic calculations, planning and forecasting
- 4 Communications - speaking articulately, discussions with individuals and groups, oral presentations.

14 As part of planned work experience each trainee is introduced to different aspects of work including the job of the tour operator, organising package holidays, car hire, operations at railway and coach stations and international airports and ferry terminals and tourism activities at a British resort. The trainees spend the residential element at a Mediterranean Holiday Destination which is provided by Tour Operators at nominal cost.

15 For occupationally based training all the tasks and learning centre on the trainee's own occupation. Project reports have to be produced covering package holidays, window display, local market research, brochure research and travel geography. In addition there are training sessions to re-inforce the learning from these projects and from the planned work experience described above. There are also sessions covering the various types of tickets, their completion and use.

16 Further education includes company finance, consumer legislation and advertising.

17 Each course ends with a presentation by the trainees covering the course content. On completion of the training each trainee is provided with a certificate issued by the Air Transport and Travel Industry Training Board. Trainees may go on to obtain the Certificate of Travel Agency Competence awarded jointly by the City and Guilds of London Institute and the Association of British Travel Agents.

D. The Post Office Cadetship Scheme

18. The aim of this scheme is to create a steady and reliable stream of career minded young people with the potential to progress through the Postman/Woman grade to supervisory and management posts. All junior postmen and women already in the service when the scheme started in May 1980, were redesignated "Postal Cadet".

19. The scheme is open to young people between 16 and 17 who pass an aptitude test and interview; no educational qualifications are needed. At 18 Cadets automatically become either Postmen or Postwomen. Where suitable vacancies occur there are prospects of promotion to Postman Higher Grade at 18 and to Supervisor at the age of 22.

20. All cadets receive

- an induction course
- a one week career development course on the wider aspects of the Post Office
- the opportunity of paid day release for further education
- job training in separate modules; each module followed by the appropriate work experience
- an opportunity to participate in youth development/outward bound courses

The precise nature of training and work experience depends on the local situation as each scheme is tailor-made to fit the operational requirements of the office concerned.

21 The scheme is funded entirely by the Post Office who regard it as an investment which will attract young men and women to a career in the Postal Service and give them the opportunity to gain live work experience in their formative years. The scheme is large: it is intended that there will eventually be job opportunities for 5000 postal cadets at offices throughout the country.

cc ~~A. Dwyer~~

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP From The Secretary of State for Wales

1 May 1981

D. J.

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for sending me a copy of your letter of 23 April to the Chancellor about how we proceed after the loss of Clause 4 of the Employment and Training Bill at Committee stage.

I must say that I am not much attracted by the prospect of overturning the decision we took some time ago to include the exemption from ITB levy in the Enterprise Zone package. The arguments put forward at Committee stage are best answered on the lines you suggest in your letter. I would be inclined to favour re-introducing the Clause at Report stage.

I am sending copies of this to the Chancellor and the other recipients of your letter.

James Prior
Ned

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



cc/ Mr Durbin (and
previous correspondence)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 April 1981

Prime Minister

The Chancellor wants
the original clause

reinstated: you

suggested that

we go for the
amended version

suggested by Mr

Diaz (tho' he

wants to drop the

clause altogether).

Good!

See you

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 23 April suggesting we agree
to drop Clause 4 of the Employment and Training Bill
following its defeat at Committee Stage.

I do not share your view that we should accept defeat of
the clause at this stage in the Bill's progress through
Parliament. As you know we have given wide publicity to
the incentives we intend to offer in the enterprise zones
including of course the exemption from Industrial Training
Board levies. We have also already managed to take the
legislative powers necessary for each incentive with the
exception of the ITB levy exemption. I think it would be
an important breach of faith if we were to make anything
less than the maximum effort to secure passage of this
Clause, and thus complete the EZ package as we have always
intended it to be.

I therefore strongly favour an attempt to restore Clause 4
without amendment and am correspondingly not attracted to
the other options discussed in your letter. In particular,
I am against any course of action which would discriminate
between one firm and another. Not only would this add to
the administrative burdens on firms in zones despite our
commitment to minimise such burdens, it would breach a
fundamental principle of the enterprise zone concept - that
the pattern of development should be determined by the market
and not be administrative interference. Despite strong
pressures to modify this principle in the case of other fiscal
concession, we have steadfastly retained no distinctions
between one firm and another. To do so in the case of the
ITB levy would be an important policy shift, with unfortunate
possible repercussions elsewhere.

/I believe that we

12

27/4



I believe that we could get the original clause through the House as it stands, and propose that it be re-inserted. If however the Whip's Office advise that it is likely to be defeated, I think we should introduce a revised clause taking minatory powers to introduce an order to prevent any abuse that had arisen. Defeat of either in the event would have to be accepted. Given that we cannot know in advance whether such abuses will arise - though I am distinctly sceptical - the order-making power seems a more sensible course than introducing an amended clause of the type discussed in your letter; that would amount to introducing a breach of the EZ principle to tackle a problem which may well turn out to be trivial or non-existent.

... I am copying this letter to the recipients of yours, and to Francis Pym enclosing a copy of your original letter.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "John" or similar, with a long horizontal stroke extending to the right.



Caxton House Tothill Street London SW1H 9NA

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

Switchboard 01-213 3000

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

23 April 1981

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

As you may have seen, Clause 4 of the Employment and Training Bill - which sought to exempt establishments in Enterprise Zones from liability to provide information to, or pay a levy imposed by, industrial training boards - was lost in Committee. We therefore need to consider what action to take at Report stage, which is likely to be soon after Easter.

It was argued against Clause 4 by some of our supporters as well as the Opposition that it would weaken the ability of industrial training boards to put pressure on employers to achieve adequate training; the Clause as drafted could exclude from levy many people working outside an Enterprise Zone so long as they were based on an establishment in the zone, that would clearly be unintended, and has attracted criticism from employers, particularly in the construction industries. It was argued that the marginal addition to the Enterprise Zone package of benefits represented by Clause 4 would not make any practical difference to the worth of the benefits taken as a whole, or the consequent likelihood of firms locating or expanding in a zone, and that the Clause should therefore be dropped, rather than attempt to meet the problem by adding complications.

I must say I have considerable sympathy with these arguments, and for my part would be prepared to drop Clause 4 completely.

Another possibility would be to seek to restore the clause on report in its existing form. The arguments for this would be that the clause as drafted is simple to operate, that any amendment to restrict the benefits to people working actually in the zone would involve some extra difficulty for proprietors of establishments in a zone in identifying those of their employees working outside it, and that anomalies are part of the price to be paid for the Enterprise Zone experiment, in which freedom from bureaucracy is a very important consideration.



Alternatively we might seek to restore the clause in an amended form. The amendment would relieve from levy those employees who work wholly or mainly at an establishment inside an Enterprise Zone and those working outside the Zone from an establishment within the Zone if their number was below the small firm exclusion level for the ITB concerned. In other words establishments in Enterprise Zones would pay levy only if they had significant numbers of employees working mainly outside the Zone, and only in respect of such employees. This would mean that all zone establishments which had employees outside the Zone would have to supply information about the numbers (or payroll) involved so that the question of liability could be determined, but this would not be particularly onerous.

I have considered and rejected other possibilities such as excluding the construction industry from the clause (which would go too far in some cases, and still leave problems in other industries, and is objectionable in principle) or seeking a minatory power to restrict the scope of the clause by order later if the potential loophole were seriously exploited (but this might be difficult to get through the House, and we would be under constant pressure to use it).

I therefore hope you and other colleagues concerned will agree that we should accept our reversal in Committee with a good grace, and leave the Bill as it is. If not, I should need to know urgently.

I am copying this letter to the other members of E Committee, to the Secretaries of State for Scotland and Wales and to Sir Robert Armstong and Mr Robin Ibbs.

*Yours
T
Ibbs*

CONFIDENTIAL



CC CPRS
Mr Hoskyns
Mr Wolfson

10 DOWNING STREET

From the Private Secretary

28 April 1981

Unemployment and Young People

As you will see from the attached letter, the Prime Minister wants to hold a small meeting about unemployment and young people. What I did not say in the letter was that the Prime Minister has said that she would very much like to take action which would have a significant effect on the number of school leavers which, on present projections, are likely to come on the unemployment register in June and July. (I enclose a Department of Employment note which we commissioned on this.) I have reminded the Prime Minister of the discussions which were held earlier in the year on industrial training, in young persons benefit and unemployment benefit, etc., payable to 16-18 year olds, though the E meeting which considered this in March was chaired not by her but by the Chancellor. She has, none-the-less, said that she would still like to have a discussion, and I would be most grateful if the Cabinet Office would provide a brief.

I am sending a copy of this note to Gerry Spence (Central Policy Review Staff).

J.P. LANKESTER

David Wright Esq
Cabinet Office

CONFIDENTIAL

Manpower
Special Emp Measures

BR 12/5/81

PRIME MINISTER

Unemployment and Young People

We are setting up the meeting on young people and unemployment as you suggested - except that we are asking Patrick Jenkin, who of course is concerned with the youth benefit and other benefit proposals, and not Keith Joseph (who is only quite periphery^{ally} involved).

Or would you like Keith to be invited too?

Yes ~~not~~

28 April 1981

①

CF

Send KJ

copy of my letter of

28/4

already done
cf. 30/4

②

confirm

- with KJ

pls. T.

cc Hoskyns
WSP-SSM
CPRS
CS.

CONFIDENTIAL



MISS STEPHENS

Please set up during the next week if possible - Cabinet Office are providing a brief.

TL 28/4

LLV.

10 DOWNING STREET

From the Private Secretary

BSP 12/5/81

28 April 1981

Dear Richard,

The Prime Minister intends to hold a meeting shortly - we will be in touch to arrange a date - to take stock of the issues which were discussed by E committee on 24 February and 26 March. In particular, she would like to discuss once again how 16-18 year olds might be encouraged to stay on at school or obtain some formal training rather than go on the unemployment register in the event of their being unable to find jobs.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, Secretary of State for Education, Secretary of State for Social Services, Sir Robert Armstrong and Robin Ibbs - all of whom will be invited to the meeting along with your Secretary of State.

[Handwritten signature]

Tin Leher.

Richard Dykes Esq
Department of Employment.

*overaged for
13 May at
0900.*

el. 29/4.

CONFIDENTIAL

PRIME MINISTER

cc: Mr Wolfson
Mr Hoskyns

Future Unemployment Figures

nk

Having read the note which Nick commissioned on the unemployment outlook, you said this morning that you would like to reconsider the possibilities for ensuring that 16 - 18 year olds either stay in school or obtained some formal training in the event of their being unable to find a job. You had in mind our setting up a meeting with Mr Prior, Sir Keith Joseph, the Chancellor and Mr Carlisle.

Before doing this, I thought I should remind you of the lengthy discussions which took place on this issue and the related issue of the Young Persons Benefit earlier this year. I attach the minutes of the E meeting which you chaired in February at which it was agreed improvements in industrial training should be made on the basis of a voluntary, rather than a mandatory, approach (Flag A). At Flag B are the minutes of the E meeting which the Chancellor chaired in March at which it was agreed that the Young Persons Benefit should not be introduced at the moment, though it might be considered again in the autumn. At that same meeting, Mr Jenkin was asked to consider, before the next benefit upratings, the possibility of lowering the rates of supplementary benefit and of unemployment benefit for those under 18. (If a mandatory approach is ruled out, then it would be essential to improve the incentives to young people to stay in school or take training: there was no immediate disposition on the part of the Committee to go along with this route because, unless extra money were available, it would mean taking money away from the unemployed. There was a general feeling that this would be politically impossible at the present time.)

There is, of course, no reason why we should not reconsider all this. But apart from the arguments which have already been fully voiced in E Committee, I doubt very much whether it would be possible to make the necessary changes in time to affect the unemployment figures for July.

Would you like to have a discussion nonetheless?

Yes - 1
not

27 April, 1981

remember the discussion - but think we
would all have liked
something more fundamental.

π

RESTRICTED

cc:

File



Handwritten initials "JSS" and the name "Nampar" in cursive.

10 DOWNING STREET

From the Private Secretary

27 April 1981

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

The Prime Minister has seen a copy of Mr. Prior's letter of 23 April to the Chancellor of the Exchequer. She has noted that Clause 4 of the Employment and Training Bill was lost in Committee, and has commented that this reverse will be taken badly in so far as exemption from the Industrial Training Board levies was an important element in the enterprise zone package. Rather than accept the loss of the Clause, she would prefer to see it restored in the amended form suggested by Mr. Prior.

I am sending copies of this letter to the Private Secretaries to members of E Committee, and to Godfrey Robson (Scottish Office), John Craig (Welsh Office), David Wright (Cabinet Office) and Gerry Spence (CPRS).

TPL

Richard Dykes, Esq.,
Department of Employment.

RESTRICTED

01-211-6402

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

R
27/4
27 April 1981

A J
"OPEN TECH"

I endorse the proposal in your letter of 9 April 1981 to Mark Carlisle to publish the consultative document prepared by the Manpower Services Commission on the creation of an "Open Tech", and I support the general lines of the proposals it contains.

I am copying this letter to the recipients of yours.

D A R HOWELL
Jan



I think this revenue will be taken badly - it means we are going against the point of enterprise zones which is exemption from other matters should

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213..... 6400 GTN 213
Switchboard 01-213 3000

~~Revised~~
~~to be~~

Prime Minister.

Agree to accept the loss of the clause, as recommended by the Prime?

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

prefer to amend clause no

the 24th
23 April 1981

See enclosure

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

As you may have seen, Clause 4 of the Employment and Training Bill - which sought to exempt establishments in Enterprise Zones from liability to provide information to, or pay a levy imposed by, industrial training boards - was lost in Committee. We therefore need to consider what action to take at Report stage, which is likely to be soon after Easter.

It was argued against Clause 4 by some of our supporters as well as the Opposition that it would weaken the ability of industrial training boards to put pressure on employers to achieve adequate training; the Clause as drafted could exclude from levy many people working outside an Enterprise Zone so long as they were based on an establishment in the zone, that would clearly be unintended, and has attracted criticism from employers, particularly in the construction industries. It was argued that the marginal addition to the Enterprise Zone package of benefits represented by Clause 4 would not make any practical difference to the worth of the benefits taken as a whole, or the consequent likelihood of firms locating or expanding in a zone, and that the Clause should therefore be dropped, rather than attempt to meet the problem by adding complications.

I must say I have considerable sympathy with these arguments, and for my part would be prepared to drop Clause 4 completely.

Another possibility would be to seek to restore the clause on report in its existing form. The arguments for this would be that the clause as drafted is simple to operate, that any amendment to restrict the benefits to people working actually in the zone would involve some extra difficulty for proprietors of establishments in a zone in identifying those of their employees working outside it, and that anomalies are part of the price to be paid for the Enterprise Zone experiment, in which freedom from bureaucracy is a very important consideration.



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I have considered and rejected other possibilities such as excluding the construction industry from the clause (which would go too far in some cases, and still leave problems in other industries, and is objectionable in principle) or seeking a minatory power to restrict the scope of the clause by order later if the potential loophole were seriously exploited (but this might be difficult to get through the House, and we would be under constant pressure to use it).

I therefore hope you and other colleagues concerned will agree that we should accept our reversal in Committee with a good grace, and leave the Bill as it is. If not, I should need to know urgently.

I am copying this letter to the other members of E Committee, to the Secretaries of State for Scotland and Wales and to Sir Robert Armstrong and Mr Robin Ibbs.



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

Manpower

23 April 1981

VMS

The Rt Hon James Prior MP
Secretary of State for
Employment
Caxton House
Tothill Street
London SW1A 9NA

Dear Sir,

Thank you for sending me a copy of your letter of 9 April to Mark Carlisle about the draft consultative document on "Open Tech".

2 More flexible arrangements are certainly needed for the training of technicians and similar people in the skills that industry requires, especially in new technology. Clearly though, the final decision on the particular approach of the Open Tech will have to be taken in the context of industry's overall training priorities, including industry's views on the rest of the new training initiative. Industry's response to the consultation document, and to the mechanisms proposed in it, will therefore be crucial to our decision.

3 I am sending copies of this letter to the other Members of E Committee, to the Secretaries of State for Scotland and Wales, and to Sir Robert Armstrong.

Yours,

Keir



V
MS

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

22 April 1981

Dear Tim,
OPEN TECH

Thank you for your letter of 9 April with which you enclosed the draft Consultative Document on the Open Tech prepared by the MSC and the draft Foreword which we had agreed that you and I should sign jointly.

I am content with the document provided by the MSC as a basis for consultation and I support its early publication. The proposition is a sensible one in its overall size and shape, and I endorse particularly the concept of stimulating and working through existing agencies rather than creating a new institution. I am sure that, as the preliminary consultations undertaken by officials have indicated, this approach will be welcomed in many quarters.

However, I would like to make a few suggestions on the text of the Foreword. One of these reflects my particular concern with the likely reaction of many in the world of education if they construe this initiative as an "MSC takeover". In fact Section 5.5 of the MSC paper acknowledged the case for a steering body which would see to the direction of the Open Tech Unit and would include representatives of educational interests. I should like to see that suggestion repeated in the Foreword.

I also feel that the Foreword might better be rather more consultative in tone. I am not against rapid progress, far from it; but the final paragraph might be read as implying a commitment to proceed whatever may be contained in comments received. I would think it wise to extend a rather warmer welcome for views which those consulted may wish to offer and to promise consideration of any suggested modifications, especially of points of detail. The final paragraph might be amended to read:

"On behalf of our colleagues, including those with particular responsibilities in Scotland and Wales, we commend these proposals for discussion. We should welcome comments from all interested parties: they will be taken into account in the subsequent development of the proposals which, subject to the availability of resources, we hope to carry forward as quickly as possible."

I shall be glad to hear further from you on these points. I am copying this to the recipients of your letter.

James Prior
Rash

Manpower



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU
TELEPHONE: 01-233 3000

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

VMS

16 April 1981

'OPEN TECH'

Thank you for sending George Younger a copy of your letter of 9 April to Mark Carlisle about the Manpower Services Commission's draft consultative document on an 'Open Tech' programme. I am replying on his behalf as he is at present on holiday.

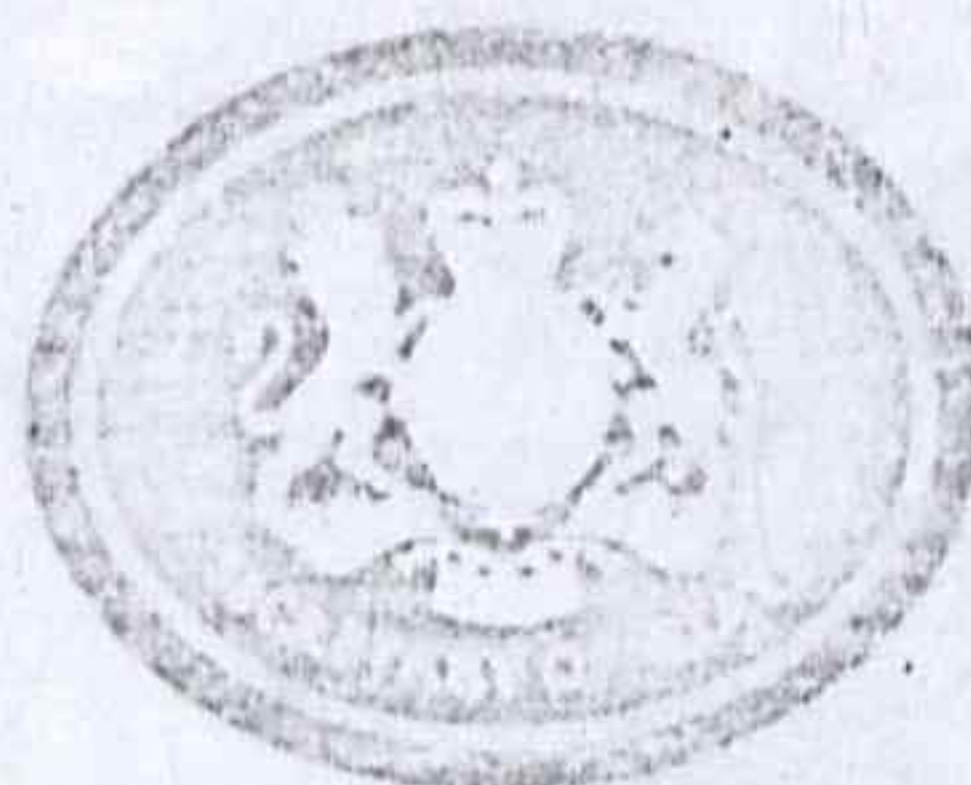
The draft reflects several of the points which Scottish Office officials made in commenting on earlier versions and George Younger and I particularly welcome the emphasis now placed on a collaborative approach. The explicit proposal in Part 5 of the document that the 'Open Tech' Unit which is to operate within the MSC should be under the direction of a steering body representing industrial, educational and Government interests should remove any misgivings that might otherwise be expressed about such a Unit. There would, I think, be some advantage in adding to the fifth paragraph of the draft foreword to the consultative document a sentence referring to the proposed steering body and its general composition.

Otherwise we are content with your proposals for publication of the consultative document. I am copying this letter to the recipients of yours.

ALEX FLETCHER

CONFIDENTIAL

~~cc~~ Mr Duguid



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MAP (OK) to see
2. TL (OK)

MS

21/4

MO 21/8/11

15th April 1981

Dear Barney.

Thank you for your letter of 26th March about the recruitment of apprentices. This is encouraging.

I believe that the Ministry of Defence and the Armed Services can make a useful contribution to helping youth unemployment, given the helpful assurances from you about treating the numbers "below the line" and provided the funding is guaranteed by the Manpower Services Commission or the Department of Employment. It is certainly the case that if we take on extra apprentices they will not be needed to meet defence requirements; indeed the extent to which we have no direct need for them is shown by the fact that we will take them on only if their numbers are not counted against our targets now and in the future, and we receive the funds to pay for them. This year we expect to take on some 1650 to 1700 apprentices as our required intake, a reduced requirement from previous years. We could take an extra 500

Barney Hayhoe Esq MP

CONFIDENTIAL



in addition to that number now we have your assurance about the manpower count and, of course, provided that the MSC fund them.

As you know I have been looking, with Jim Prior, at other ways of helping youth unemployment. Proposals have been put to the MSC to establish a YOP scheme to train 1000 young people during a period of short service with the Armed Forces and despite MSC reluctance we will be looking at ways of achieving this. In my view, the use of defence facilities to increase opportunities for young people to gain real and valuable technical qualifications will be widely applauded. The criticism can only be that we are not doing enough. I would intend to give full weight to what we would be doing - both on apprentices and on the YOP scheme of short service with the Forces - as part of the major statement on defence policy which I have in mind for the beginning of July.* This does not leave much time for settling the details, and I hope that we can all agree to push ahead as fast as possible.

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

Yours ever
John.

* Indeed I would like to include it as part of such a statement for reasons which I can explain orally.

John Nott



Manpower

✓
MHA

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

15 April 1981

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

OPEN TECH

Thank you for sending me a copy of your letter of 9 April to Mark Carlisle.

My only comment on the draft foreword relates to its final paragraph. Particularly as your letter does not say that the MSC have accepted that the Open Tech must be contained within existing budgets, I think it would be wrong to appear to commit ourselves even with reservations, to early implementation. I should prefer to end the first sentence of the final paragraph at "discussion", and add a new sentence on the following lines.

"Their implementation will depend on the comments received and the availability of resources".

I also think it is desirable that section 6 of the MSC document should recognise the same point. I hope that the Commission would be willing to include an additional paragraph at the end of this section, on some such lines as the following.

"It will be necessary to consider the case for this expenditure in the context of available financial resources and other priorities in the field of training".

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

GEOFFREY HOWE

cf ADingid
AWalkers



✓
ms

Treasury Chambers, Parliament Street, SW1P 3AG

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

14 April 1981

R. J.

EMPLOYMENT AND TRAINING BILL: INDUSTRIAL TRAINING BOARD PENSIONS

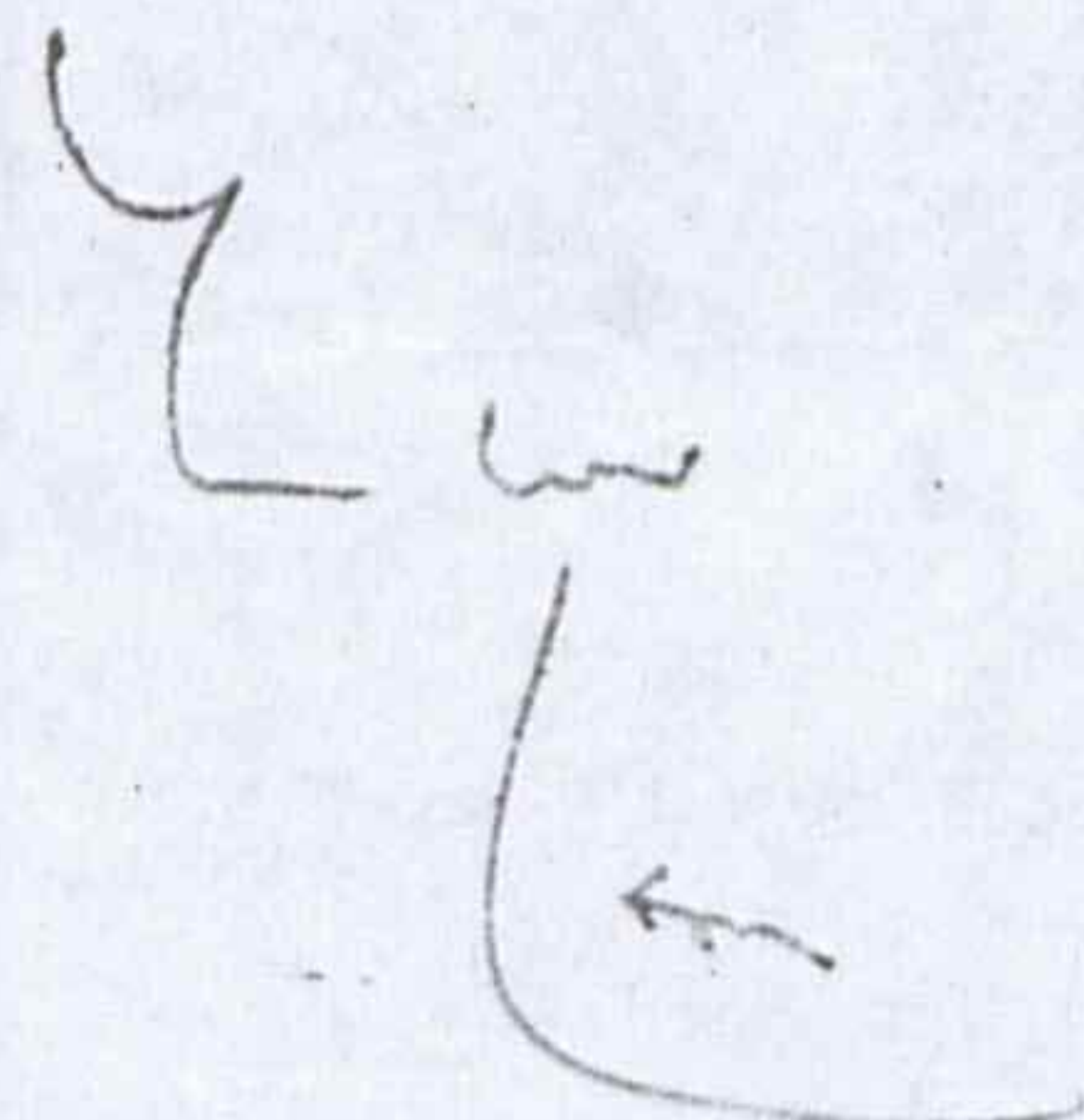
Thank you for your letter of 8 April. I accept that it is necessary for the Government to have power to contribute to a closed fund, covering the pension liabilities of staff of Boards which are abolished, to deal with deficits which may arise after the Boards are wound up; and that it is necessary also for the Government to pay pensions to former Chairman of ITBs that are abolished. It would not be appropriate to rely on the sole authority of the Appropriation Act for such contributions, so I agree that you should seek specific statutory powers in the Employment and Training Bill. I would be grateful if your officials would consult mine on the drafting of the amendments. One point that should be covered, and is not mentioned in your letter, is that since the Exchequer will be accepting liability in respect of future deficits, it should also be entitled to any surplus that may remain when the closed fund is wound up.

There is a danger that the introduction of such provisions will encourage industry to believe that the Government will meet the current deficit in the ITB Pension Fund and, possibly, other winding-up costs. Since there was a deficit in the Fund before the Government became responsible for the Boards' operating costs, there is a strong case for looking to the Boards to meet the current deficit either from levies or current assets. Final decisions on this are not needed yet; but it is important that the Bill should provide power for you to require ITBs which are being abolished to meet their shares of the deficit.

I should add that all this is on the basis of containing Exchequer contribution to winding-up costs within your existing programme totals.

Finally I fully agree that you should make plain that the undertaking you have given that pension entitlements will be fully safeguarded is subject to the outcome of the wider review of public service pensions.

I am sending copies of this letter to Francis Pym, Barney Hayhoe, members of E, Sir Robert Armstrong and Robin Ibbs.

A handwritten signature in dark ink, appearing to be 'L. Brittan', with a stylized flourish at the end.

LEON BRITTAN

cc Adiguid
A. Walker



✓ms

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

Minister of State

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

13th April 1981

Dear Sir,

INDUSTRIAL TRAINING BOARDS' PENSION FUND: UNANIMITY RULE

Thank you for your letter of 8 April about the problem posed by the "unanimity rule" in the ITB Pension Fund.

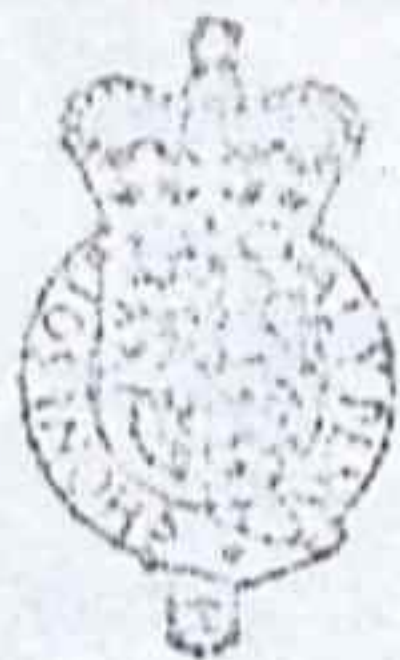
I agree a statutory power of override is needed and I gather this would be in the nature of a long-stop and would only be invoked at the request of the Trustees of the Pension Fund. Although you hope that the power would only be used, if at all, in circumstances where a minority of the Boards were obstructing the amendment, it might be wise to draw it in more general terms. The power could then be used if, for example, a more significant number of the smaller Boards proved to be obstructive. In practice, however, since the Boards would be aware of the reserve power, I doubt very much whether it would need to be invoked.

I am sending copies of this letter to Francis Pym, Leon Brittan, the Members of E Committee, Sir Robert Armstrong and Mr Robin Ibbs.

James Prior
Barney Hayhoe

BARNEY HAYHOE

DEPARTMENT OF EMPLOYMENT



Caxton House
Tothill Street
London SW1H 9NF
Telephone 01-213 - 6410

GTN Code 213

WITH THE COMPLIMENTS OF
THE PRIVATE SECRETARY

Please associate the attached
document with the letter from
Jim Prior to Mark Carlisle of
9 April on 'Open Tech'.

I Binger
10/4/81

Hayward

AN 'OPEN TECH' PROGRAMME

To help meet adult training and retraining
needs at technician and related levels.

CONSULTATIVE DOCUMENT

MANPOWER SERVICES COMMISSION

April 1981

Comments should be sent to:

Mr S Emms
Manpower Services Division
Training Services Division
162-168 Regent Street
LONDON W1R 6DE

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- 2 NEEDS AND OPPORTUNITIES
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Concept and Characteristics
Criteria for particular Schemes
Initial objective
- 5 PROPOSED MECHANISMS
'Open Tech' Agencies and/or Agents
Information Centres
An 'Open Tech' Unit and its functions
- 6 FINANCIAL RESOURCING
- 7 CONCLUSION

1 INTRODUCTION

1.1 The Secretary of State for Employment has asked the Commission to put to him proposals for an 'Open Tech' development at broadly technician and related levels. The Commission has welcomed this request which fits in closely with its own ideas about national training priorities and how to achieve them.

1.2 The purpose of this document is to make outline proposals for a collaborative scheme and to invite wide discussion and comment on them. The proposals would give a fresh impetus and encouragement to efforts already being made to open-up learning opportunities for adults. Though clearly identifiable as a new initiative, the 'Open Tech' Programme envisaged would build on existing resources. It would achieve its impact largely through the support and encouragement it would give to the collaboration of many educational, industrial and other interests - and not through the establishment of any separate education or training institution, ie it would not follow an Open University model.

1.3 It is important to emphasise that these proposals represent only one strand of a multi-faceted approach to establishing education and training strategies appropriate to the 1980s and beyond. They are closely linked also with policies for micro-electronics and information technology. A close relationship between the Commission and Government Departments, and particularly with the Education Departments, is therefore essential to any 'Open Tech' Programme.

1.4 This document addresses several different, but related, issues. First, there is a growing awareness of the crucial importance of properly qualified and up-dated technical support staff to the future development of many industries:

not only in manufacturing industry but in a wide range of commercial, business and service sectors - where the term 'technician' is not widely used but where the 'technical' tasks to be done are no less significant. All too often technician level staff have not the technical knowledge, or the administrative, 'people' or business skills, which enable them to support competently the management or professional staff above them. The rapid growth of more complex business, information and production processes can only accentuate existing deficiencies in education and training.

1.5 Secondly, the document acknowledges the need to widen the opportunities for training and retraining (or, more broadly, personal career development) available to adults. To adapt the labour force to changing demands and to release the country's manpower potential, there is need for a much more positive approach to adult training opportunities: not least for those already in employment. There is already a great range of training facilities available, or potentially available, to adults. Sometimes what is lacking is the motivation (on the part of employer or employee), to use these facilities; or adequate information about them. Sometimes, however, there are real barriers to their relevant availability in practice.

1.6 Thirdly, the document is concerned with means of exploiting more fully both the vocational training resources of this country and also the application of new technologies and modern approaches to training, by encouraging what may loosely be described as "open learning" opportunities. As will be explained below, "open learning" (or open learning systems - OLS) includes any approach which makes a course or syllabus accessible (or more readily available) and acceptable to the prospective trainee: by overcoming constraints such as time, place, class size, learning methods or entry criteria.

1.7 The phrase "Open Tech" is being used to describe the Programme being outlined since it emphasises the "open learning" aims which the programme embodies, as well as the "Technical College" or "Tech" idea. This still typifies to many people a work (or individual career) related educational and training activity with many close local industry-education links. But 'Open Tech' does not mean the establishment of new institutions or examination systems: its main purpose is, on the contrary, to support existing bodies to develop courses and course material (in collaboration with other interested organisations) so that they can reach and attract people whose training needs are not being adequately met.

1.8 The MSC knows that there is much interest in a development of this kind and that there already exists much experience to benefit from and build on. It looks forward to a period of active and fruitful consultation before shaping its final proposals to the Secretary of State, and would like to receive views by mid-September.

Needs

2.5 There are a number of reasons why a positive training initiative is required. It is needed:

(a) to help prevent the widespread re-appearance, when the economic up-turn takes place, of the persistent shortages that have not been entirely absent during the current recession. There is debate about how real some of these shortages have been, and also about how much the provision of training will itself provide the solution.

Nevertheless, more training will be needed, and response time could well be critical;

(b) because existing and new technologies have to be exploited and the labour force adapted to changing demands for skill. On the one hand there will be a declining proportion of people in traditional craft, skilled and semi-skilled jobs, and all occupational forecasts suggest that more managers, professional people, technologists and technicians will be needed by the mid-1980s. On the other hand new technologies can easily "creep into" existing jobs, changing them, and their demands a little at a time. In whatever way it emerges, technician-type work, where people need to understand the technology and systems they are using in order to analyse problems and make decisions, presents a considerable education and training challenge, particularly in developing the knowledge and skills of those whose lower level jobs are disappearing and who need to be able to regain and retain employment;

(c) because technological changes require continual and rapid up-dating and retraining of existing technician level staff and of their teachers or trainers. It can be the case that relatively few people possess expertise or experience in a new field and that their 'know-how'

needs to be made available to many;

(d) to respond to the aspirations of the potentially large number of people who want to improve and develop their employability and career prospects.

2.6 Both the Commission ⁽¹⁾ and the DES ⁽²⁾ have emphasised the need for a substantial increase in adult, post experience educational and training provision and for appropriate methods to be developed and used.

Opportunities

2.7 Three categories of adults can be identified who may want or benefit from an expansion of education and training at these levels. The greatest number would, perhaps, be individuals and groups who have training, re-training or career development needs recognised and identified within their organisation. In some cases the training may be directed towards nationally recognised qualifications, but often what is wanted is a learning "package" tailored to the specific requirements of the individual or his organisation. There will also be people who, while continuing in their employment, would respond to the opportunity to develop or change their own career, gain qualifications, or simply to acquire enhanced skills and knowledge; and they may well be looking for opportunities which can be pursued outside working hours. Their employing organisations may or may not support such initiatives on their part. The third group will be people who have become unemployed or who (like many married women with families) wish to re-enter the labour market and need to improve their employability.

(1) Outlook on Training - "Review of the Employment and Training Act 1973" Paras 6.1 - 6.11.

(2) "Continuing Education: Post Experience Vocational Provision for those in Employment. . A paper for Discussion". DES 1980.

All three categories can include young adults who have missed the chance, initially, of acquiring relevant skills or qualifications, as well as women who have the potential to switch to those occupations or grades which have traditionally been the preserve of men. They are also likely to include many for whom a variety of "bridging" or "learning to study" programmes may be necessary to enable them to exploit their potential to train at technician levels.

2.8 The main thrust of any programme designed to meet these needs will therefore undoubtedly be towards adults, mostly already in and remaining in employment, but including many who are unemployed or wish to re-enter employment. It is these people who experience many of the obstacles that open learning is intended to overcome. Indeed the desired expansion is only likely to occur when relevant learning material and methods become more readily accessible. The imaginative (albeit piece-meal) open and distance learning schemes and developments already initiated in further education and industrial training bear witness to the potential and the need. But without a coherent programme on a significant scale to support vocational open learning, and facilitate developments, it is unlikely that provision of new opportunities can match the latest or actual demand.

2.9 The need for a more flexible or open approach in training and further education is now becoming much more widely appreciated. The opportunities and demands presented by these approaches are also now more clearly recognised. A variety of open learning schemes have been developed to overcome or reduce constraints associated with some existing provision. These often involve "distance learning" (individualised learning arrangements where the trainee is not in face-to-face contact with the teacher or trainer) as part of the scheme. Advances in the design and availability of teaching aids and communication facilities - including computers - have very greatly increased the opportunities

for open-learning. The pace of technological development in information technology is such that some exciting and far-reaching possibilities are within reach. It is important that education and training take full account of these innovations.

3 AN OPEN LEARNING APPROACH

Characteristics of Open Learning

3.1 Open learning embraces a wide range of approaches which have a common aim: that of freeing courses of study and training from the constraints that prevent their effective availability. For many adults common constraints are:

- . fixed locations, course starting dates, duration and times of attendance which do not fit in with employment patterns (eg shift work or overtime) or personal circumstances (eg family responsibilities or the handicapped);
- . limited availability of courses in a locality (eg in order to secure a viable class size, it is sometimes possible for a specialised course to be provided only in a major centre serving a wide catchment area);
- . restrictive entry criteria (eg age, sex, educational attainment);
- . inappropriate learning methods, arrangements or pacing (eg the manager who does not want to sit in with 'youngsters', individual styles and rates of learning, the kinds of methods needed for the skills or subject matter being learnt);
- . overt and hidden costs and inconveniences (eg travel, babysitters, tiredness after a day's work);
- . willingness or ability of employers to release people.

3.2 Three features distinguish an "open" approach:

(a) Open learning systems are centred on the needs and circumstances of students or trainees rather than those of educational or training institutions and their administrative systems. This can pose many problems within such systems and institutions when they begin acting in an open

learning mode, but experience already shows that solutions can be found and imaginative initiatives taken;

(b) Open learning is problem-centred: its aim is to identify the particular barriers to access and learning which are present in any one case, and then to incorporate whatever blend of administrative support; subject matter elements or modules; learning methods; materials and arrangements; entry criteria or types of assessments which will best overcome these barriers;

(c) Open learning is not only concerned with structures and arrangements, but also with how people learn, and with what things it is possible, appropriate or cost-effective for people to learn in certain ways. Open learning is still a relatively uncharted field for technician-level skill and practical knowledge training. Thus it cannot be assumed that we know how people at this level will respond to self-learning, and what other support is needed.

3.3 Open learning therefore does not imply a single method or system. It may combine, in a great variety of ways, course material, facilities, media and supporting arrangements and direct trainee tuition and supervision. The Open University illustrates some of the possibilities - using distance learning by correspondence course combined with radio and television programmes and periodic study sessions of seminars with a tutor. The study provisions made available through the Scottish Co-ordinating Committee for Distance Learning Schemes is another illustration. But there are many other current examples of open learning⁽¹⁾ such as the extension of the work of local colleges through "Flexi-Study", "Open Access" or "Learning by Appointment" schemes.

(1) See for instance, Council for Educational Technology - "Open Learning Systems in Further Education and Training - A Discussion of the Issues and Recommendations to Government". December 1980 - Paras 2.44 - 2.55.

of Industrial

The involvement / Training Boards (eg Cotton and Allied Textiles; Ceramics, Glass and Mineral Products; and Road Transport); of large organisations like the Post Office and the increasing use by many organisations of individualised training 'packages' for up-dating of basic training are further examples of the variety that can and must exist.

3.4 These examples and others like them may derive from and be based on more conventional education and training arrangements; or they may extend, supplement and modify such arrangements. Very often open learning systems take existing course material and examination standards and design a learning approach to cover this material or achieve these standards. In that respect 'open learning' is concerned more with processes and arrangements (the how, when and where) than with redesigning content (the what and how well). It must be remembered, however, that "effective availability", in the eyes of the user, is bound to include the relevance and applicability of what is being taught.

3.5 An important characteristic of open learning provision in the field we are considering is that it requires close collaboration between further education and training institutions, professional, examining and validating bodies, sector training bodies and their industries, employers and trade unions. Any development must seek to maximise such collaboration.

Requirements

3.6 There are some important requirements if an open learning approach is to succeed. These requirements highlight the collaboration required. In any one scheme, different parts of these requirements may well need to be met by different groups.

(a) there must be an identification and detailed analysis of:

(i) what the learning needs are for identified groups of people in order to meet the performance standards or qualifications required of them; and

(ii) what their learning situations are. This goes well beyond questions of content, as it needs to answer the question "in what ways do provisions need to be 'opened-up', and why are existing provisions, if any, thought to be inadequate?" Thus there may be geographical, motivational or time problems, or a need for bridging courses of a technical nature, or to do more generally with study skills, numeracy, etc;

(b) appropriate learning strategies, arrangements, facilities, materials and aids need to be agreed and implemented. Material and aids may be for students or for tutors, and may be filmed, printed, taped, computerised or broadcast. One important aspect is the amount and kind of face-to-face contact required and how to arrange and handle this. Such contact might be for counselling and advisory purposes - to help the student with learning and course problems - as well as for teaching. Opportunities for contact with fellow students/trainees may also be important. Or the subject matter itself, (eg interviewing) cannot be learned except through face-to-face interactions with other people. In these respects, "open learning" is very far from being the same as "distance learning" - even if the latter forms a significant part of the former;

(c) a lot of coordinated work is usually required to get a scheme off-the-ground and to obtain the necessary commitment by all involved. Open learning courses can make new demands on providers and recipients alike, as well as on examining and validating bodies. Thus arrangements may need to be 'built into the fabric' of college, LEA and DES systems and procedures, and similarly of industrial training arrangements;

(d) Students and employers will need to know that schemes are available, be able easily to receive full information and advice and to know what steps are required of them;

(e) there must be a means of delivering material to students, receiving assignments, getting them assessed, recorded and returned. This requires administration, warehousing, tutors and recording systems;

(f) a means of handling practical work, giving 'hands-on' experience and applying theory to practice is a major need of most technician-level education and training programmes, partly to develop and reinforce skills, and partly to help the student understand and apply theory. This will involve access to practical facilities and tuition which may be work, training centre or college based. It will often not be easy to arrange, and will require careful attention related to specific schemes;

(g) a review and evaluation mechanism is needed to check effectiveness and quality and to get feed-back from users.

Concept and Characteristics

4.1 Much of the employment-related learning required in the technician/supervisory area has traditionally been the province of the further education colleges (the Techs), whose activities are characterised by:

- (a) a strong orientation towards vocational education and training at craft, technician and professional levels;
- (b) teaching geared to nationally recognised and often externally examined, assessed or approved qualifications;
- (c) the provision of a wide range of custom-built courses to meet specific needs;
- (d) close relationships with other organisations, eg professional and validation bodies, ITBs, MSC, local firms or particular industrial/commercial/public sector organisations.

When considering the scale and nature of the required expansion of more open forms of provision it is therefore natural to think in terms of creating an "Open Tech". This phrase is apt provided that it is understood to describe a Programme working with and through many channels (including industrial ones) and facilitating the actions of others, rather than a new and separate educational or teaching institution.

4.2 The overall aim of the 'Open Tech' Programme being proposed would be to contribute through an open learning approach to a substantial expansion of the opportunities for employment-related adult education and training at technician and equivalent levels, including supervision. This aim would in the main be secured through:

- (i) identifying critical training needs which are not being satisfactorily met;
- (ii) promoting the collaboration of educational, training and industrial organisations in designing and implementing relevant open learning systems;
- (iii) commissioning development work on course material, ^{of} required learning methods;
- (iv) providing information about open learning courses for those who might benefit from them;
- (v) monitoring results and commissioning evaluation studies.

4.3 The Programme would neither claim nor seek any monopoly in the development of open learning systems. Its strength would lie in its capacity to provide financial and other support to bodies already active and experienced: these would continue to operate independently and to pursue their particular aims, but might also benefit from involvement in schemes or projects supported under the Programme. The latter should therefore recognise in its operations that:

- (a) there is much by way of existing experience, facilities and resources which should be harnessed and used to the full;
- (b) within training and further education there are many local, regional and national mechanisms which bring together industry, education, professional bodies and examining bodies. Some of these may well need to be more effective but it would not be sensible to set up new mechanisms;
- (c) it will be necessary, in many cases, to work with validating bodies and others to:

- break existing courses into smaller modules, and allow a flexible progression through them and linking between them;
- develop entry standards based more on experience or trainability, and to provide bridging courses
- introduce new staged and final assessments.

4.4 Because a main thrust would be towards people in employment, the Programme would have to be able to meet requirements both of individuals who wish to take their own initiatives, and also of organisations who want to use particular 'Open Tech' schemes or material for their own training and development purposes. This is not simply an administrative matter. Different open learning methods and materials may be needed and different support arrangements.

4.5 While a good deal of what would be on offer through an 'Open Tech' Programme would need to be linked with or be able to lead to recognised vocational or educational qualifications, this would not always be the case. A wide variety of up-dating material would also be required, together with tailor-made schemes, say, for a particular industry or sector to use for its own training purposes. Some of this material might well be of direct use to managers, lecturers and industrial trainers as well as to trainees.

4.6 An 'Open Tech' Programme will need to be strongly based on local and regional initiatives as well as national ones, and such initiatives will often require support and nurture.

Criteria for Particular Schemes

4.7 In a Programme with the above kinds of characteristics it will be important that what is offered is recognisable by consistent standards of relevance and

quality. Any scheme or material on offer under an 'Open.Tech' Programme label would need to carry with it certain assurances, whoever might be responsible for meeting them. Such criteria would include the need to:

- (a) meet an identified need, demand, gap or potential target population within a vocationally relevant area;
- (b) have identified the "learning situations" of potential students/trainees, and any other barriers to the availability of training so that the kind of open learning system required was clear and the steps necessary for implementation agreed;
- (c) ensure adequate 'technical' content, knowledge or performance standards and assessment criteria;
- (d) have a sound learning design, and appropriate scheme management and administration;
- (e) ensure that the structure of the scheme, the learning materials associated with it and the delivery system involved would be effective in meeting the need.

The approval, review and monitoring arrangements necessary to secure and maintain such standards, while encouraging flexibility and imaginative initiatives, would require careful thought and consultation.

Initial Objectives

4.8 Three kinds of Programme 'outputs' would be necessary:

- (a) a range of "offerings";

(b) marketing and support activities;

(c) an information service.

4.9 The initial offerings should be geared towards priority needs and gaps, but should also represent different types of 'Open Tech' schemes so that the necessary cooperative mechanisms and support systems could be established and be tested. They would include:

(a) the provision of core or up-dating material;

(b) the opening-up of some existing courses through agreeing a build-up of small modules each of which is a convenient distance learning unit;

(c) the development of some new training provisions where a gap exists, where industry-based facilities might be utilised;

(d) some specifically local or regional schemes;

4.10 The support activities which would be essential would include:

(a) the use of broadcasting, press and other media to market nationally and locally the idea, scale and opportunities to be presented by an 'Open Tech' Programme. This would be very important as schemes become available;

(b) identifying resources and facilities which are or might be available to develop, produce and deliver learning material, or to provide trainee guidance and assistance;

(c) mechanisms for ensuring the acceptability and support for schemes and for following through and evaluating;

(d) helping course designers, material providers and tutors/trainers to share experience and develop their competence. This will include teacher/tutor/trainer development.

4.11 To back-up these activities it will be necessary to have available easily and widely accessible information about relevant schemes (whether or not within the 'Open Tech' Programme itself), material available or being developed and sources and centres of expertise and assistance.

4.12 It is envisaged that over, say, a five year period, the Programme would be built up progressively through a series of projects which would meet established needs, while at the same time would also:

- . test the potential of the Programme
- . develop and use a variety of packages
- . establish networks and patterns of collaboration
- . determine what is essential and possible in an 'Open Tech' system.

Much is bound also to be discovered about other non-training obstacles that will need to be overcome - the provision of open learning schemes will not of itself ensure that they are taken-up and supported. From this whole experience it will be possible more realistically to make longer-term decisions about what is required.

4.13 Although the Programme will be collaborative, with a considerable variety in the type of location and management of particular projects, it is important that each project should be clearly identifiable in the public eye as part of the national "'Open Tech' Programme".

5 PROPOSED MECHANISMS

5.1 Two main mechanisms are envisaged: these might be called, respectively, "'Open Tech' Agents or Agencies and "'Open Tech' Information Centres". They would be coordinated and supported by an "'Open Tech' Unit" (OTU) set up under the auspices of the MSC's Training Services Division.

'Open Tech' Agents and/or Agencies

5.2 Through this mechanism the OTU would seek to support, by means of commissioned projects or enabling agreements, the contribution of organisations (or of consortia) with relevant interests, expertise or resources to 'Open Tech' Programme priorities. Agents might operate at local, regional or national levels. Some might act as 'prime' agencies, responsible for a total scheme, say, in a particular industry or a range of schemes locally or regionally. agencies might offer a special facility or expertise, or collaborate with a prime agency in providing a teaching resource etc. The BBC and IBA, National Extension College and the Council for Educational Technology come to mind. The Open University, in particular, has a wealth of experience and programme development and production to offer. A variety of options and arrangements would need to be explored.

'Open Tech' Information Centres

5.3 Information Centres, geographically dispersed so as to be easily accessible, would be able to take individual queries, provide information about what is available (including existing provision outside the 'Open Tech' Programme if these will meet the need), give limited advice and put individuals or organisations in touch with particular schemes for more detailed advice. It is envisaged that Centres would be based on existing facilities such as FE Colleges and the ESD Joblibrary network. The use of Viewdata systems should be considered.

5.4 A good deal of piloting and testing will be required. Information systems can be excessively costly; and duplication would need to be avoided. Ways of linking in with existing or planned information storage systems (eg the credit transfer information system being considered by the DES) will have to be thoroughly examined before any new system was set up.

An 'Open Tech' Unit and its Functions

5.5 There would be advantage in setting-up an 'Open Tech' Unit (OTU), within the MSC but under the direction of a steering body representing industrial, educational and Government interests, to assume responsibility for carrying forward the range of tasks outlined in this Document. It would be concerned with promoting, managing and stimulating, funding or supporting 'Open Tech' projects and initiatives of various kinds. These could cover:

- (a) marketing research and information;
- (b) project management and coordination;
- (c) curricula development;
- (d) programme development and specification, based on identified needs and situations;
- (e) learning material/learning system development, production and delivery;
- (f) open learning trainer and training methods support and development;
- (g) monitoring and quality review.

5.6 The effort and expertise required, initially, should not be underestimated, even though most of the curriculum and course development work would be done by agents. The Unit will have to establish close working relations with a significant number of agents, make enabling agreements, commission some

12-20 major projects, keep up-to-date with relevant technology, and "till the ground" for acceptance. For this reason an OTU team building up to about 15 specialist staff of various kinds is envisaged, plus administrative support. It is unlikely that all the experience and expertise required would be found within the Commission. Moreover, as a collaborative exercise it would be important in principle that the Unit should recruit experts seconded from outside.

6 FINANCIAL RESOURCING

6.1 Clearly the 'Open Tech' Programme will require financial resources, though considerably less than would have been necessary if a new institution or agency was to be set up. The development of learning material in a form suitable for what may often be a quite heterogeneous population takes time. The costs of designing, testing and producing material and presenting it to the trainee through appropriate media (book, audio or video cassettes, broadcasting, film, computer programmes, etc) are known to be heavy. Costs of up to £250,000 for a complete course are common.

6.2 In addition, a number of feasibility and market research studies will be needed, together with the piloting, evaluating and setting-up of marketing and information services.

6.3 The funding of projects, leading to 12-20 or so major open learning schemes being developed, introduced and evaluated during the first 3-5 years, is likely to require a budget in the range of £6m to £10m per annum. Some of the capital cost of this development should be recouped in due course out of fees which would normally be charged for the training courses or packages provided; and there could also be a not inconsiderable export potential for schemes and materials. Nevertheless, except for schemes which operate with a very large market potential (and some key schemes may well be for more limited but geographically dispersed numbers) initial development costs could not reasonably be expected to be recouped from fees. Public funding of both of these development costs would therefore be inescapable.

6.4 The tasks in which the proposed OTU would be involved and the level of staffing required has been described in the previous section. It is estimated that the Unit would incur staff and overhead costs of the order of £500,000 per annum when fully operational.

7 CONCLUSION

7.1 The proposals in this document are presented in broad outline as the basis for discussion with the many interests concerned. In the light of the advice and reactions received, it will be necessary to draw up a more detailed design, and more precise estimates of cost, of an Open Tech Programme. The Commission believes that a design based on the key features described in this document

- collaboration with and support for existing efforts
- funding the development of a number of key schemes for enlarging opportunities for technician and supervisory training; and
- providing a more effective means of keeping training providers and users informed about available resources and opportunities

will make a significant contribution towards enhancing the availability, flexibility and cost-effectiveness of training provision in the 1980s. The MSC will welcome comments on the overall aims and concept of an Open Tech Programme, the detailed way in which that concept can be effectively realised, the collaborative contributions that may be felt essential and resources that could be and are available and may be used.



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Rt Hon Mark Carlisle QC MP
Secretary of State
Department of Education and
Science
Elizabeth House
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MBPM

2
9 April 1981

Dear Mark

'OPEN TECH'

As envisaged in my letter to you of 4 March and at the meeting of E on 24 February I have now received from the Manpower Services Commission the attached draft consultative document on an 'Open Tech' programme.

They are seeking Government agreement to its publication and general support for the lines of its proposals.

The aims of the programme are summarised in paragraph 4.2 and the mechanisms in part 5. I think they could make a significant improvement to the status and training of technicians in this country.

They see the programme as costing between £6 and £10m annually and as requiring about 15 extra staff. When we discussed this at E it was envisaged that the programme would be contained within existing budgets. I have told Richard O'Brien this and I understand the Commission would consider this issue in the light of responses to the consultative document and in the context of their next Corporate Plan.

Subject to colleagues views I propose agreeing to the publication of this consultative document. Also as agreed in our earlier correspondence I propose you and I sign a foreword to the document along the lines of the attached draft.

This proposal is one aspect of the wider new Training Initiative on which I will write further to colleagues after my consultations with the MSC, but if all goes well I envisage the simultaneous publication of the NTI and Open Tech documents in about the third week in May. To meet that timetable I would welcome agreement to the publication of the OT document and comments on the proposed draft foreword by 22 April.

I am copying this to members of E Committee and to the Secretaries of State for Scotland and Wales and to Sir Robert Armstrong.

[Handwritten signature]

DRAFT

FOREWORD TO 'OPEN TECH' CONSULTATIVE DOCUMENT

(To be signed by Mr Prior and Mr Carlisle)

The economic and social prosperity of the nation depends on our ability to compete with other trading nations at home and abroad. An appropriately educated, trained and adaptable labour force has a crucial role to play in that competitiveness. So does the adoption of appropriate technologies.

In this context technical education, training and retraining are particularly important. Much valuable work is already being done in this area but the rapid improvements that are required will only be achieved if suitable opportunities are available, and taken up by those already in the labour force - the employed as well as the unemployed.

There is a clear need for more open opportunities. By 'open' we mean that such opportunities should be available to people irrespective of their formal education qualifications, and of whether they can join with others for structured classes at set times in working hours. Some open opportunities do already exist. Our concern is to see not only that best use is made of them, but also that many more are developed.

New technology not only makes these developments essential it may

also help provide the means of achieving them. It is vital that we grasp and harness these possibilities, since they offer both an imaginative and practical way of securing the skills needed in the industries of the future.

The proposals the Manpower Services Commission have produced, at the request of the Government, are developed in this discussion document. They do not represent a bid to force the whole of technician education and training, or distance learning techniques, into a centrally devised and publicly funded framework.

Nor do they rule out open learning on a much wider front. They do though focus attention on the importance of developing open learning in those skills which will be in increasing demand and also suggest a mechanism for doing this and for promoting new developments, involving both industry and educational institutions.

The proposals represent one element of our endeavours to establish joint education and training strategies appropriate to the 1980s and beyond.

On behalf of our colleagues, including those with particular responsibilities in Scotland and Wales, we commend these proposals for discussion, and subject to comments, and the availability of resources for the earliest implementation.

CONFIDENTIAL



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 ALEXANDER FLEMING HOUSE
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~~Mr Dwyer~~

Manpower

~~Cabinet Office~~

The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 Parliament Street
 London SW1

9 April 1981

Dear Geoffrey,

R
5/4

The Minutes of the E Committee on 26 March (E(81)12th Meeting) record that I was invited to consider, before the next upratings, the possibility of lowering the rates of supplementary benefit and of unemployment benefit for those under 18.

The context of the original suggestion that the rate of contributory benefit should be reconsidered was the introduction of a youth benefit which would replace supplementary benefit for young people, together with a possible training strategy which would give all young people a firm and better training opportunity. Things now look rather different, but in any case the rates of benefit for the November 1981 uprating have been announced, and certainly as far as contributory benefits are concerned the uprating instruments will be required by Statute to follow precisely the announcement; and the expectation at least is that the same will happen for the supplementary benefit rates which have been announced. I therefore propose to consider this matter again in the context of our resumed consideration in the Autumn of youth benefit, and to think about the benefit rates in relation to the November 1982 or later upratings.

I should add that my provisional view that there will be considerable difficulties in making a change has not been modified by subsequent consideration. However, we can return to this in the Autumn.

Copies go to our colleagues on E Committee.

Your ever
 P
 Patel

CONFIDENTIAL



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12

44

Barney Hayhoe Esq MP
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8 April 1981

EMPLOYMENT AND TRAINING BILL - POSSIBLE PROVISION ALLOWING THE SECRETARY OF STATE TO OVERRIDE THE ITB PENSION FUND UNANIMITY RULE

As you know, in my letter to the Chief Secretary of the Treasury concerning pension provisions for chairmen and staff of ITBs which are abolished, I referred to the fact that we had identified a problem in relation to the "unanimity rule" of the ITB pension fund. *attach*

Briefly, the problem is this. At present the unanimous consent in writing of all employing boards has to be obtained before any change can be made to the rules of the fund. This has apparently already raised difficulties for the trustees and is likely to pose even greater ones when we have decided which boards are to be abolished. If, as seems likely, at least some boards are unwilling to accept their fate and therefore seek to obstruct the winding up process the "unanimity rule" provides a ready made weapon, as we will not be able to begin that process until we are clear what are the liabilities of boards, and for this we need information on pension liabilities which can only be provided by the fund's actuaries. Equally importantly unanimous agreement of all the boards would be required for the setting up of a closed fund covering the redundant employees of the discontinued boards, and we would obviously find it embarrassing to be presenting to the House orders abolishing particular boards before this issue had been resolved.

The Chairmen of the Trustees has expressed his concern about this requirement to me and has suggested that a provision should be included in the Bill to enable me to override the unanimity rule at the request of the Scheme's trustees, but only where they could show that a majority of the boards supported the proposed change. This power would be limited to the period during which the principal consequences of the Bill were being implemented.



However, this amendment would not necessarily avoid the difficulties outlined above as it would still require a majority of the boards to vote in favour of the changes and it is possible, though unlikely, that if a significant number of boards were being abolished, such a majority would not be forthcoming. Furthermore it would be recognised by the opposition as designed to facilitate the rapid winding up of boards and would probably therefore prove controversial. Arguably also it is unnecessary as I am hopeful that the Chairmen of the Trustees is capable of persuading the boards to behave in a sensible manner on this issue without additional statutory provision.

However I am on balance inclined to favour an amendment along the lines proposed since once decisions have been taken on which boards are to be abolished it is clearly desirable that we should be able to proceed with their winding up as expeditiously as possible and while I would expect that the majority of boards would behave in a responsible manner on the issue of pension arrangements, there is always the possibility that a minority may seek to obstruct the winding up process by blocking any proposals on pensions. It would be as well therefore for us to have the power to deal with this.

As I explained in my previous letter on the pension fund, one of our backbenchers is considering an amendment along these lines. I would be grateful for your views on the issues raised in my letter by noon on 13 April so that they can be taken into account by Peter Morrison in preparing for the discussion of this amendment in Committee.

I am copying this letter to Francis Pym, Leon Brittan, the members of E Committee, Sir Robert Armstrong and Mr Robin Ibbs.

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Rt Hon Leon Brittan QC MP
 Chief Secretary
 Treasury
 Great George Street
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8 April 1981

Leon Brittan

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EMPLOYMENT AND TRAINING BILL - PENSIONS PROVISION FOR CHAIRMEN
 AND STAFF OF INDUSTRIAL TRAINING BOARDS WHICH MAY BE ABOLISHED

As you know, the Manpower Services Commission is currently conducting a review of training arrangements in each sector of industry with a view to reporting to us in the summer, and our taking decisions on which industrial training boards should continue, and which should not. The Employment and Training Bill, which is currently in Committee in the Commons, seeks amongst other things to give me power to abolish an industrial training board without a recommendation to that effect from the Commission, and it also provides that the operating costs of industrial training boards may once again be met from levy on employers.

I recently had a discussion with the Chairman of the Trustees of the ITB Pension Fund about the problems which would be caused in the pension field by winding-up a number of boards. The rules of the ITB Pension Scheme, which have been approved by departments, currently provide for that scheme to be advised by the Government Actuary. In order to safeguard accrued pension benefits the Government Actuary has strongly advised that in the event of one or more boards being wound up the assets of the present ITB Fund should be divided between a "closed fund", covering pension liabilities for staff of boards to be abolished, and an "open fund" covering those of the staff of the continuing boards. I am satisfied that there is no practicable alternative to the Government Actuary's recommendation if we are to honour the undertaking which I have given to the Pension Fund Trustees that pension entitlements will be fully safeguarded.

One problem which will arise in the case of any boards which are abolished is the financing of the existing actuarial deficit of the closed fund. This will need to be done either by an Exchequer contribution, or by a terminal levy on the employers in the industry on the occasion of winding-up the board or some combination of the two. Statutory powers for either of these courses already exist, (though that for the latter which I understand Treasury officials prefer may need to be clarified), and I shall be considering what



would be appropriate when I have the results of the Commission's review, and in the context of the general arrangements for the cessation of the Exchequer support of the operating costs of industrial training boards.

In addition there is always the possibility that a closed fund would incur a deficit at some future time for one or more of the following reasons:-

- (a) the actuarial forecasts of the funds needed to ensure that the promised level of benefits can be paid may be wrong - (the fact that the benefits of the Pension scheme are index-linked may increase the likelihood of this);
- (b) the pensioners may be unexpectedly long-lived; or
- (c) mistakes may be made in the management of the fund's investments.

If this happens then I can see no alternative to the Government making good such a deficit, as it will have been as a result of Government action that the board or boards in question no longer exist to make good the deficit themselves. However statutory powers do not exist for this purpose, and I therefore consider that we should seek such powers in the Employment and Training Bill.

A somewhat similar problem arises in the case of Chairmen of Boards. Board Chairmen are appointed by Ministers, and do not belong to the ITB Pension Scheme. However the boards have a power to make such arrangements as Ministers may specify to pay pensions to chairmen, but since this power has existed the Exchequer has been receiving from Chairmen their superannuation contributions and offsetting them against the operating costs of boards. Similarly pensions when payable were met from operating costs. In this case too therefore I think that there should be statutory power for the Government to pay, or contribute towards paying, the cost of the pension of the chairmen of an industrial training board which no longer exists.

One other point which needs to be taken into consideration as regards our giving a formal commitment to make a financial contribution to the pension arrangements of the chairmen or staff of former boards is that we have not yet decided what to do about index-linking of pensions for the public service as a whole. However I do not think this is a major problem. Clearly, indexation of these pensions will for the future stand or fall on what is decided about public service pensions generally. I think we must preserve indexation for these people until decisions are taken, not least to avoid pre-empting any decision, but should make it clear to the trustees that our commitment is subject in the longer term to the outcome of the wider review of public service pensions.

A separate but related issue has arisen in relation to the rules of the pension scheme. As a result of a letter from the Chairmen of the ITB Pension Scheme's Trustees one of our backbenchers is considering tabling an amendment which would empower me to consent to a change



in the rules of the ITB Pension Fund without there being the unanimous agreement of the individual boards (as required by the present rules). I shall be writing separately to Barney Hayhoe about this.

It will not be possible for us to resolve all the issues outlined in this letter in time for the discussion in Committee to be on the basis of government drafted amendments, particularly since a new financial resolution would be needed and the Committee stage will finish on 14 April. I should however be grateful for your agreement to what I propose by noon on 13 April so that Peter Morrison can give an indication of our thinking in Committee, and say that the necessary government amendments will be moved at Report Stage.

I am copying this letter to Francis Pym, Barney Hayhoe, the members of E Committee, Sir Robert Armstrong and Mr Robin Ibbs.

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7 April 1981

House of Commons Select Committee on
Employment - Government Response to Report
of Manpower Services Commission Corporate
Plan 1981-85

You sent me a copy of your Secretary
of State's letter of 3 April to the
Chancellor of the Duchy. The Prime Minister
has seen the draft response which was attached
to that letter, and is content that it should
be sent.

N. J. SANDERS

Richard Dykes, Esq.,
Department of Employment.

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The Rt Hon Francis Pym MC MP
Chancellor of the Duchy of Lancaster
Privy Council Office
68 Whitehall
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PRIME MINISTER

Mr Prior seeks
permission to publish
this response. You
might like to glance, but

3 April 1981

I see no cause for
objection.

— MS
6/4

HOUSE OF COMMONS SELECT COMMITTEE ON EMPLOYMENT - GOVERNMENT RESPONSE TO REPORT OF MANPOWER SERVICES COMMISSION CORPORATE PLAN 1981-85

... The Select Committee on Employment reported on the Manpower Services Commission Corporate Plan 1981-85 at the end of January. I enclose a copy of the response, in the form of a memorandum from the Government, which I propose to send at the beginning of next week. An earlier draft was circulated for comment at official level to Departments which have a direct interest.

The Committee's most significant concern was that specialist services for disabled people should be safeguarded from the effects of staffing reductions which we have asked the Commission to make.

Paragraph 2 of the enclosed memorandum deals with this point. The Commission has modified its Plan to make it clear these specialist services are to be reviewed and that staff savings will not be made in them until the Commission are sure that these will not affect the level of service provided for disabled people. On this basis, after consultation with George Younger and Nicholas Edwards I have approved the Corporate Plan. I have indicated in correspondence with the Commission that to the extent that it is not possible to reduce staff in these specialist service without reducing the overall level of provision for disabled people, equivalent staff savings will have to be found elsewhere.

Unless I hear from colleagues by lunch time on Monday 6 April, I would propose to send the reply to the Chairman of the Select Committee.

I am sending copies of this letter and enclosures to George Younger, Nicholas Edwards, Leon Brittan, Patrick Jenkin, Keith Joseph and Barney Hayhoe.

OBSERVATIONS BY THE GOVERNMENT ON THE REPORT FROM THE EMPLOYMENT COMMITTEE - "THE MSC'S CORPORATE PLAN 1981-85"

1. The Government has studied the Employment Committee's first report of the 1980-81 Session, which deals with the Corporate Plan 1981-85 of the Manpower Services Commission (MSC), and has considered the Committee's views before reaching decisions on the MSC proposals. This memorandum contains the Government's comments on the main points raised in the report.

Services to Disabled People

2. The Committee commented adversely on certain proposals to reduce the resources devoted to specialist services for disabled people (paras 1, 2 and 15) and urged the Secretary of State to reverse them.

The Government shares the view of the Select Committee that despite constraints on the resources available to the MSC, the level of its services specifically for disabled people must be maintained. It recognises, however, that it may be possible for changes to be made, as the MSC suggests, in the forms of provision for disabled people which save staff without lowering the level of service, and would support such changes in the interests of efficient administration. It therefore asked the MSC to review its proposals affecting services for disabled people with a view to making only those staff savings on these programmes which would not result in a reduction in the level of service provided.

The Commission has since amended its Corporate Plan to make its intention clear not to reduce the number of staff dealing with disabled people until it is sure that this can be done without reductions in the level of assistance it is able to offer them. The Government endorses this approach.

Forecasts of Unemployment

3. The Committee sought "confirmation from the Secretary of State that the figures given in the Corporate Plan (eg. for the anticipated level of unemployment) correspond with the Government's estimate of

the worst figures likely to prevail in 1981-82" (para 5).

For 1980-81 and 1981-82 the Corporate Plan explicitly takes account of the Government's own stated assumptions for unemployment benefit expenditure planning purposes and relies on outside forecasts for a general assessment of the longer term prospects.

This is not, of course, the same as adopting a 'worst possible' view, but the Government would not regard that as an appropriate basis for planning in this context. Naturally all these assumptions are kept under review.

Apprenticeship Provision

4. The Committee endorsed "the MSC's proposal that it should be allowed to transfer funds from the Youth Opportunities Programme to support apprenticeship training, if additional funds are needed" (para 9). The Commission has since confirmed that it will after all be able to maintain the planned level of support in 1981-82 without any transfer of funds from other programmes.

5. Para 3.14 of the Plan indicated that the Commission was keeping under review the form and scale of measures which might prove necessary to sustain investment in key skill areas. The Commission has recently written to the Secretary of State expressing concern over the current apprenticeship situation and will be submitting proposals to the Secretary of State.

Training for Adults

6. The Committee drew attention to the proposed reduction in the number of adults completing TOPS training courses and expressed the hope "that the Secretary of State will be ready to increase resources for training as the economy picks up" (para 12). The Government shares the Committee's concern that there should be a quick and flexible training response to emerging demands for trained labour and also believes that part of the response must be provided through the training and retraining of adults, though not necessarily entirely at public expense. TOPS has made a substantial contribution, and the level and balance of provision will be kept under review, subject to the overriding

principle that it should supplement and not supplant the training provided within industry.

Cuts in the Employment Service

7. The Committee drew attention to MSC calculations on the financial implications of any reduction in the speed of vacancy filling which might result from reductions in the staffing of the placing service, and asked the Secretary of State to examine them very carefully (para 13). The faster unemployed people are placed the lower the level of unemployment and hence of public expenditure on benefits. However the links between changes in the staffing of the public employment service and the speed at which vacancies are filled in the economy as a whole are complex. The MSC estimates, though in their view the best that can currently be provided are, as they say, speculative and depend on a number of assumptions. Given the importance of achieving improved efficiency and reductions in civil service manpower, the Government does not feel that they provide justification for exempting the employment service from staff reductions.

Community Enterprise Programme

8. The Committee suggests (para 14) that the Community Enterprise Programme might better be operated through an increased urban programme, and by channelling funds through organisations like COSIRA, rather than be run by the Manpower Services Commission.

9. The Manpower Services Commission has experience since 1975 of running schemes of this kind; it has developed clear operating guidelines; it has built up a national organisation, comprising Area Boards and Officers capable of carrying out those guidelines; and its staff have acquired considerable expertise. Moreover, there are many similarities between the Community Projects element of YOP and the CEP, more so than with the type of scheme run by COSIRA. It would be confusing and inefficient if potential sponsors had to deal with several organisations seeking similar projects. It therefore seems sensible for the Manpower Services Commission to continue to operate the Community Enterprise Programme.

10. As part of the Programme, the Government has recently decided to provide funds for partnerships involving the private sector, public and community bodies in the creation of new enterprises. This part of the Programme will be coordinated with efforts made by other Departments to assist those who wish to start new small businesses.



PART 3 ends:-

F (81) 12th Reg Item 1 of 26/3/87

PART 4 begins:-

3 . 4 . 81

~~SS Emp to CST of 8/11/87~~