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CO NO.

WBSA

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The Rt Hon Peter Rees QC MP
 Chief Secretary
 HM Treasury
 Great George Street
 LONDON SW1

13 July 1984

YOUTH TRAINING SCHEME ALLOWANCE

Thank you for your letter of 9 July.

I understand your wish to see my proposals for employment and training measures generally before you take a view on the YTS allowance. In fact, my EA paper will be coming around in the next day or so and you will thus be able to see the proposed YTS allowance against that background. I therefore suggest that you and I should consider the allowance immediately after the EA discussion on 18 July, with a view to reaching a decision then.

Perhaps in advance of this I could emphasise one point. Three-quarters of the young people on YTS are on Mode A schemes, where a 5% increase in the block grant to managing agents from 1 September has already been agreed and announced. If the allowance to trainees is not increased as proposed, this will not produce any savings in public expenditure so far as Mode A schemes are concerned as the whole of the increase in the block grant will go instead to managing agents. It is true that there will be some additional expenditure - £3½ million in the current financial year and £7 million in a full year - on young people on Mode B schemes but these amounts have already been provided for in our revised forecasts of expenditure on YTS in the current and subsequent financial years and thus will not eat into these savings on YTS which we have identified.

As I said in my earlier letter, and as I know Peter Morrison has explained to you a little more fully, it is extremely important tactically that I make an announcement on the raising of the allowance and I hope we can take a decision immediately after the meeting on 18 July.



I am sending copies of this to the Prime Minister, Sir Keith Joseph, George Younger, Nicholas Edwards, Norman Fowler, and to Sir Robert Armstrong.

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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Tom King MP
 Secretary of State for Employment
 Department of Employment
 Caxton House
 Tothill Street
 LONDON
 SW1H 9NF

9 July 1984

Dear Secretary of State

Thank you for your letter of 3 July about the YTS allowance.

While I appreciate the advantages of spiking the guns of those in the Union movement who are seeking to undermine the scheme, I do not think it would be sensible to try to settle this issue in advance of our forthcoming discussion in EA of the YTS and special measures more generally.

It will not be easy to meet the expenditure objectives endorsed by Cabinet last week. The sums involved in this proposal are significant if not large and I do not yet have a clear idea of what you have in mind for the rest of your programme.

I am sending copies of this to the Prime Minister, Sir Keith Joseph, George Younger, Nicholas Edwards, Norman Fowler, and to Sir Robert Armstrong.

Yours sincerely

J. G. Rees

J. G. Rees
 J. PETER REES

[Approved by the Chief Secretary]

Spec Emp. Meas. MANPOWER P+10.

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10 JUL 1984





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cc NO
B/F into Treasury response
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Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Great George Street
LONDON
SW1

3rd July 1984

YOUTH TRAINING SCHEME ALLOWANCE

The £25 a week allowance for YTS trainees has been held since fixed (for the Youth Opportunities Programme) in January 1982. A year ago we rejected a recommendation for an increase by a majority of the Manpower Services Commission, with CBI Commissioners dissenting. The Commission have now recommended, this time with CBI support, that it should be raised (from September this year) to £26.25. The only dissentients were the TUC Commissioners who were seeking an increase to over £30.

Where employers operate schemes under Mode A (three-quarters of planned places) they would be meeting the entire cost out of the increased block grant we have already agreed to operate from September. The CBI Commissioners must therefore have been quite clear that the recommended increase in the allowance will be essential to the continued success of the scheme, and it is significant that they succeeded in isolating the TUC from the rest of the Commission as to the size of the increase.

When allowance is made for travel costs, the £26.25 would represent little more than £1 a day over the £17.30 Supplementary Benefit that will be available to young people from November, and well below the £28.45 Unemployment Benefit to which some may be entitled. An increase this year will place us in a better position to delay any decision about the level of the allowance in 1985/86 until it can be considered in the light of the results, expected next year, of the current DHSS fundamental review of benefits for young people.



I therefore propose to accept the Commission's recommendation. The additional cost for schemes under Mode B will be £3.5 million in the current year and £7 million in a full year, which is already provided for in the Estimates for the current year and in PES.

I should like to announce this as soon as possible to remove uncertainty, for employers as well as trainees, as to the level of allowance that will be operative from 1 September, and to maximise its value in pre-empting the campaign against the scheme now being mounted by some within the Union movement. I should therefore be grateful to have your agreement to this course, so that I can make an announcement by the end of this week if possible.

I am copying this letter to Keith Joseph, George Younger, Nicholas Edwards and Norman Fowler and to No 10.

A large, stylized handwritten signature or set of initials, possibly "Zy" or "Zy", written in dark ink. The letters are connected and have a fluid, cursive style.

Manpower SEMS .



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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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The Rt Hon Peter Rees
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1P 3AG

12 July 1984

Dear Peter,

Until I received your reply of 9 July to Tom King's letter of 3 July, I did not expect there would be any problem about his proposal to increase the YTS allowance from £25 to £26.25 a week.

If there is uncertainty about the substantive point at issue, I would want to make my own position clear. I share Tom's desire for an early announcement, not least so that the risk of trade union opposition to the Scheme as a whole may be nipped in the bud. Our supporters' efforts to rebut the "cheap labour" criticisms of the Scheme are certainly not helped by the allowance having been unchanged since January 1982. In my view it would be shortsighted to prejudice the Scheme's further development and consolidation by rejecting the Commission's recommendation, especially when there is already provision in the Estimates and PES for the relatively modest additional cost.

I am copying this letter to Tom King, Keith Joseph, Nicholas Edwards and Norman Fowler and to No 10.

Yours truly,
Cunneen

CC/10

NDPM

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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

// July 1984

Peter

I hope there will be no difficulty about the increase in the YTS allowance this September that Tom King is proposing in his letter to you of 3 July.

This would be within the overall increase for the YTS grant that we have already agreed and I believe that without it we could be facing, as Tom suggests, some serious difficulties in securing continued trade union support. I also think it is important that managing agents know where they then stand as early as possible and I hope that an announcement can be made soon.

I am copying this letter to Tom King, Keith Joseph, George Younger and Norman Fowler and to No. 10.

John
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Rt Hon Peter Rees
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1P 3AG

Manpower: Special Emp. Measure. A 10

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