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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

INDUSTRIAL TRAINING

Memorandum by the Secretary of State for Employment

I was invited (MISC 14(80)4th Meeting item 2(2)) to arrange for officials to review the options for future arrangements for industrial training. Their report was also to take account of the review of the training provisions of the Employment and Training Act 1973 published by the MSC in August (the RETA Report).

2 I attach the report by officials. It is summarised on the first page. We cannot take firm decisions before we have the views of industry and the MSC on the RETA Report later this month. But I think we can take a view on which broad approach we favour. Officials can then work up specific proposals within that approach.

3 The conclusions to which I am led are that:

(a) the objectives in section VI are right. In particular, the prime responsibility for deciding, financing and providing industry training must lie with employers;

(b) the basic role of the Government is to maintain an economic climate which places a premium on efficiency in the provision of training as in other industrial activities. Two of the fundamental weaknesses of the present system - restrictions on apprenticeship and the high wage costs of apprentices and other trainees - are ultimately matters to be remedied in industry through collective bargaining. But that;

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(c) there is another necessary role for Government - apart from our responsibilities for the disadvantaged - in helping to encourage reform, and remove obstacles to it. We have to give a Government lead in securing greater flexibility in training arrangements, in the adoption of recognised standards, in better vocational preparation and training at the lower levels of skill (where we most obviously lag behind other countries), in easier access to technical training for individuals who want to maximise their potential, and in better coordination of industrial training and technical education at local level.

4 I do not believe that we shall meet these requirements sensibly and effectively through the second and third of the approaches identified by officials - namely, leaving it entirely to employers on the one hand or concentrating solely on public expenditure to meet special needs on the other. We know that the former, which amounts to Government withdrawal, will not meet the evident deficiencies that we suffer in training and the latter will lead to increasing substitution of public for private financing and so take the responsibility off employers and unions. I am equally convinced that the first of the approaches - the RETA report proposals as they stand - is not good enough.

5 In my view the fourth approach offers the best chance of meeting the objectives and providing for the proper division of responsibility with industry, but reins back the industrial training board system to key areas. In line with the RETA recommendations it places operational costs of the remaining Boards on their industries (where they belong) and frees them from detailed MSC oversight and bureaucracy. It nonetheless emphasises the Government power to ensure that the ITBs are contributing to the national training objectives by making this a condition of approval of their levy proposals. It retains our power through the MSC to make necessary additional provision for key skills and the training of those not in employment.

6 Under this approach we would save the Exchequer cost of funding the ITB operating costs (as already assumed in our public expenditure plans). For the foreseeable future we should broadly maintain the planned level of public expenditure represented by MSC grants under the training for skills programme (TSPA) and the MSC's (reduced) direct provision of training opportunities in Skillcentres and elsewhere through the training opportunities scheme (TOPS).

7 The one area in which I at present envisage additional expenditure is on training for the young unemployed and in the provision of unified vocational preparation (UVP) for school leavers. I am absolutely convinced that we must in this country move towards provision of a comprehensive system of vocational preparation for young people who

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otherwise enter jobs with little or no systematic training or further education. This is a marked and critical deficiency in our whole system of industrial training compared with those of our competitor countries such as Germany. Consultation last year on the development of vocational preparation produced a generally welcoming response. The additional provision that the Secretary of State for Education and I believe is immediately necessary over the next few years is shown in E(80)110.

8 If my colleagues endorse the conclusions in paragraph 3 above and agree that we should proceed within the broad approach advanced as the fourth option in the officials' report, I propose to instruct officials to prepare for our consideration early in November specific proposals for so proceeding. Those proposals would be prepared in the light of views expected later this month on the RETA report and would cover in particular the heads of necessary legislation, and arrangements for reviewing and reducing the number of ITBs, and proposals for giving a Government lead in the many areas identified in paragraph 7 above. These can form the basis for a consultative document on what is needed to achieve our objectives within the institutional framework now envisaged.

9 In the light of our decisions in early November, I envisage a major statement in the debate on the address which will state our objectives and broad approach, announce our decisions on the arrangements for ITBs and their operational costs, and state the scope of the necessary legislation that we plan to introduce by the end of the year. (As agreed, earlier, Parliamentary Counsel is already being instructed on a contingent basis). The statement would also announce our intention to produce a consultative document setting out our views on the necessary development of industrial training policy to meet our objectives. The public debate on this would proceed in parallel with the legislative and other institutional changes.

- 10 I invite colleagues' agreement to:
 - (i) the objectives and conclusions in paragraph 3 above;
 - (ii) adoption of the broad approach in the fourth option in the officials' report;
 - (iii) the further action proposed in paragraphs 8 and 9 above.

Department of Employment
10 October 1980

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FUTURE INDUSTRIAL TRAINING ARRANGEMENTS

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Report of a Working Group of the Official Manpower Group

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III WEAKNESSES OF THE PRESENT SYSTEM

These are identified as: continuing shortages of trained workers; inadequate opportunities for second chance or up-dating training; no general acceptance of need for agreed performance; insufficient training provision below craft level; local labour market information.

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The role of the various participants in the existing arrangements is considered.

V SOME FUNDAMENTAL QUESTIONS

Attention is drawn to such questions as: who should bear the cost of training; who should determine the numbers trained and the content and quality of training; the pros and cons of formal standards; the proper role of the trade unions.

VI IMMEDIATE OBJECTIVES

These are identified as: to encourage firms to maintain and improve their training efforts; to remove economic obstacles to training; to increase the flexibility of training arrangements; to encourage the adoption of formal standards; to improve vocational preparation before and after school-leaving; to increase availability and exchange of labour market information; to maximise training opportunities for individuals; and to ensure an adequate supply of trained labour in certain key areas.

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VII THE CHOICE OF MEANS

Four broad approaches are examined:

- (a) strengthening the MSC and ITBs (recommendations of the RETA report);
- (b) leaving industrial training to individual firms - the "market" approach;
- (c) maintaining a degree of Government intervention and support through the MSC but abolishing all ITBs;
- (d) maintaining a degree of Government intervention and support through the MSC but retaining a limited number of ITBs.

APPENDICES

- 1 List of possible institutional options
- 2 Facts and figures on industrial training in UK
- 3 Summary of arrangements in West Germany and France.

I INTRODUCTION

1.1 The Ministerial Steering Group on Government Strategy at its meeting on 2 July 1980, having considered the CPRS report on Education, Industry and Training, invited the Secretary of State for Employment to arrange for officials to review the options for the future of the industrial training system, with a view to reporting back to Ministers on the options by the autumn. (MISC 14(80) 4th Meeting. Item 2 Conclusion 2). It was subsequently agreed in correspondence that this review should be undertaken by a Working Group of the official Manpower Group (chaired by the Department of Employment, and comprising representatives of the Cabinet Office, the Central Policy Review Staff, the Treasury, the Scottish Office, the Welsh Office, and the Departments of Industry, Trade, and Education and Science, and the Manpower Services Commission); that it should embrace consideration of the Government's response to the report, published at the end of July, of the Review Body on Industrial Training established by the MSC; (the RETA report) and that the Working Group should report to Ministers not later than the first week in October.

1.2 This timing has meant that the Working Group have not had the benefit of considered responses to the RETA report, particularly from the CBI, TUC and educational interests, or of the views of the MSC itself, which will not be available until later in October. They have however made use of such indications as were available of the likely response and in particular of proposals currently being developed by the MSC for a new training initiative, particularly for 16/17 year olds, which the MSC is likely to be submitting to Ministers along with their reactions to the RETA report. The Working Group has also taken account of current developments on special employment measures—particularly the Youth Opportunity Programme (YOP)—the programme for Unified Vocational Preparation (UVP), a draft consultative document by DES on Continuing Education and other relevant studies including the report of the Finniston Committee of Inquiry into the engineering profession. The term "industry" is used throughout this report in the widest sense, ie to embrace all aspects of employment.

1.3 In their endeavour to challenge conventional wisdom (and conventional challenges to conventional wisdom) the Working Group has had particular regard to the arrangements for industrial training in other countries, most notably West Germany and France, which have different arrangements from those in this country. (Their main characteristics are summarised in Appendix 3).

1.4 Ministers may wish to consider, in particular, the immediate objectives set out in section VI and their preferences between the broad approaches as to means set out in section VII of this report. They may wish to commission more detailed examination by officials of these, or variations on them. This would include closer estimates of the implications for potential public expenditure and staffing.

II AIMS

2.1 The aims of industrial training policy are taken to be:

- (i) To secure a supply of trained labour adequate in quantity, quality and location for industries' needs at minimum costs to employers, individuals and the public purse.

This is clearly a basic aim; some would say the basic aim. Even so, questions arise as to whether "industries' needs" are the sum of individual employers' perceived needs or require some wider view, and how costs should be apportioned.

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- (ii) To ensure that the opportunity to be trained is available - desirably equally available - to all who have the necessary ability.

Some would make this subordinate to (i) on the ground that training unrelated to employment opportunities is wasteful and demoralising. Others would argue that employment opportunities are created by maximising the supply of skill. The latter approach, though attractive, runs the danger of self-perpetuation of training systems unrelated to economic realities.

- (iii) To promote greater flexibility in the labour market.

This is clearly subsidiary to (i) and or (ii) but is separately identified here because on the one hand the changing needs of industry and of individual aspirations require an increasingly flexible response while on the other some important parts of our present training arrangements are too rigid.

III WEAKNESSES OF THE PRESENT SYSTEM

3.1 The weaknesses of the present training arrangements in Great Britain have been extensively described in the RETA and CPRS reports. The following are the main short comings:-

- (i) Continuing shortages of trained workers

Such shortages occur in a wide range of occupations and at many levels of skill, though attention focusses mainly on craftsmen and technicians. They are not necessarily the result of a shortfall in training provision but may rather be due to inefficient use of trained labour or unattractive conditions of employment. There are nevertheless three particular areas where the present training arrangements give grounds for special concern:

- (a) skills required for new technologies;
- (b) skills requiring costly training which can be used in a variety of industries and firms;
- (c) skill shortages in particular localities

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(ii) Inadequate opportunities for "second chance" training

At present there is very little opportunity save that provided at public expense in Skillcentres and elsewhere through the MSC's Training Opportunities Scheme (TOPS). This inadequacy is attributable to several factors

- (a) imposition, by collective agreement or in practice, of excessively narrow restrictions - formal or informal - on entry to training, particularly with regard to age, sex and educational qualifications (and also with regard to the efficient use of trained labour, which is outside the scope of this report);
- (b) the comparative lack, outside TOPS, of opportunities for accelerated training for those with relevant education or work experience
- (c) lack of opportunities for skilled workers to train for promotion to managerial positions.

(iii) Restricted provision for up-dating skills

This reflects both managements' and workers' failure to grasp the essential need to keep abreast of new techniques/technology.

(iv) No general acceptance of need for agreed standards of performance

In general to achieve skilled status a trainee has to serve an agreed period of apprenticeship. To do this he has to satisfy any standards set by the individual employer but not necessarily to attain generally recognised qualifications (eg City and Guilds). He cannot be paid skilled rates or seek employment as a skilled worker until he has served his time. His mobility thereafter may be restricted by lack of a generally recognised qualification.

(v) Insufficient training provision below craft level

Many workers at lower levels of skill are trained only on a narrow range of functions and are not equipped to deal with other aspects of their job (eg semi-skilled operatives may not be trained to carry out

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even simple maintenance of their machines). Even where the training is adequate to immediate employment needs, it does little to prepare employees, particularly young people, to cope either with changing requirements in their present occupation or with learning a completely new skill.

(vi) Local labour market information

There are major weaknesses in the availability and exchange of information, especially at local level, between individual employers, and between employers and educational and training institutions about employers' needs and the quantity and quality of training undertaken.

IV PARTICIPANTS IN THE PRESENT ARRANGEMENTS

4.1 These weaknesses reflect weaknesses of organisation and in the perception of responsibilities by the various participants in present training arrangements.

(i) Firms: at present have the primary responsibility for (a) determining how many people are trained and at what levels (b) meeting the cost of such training and (c) providing the necessary facilities (except those regarded as educational). In theory firms are best placed to determine the quantity and quality of training needed, since the total sum of trained workers needed at any one time will be the sum of individual employers' requirements. However, in practice this is qualified by:

- a the difficulties firms have in accurately forecasting their own needs
- b the limited information available to them about changes in the needs of other employers in their locality, and changes in supply
- c the particular problems of new firms, or established firms branching out into new technology
- d the lack of security of return on investment in training, since individuals may be attracted into other firms, industries or even occupations for higher pay or other reasons.

In some circumstances these difficulties are more acute for small

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firms; in others they may be less so

- (ii) Individuals: can influence the development of training arrangements by their choices, but these may be largely pre-conditioned by self-perpetuating cultural and economic constraints, as well as lack of opportunity. Unlike the employer, they can be sure of retaining the benefit of the investment, so long as there is a demand for the skill in question and so arguably should bear part of the cost. On the other hand training usually involves some immediate sacrifice of income and leisure, which can be a deterrent when other employment opportunities are available.
- (iii) Trade unions/Professional Associations: ostensibly their main concern is with the quality of training and the level of rewards to which it leads; this not infrequently expresses itself in numerical and other restrictions, and a tendency to pre-occupation with the interest of existing members rather than the potentialities of the future.
- (iv) Educational Institutions: are the major current providers of off-the-job vocational education, covering a wide range and level of qualifications, and offering local availability. They face constraints arising in particular from the limitations of resources (and, closely related to this, the difficulty of responding to individual needs because of the importance of viability of class size). There is also conflict between the short-term needs for skill training identified by industry and longer-term educational objectives.
- (v) Examining Bodies (eg Council for National Academic Awards, Royal Society of Arts, City and Guilds, London Institute): are responsible for setting formal standards of performance, possession of which may or may not be used by employers as a condition of recruitment for employment or entry to further training. The examining bodies have considerable independence of action as opinion informers, particularly to increase understanding of the need for nationally agreed standards of vocational training. In practice this is limited by the extent to which their qualifications are regarded by employers and unions as relevant to industrial needs.
- (vi) Industrial Training Boards: the 23 ITBs cover 55% of all employees (43% of all employees are covered by the six biggest boards, engineering,

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distribution, hotel and catering, food, drink and tobacco, construction, road transport); they are appointed by Government to represent employers, unions and educational interests concerned. Government meets operational costs (administration, advisory services etc); the Boards have powers, subject to statutory limitations and to annual Parliamentary approval, to levy firms in scope to meet cost of providing training, whether directly or by grants to employers; they also administer funds provided by MSC for specific training objectives (TSPA). The Agricultural Training Board is administered separately by the Agricultural Departments.

The evidence submitted by employers organisations, trade unions, education and other interests to the MSC Review suggests achievements vary from Board to Board. Some are well regarded by the employers concerned, others not. They have certainly stimulated greater concern by firms for training and their advisory services are generally welcomed. Some, particularly Engineering, Construction and Road Transport, train significant numbers in their own centres. They have not solved shortages (arguably because 1973 Act limited ability to penalise 'poaching' or encourage firms to train beyond immediate needs). They have made little progress in securing greater flexibility, adoption of standards or other reforms (arguably because of vested interests, particularly of unions or employers). Boards have largely failed to develop ability to respond to local needs or cross-sectoral problems, eg maintenance craftsmen, (arguably because of their industrial structure). It should also be noted that a large proportion of firms are excluded because of their small size.

(vii) Other industrial training bodies: the nationalised industries, central and local government and some other industries have centralised arrangements for the oversight and development of training. These industries - mostly virtually "single employers" - can meet many of their own training problems without the need for a statutory levy, but share with the ITB sector common problems of cross-sector skills, and general attitudes to flexibility of training and recognition of standards. (Only 10-15% of all employees not covered in any way - mainly in banking and finance and professional services, though even here the more highly qualified are covered in other ways).

(viii) Manpower Services Commission: created by 1973 Act, with three main

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training functions:

- oversight of ITB's

- administration of grants to employers (mainly via ITBs and other industrial training bodies) to meet specific objectives (eg additional training in key or shortage trades, maintenance of training effort through recessions, training to standards etc).

- direct provision of training for adults in disadvantaged groups and to meet skill shortages (TOPS)

The MSC also shares with the Education Departments in funding experiments in unified vocational preparation, and is responsible for YOP which amongst other things subsidises initial training and work experience with employers for unemployed young people.

Though still numerically small in relation to the total national training effort MSC's contribution has increased markedly in recent years, and some new technologies (eg computer programming) represents a substantial proportion of the total. On the other hand shortages still exist and little progress has yet been made in influencing either the quantity or quality of training undertaken by industry.

(ix) Other Government agencies: The Government has other opportunities to influence industrial training eg in its capacity as an employer, in the provision of grants under the Industry Act and other systems of industrial support, and of course in its substantial funding of the educational system.

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V SOME FUNDAMENTAL ISSUES

5.1 Before defining immediate objectives in pursuit of the general aims set out in Section II and in seeking remedies to the weaknesses identified in Section III it seems desirable to consider some fundamental issues.

i Who should bear the cost of training?

Historically the cost was borne by the individual by paying fees and/or entering articles which bound him to an employer for a certain period at low pay in return for training given. Some of the cost is now borne by the public education system, particularly at higher levels of qualification. Otherwise the cost has increasingly fallen on the employer as the pay of apprentices and other trainees has become higher relative to that of skilled adults and as the period of apprenticeship has been reduced (and articles more difficult to enforce).

An important part of the original concept of ITBs when first set up in 1964 was to share this burden over employers in the industry generally, so that those who "poached" labour trained by other employers were made to contribute to the cost. However, a review of the system in 1972 found that this was not being achieved and the 1973 Act substantially restricted ITB levy-raising powers.

Continuing shortages of skilled labour have led to increased funding by Government, through TOPS and TPSA, to make good shortages both in traditional crafts and in newer technological skills. This is still proportionately small but if industries' efforts continue to decline there will be pressures from the Government to do more. In addition there are the recent developments of YOP and UVP.

It might be suggested that to avoid the Government undertaking an increasing, and perhaps eventually dominant, share of the cost of industrial training (as it currently does in vocational education) the Government should adopt a clear policy of requiring employers to meet industrial training costs. How far employers might be able to shift part of the burden back to the individual would be largely a matter of collective bargaining, but might also be influenced by the Government's stance eg in the education field. The danger of such a course is that the quantity and quality of training might suffer in the process of establishing clear lines of financial responsibility. Even if industry

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funding is the continued aim, therefore, there might be a case for continued, and possibly even increased, Government support for an interim period if this could be held a transitional measure

ii Who should determine the numbers of people trained, and the content and quality of training?

He who pays the piper calls the tune, so this is closely linked with the question of funding. Nevertheless even with industry funding it is possible for Government, or independent bodies given statutory powers, to influence these decisions eg through industrial training levies. And on the other hand Government funded arrangements - though imposing a ceiling on numbers - can if desired be so organised as to leave the choice of content and quality largely to individuals and/or employers.

Some would argue that all this is primarily a matter for the individual employer and that more mistakes are likely to be made the further decisions are removed from the workplace and the greater the impact of such mistakes will be. Even so, some would see need for an over-view of training requirements which is broader in its perspective than that of the individual firm, both because of the problem of the "poaching" of trained labour by one firm from another and the desirability of training to common standards. Others would see a role for Government and/or trade unions in protecting the interests of the individual.

iii Would wider acceptance of formal standards of qualification be an entirely good thing?

Wider adoption of formal standards of qualification, rather than time-serving, in recruitment and promotion (particularly to craft status) is seen as a step towards improving standards, overcoming resistance to non-traditional training methods (particularly accelerated training of adults), and increasing the transparency and efficiency of the labour market (by enabling better matching of abilities with jobs). On the other hand this depends crucially on the relevance of formal standards to job requirements and on the speed with which they are adapted to changing requirements. Employers need people who can do the job, and possession of the right paper qualifications could become as rigid a barrier as time serving. Both employers and unions will want to have a considerable degree of control.

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iv What is the proper role of trade unions in relation to industrial training, and what should be the Government's approach to restrictive practices which inhibit flexibility.

Trade union restrictions are seen as one of the chief obstacles both to currently perceived needs for particular reforms and to a more generally flexible system. They are a reflection partly of a legitimate - if sometimes misguided - concern to protect the interests of the individual being trained, partly of a less legitimate but perfectly understandable determination to maximise bargaining strength (eg by restricting numbers) or to exact a high price for any change in working practices, as well as inherent human resistance to change.

The Government's approach will depend on its approach to restrictive labour practices generally, which is under consideration elsewhere. Direct legislation, eg to outlaw age restrictions on training opportunities, would bear on the employer in the first instance, would involve considerable complexities, eg to allow legitimate restrictions, and might well be evaded in practice. Most progress is likely to be made by employers taking action either individually at shop-floor level on specific cases or collectively at industry level on issues of common concern. The Government's basic role is, as in collective bargaining generally, to maintain an economic climate which encourages employers to take the initiative, and puts pressure on unions to respond constructively. A centralised campaign to encourage such initiatives runs a risk of arousing solidarity of opposition, but might be pursued in conjunction with (or by) the CBI. TUC support would be helpful. The General Council have a realistic stance on many training issues but they have failed to make much impact on the individual unions - and still less local officials and members - whose co-operation is essential.

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VI IMMEDIATE OBJECTIVES

6.1 In the light of the foregoing, the Government's immediate objectives in industrial training policy seem to be:-

- (i) to encourage employers to maintain and where necessary increase the attention they give to assessing their future manpower needs against the likely supply, and to providing training and re-training programmes accordingly;
- (ii) to reduce or eliminate the economic obstacles to training by employers, particularly the high cost and the lack of assured return, because of wastage;
- (iii) to secure much greater flexibility in training arrangements by securing the removal of unnecessary restrictions - whether by agreement, custom or practice - on the numbers trained or on the age, length or content of training and re-training (as well as on efficient use of trained labour, which is outside the scope of this review);
- (iv) to encourage higher standards, updating and increased transferability of skills by encouraging the wider recognition of formal standards of attainment relevant to employers' needs, but without circumscribing employers' freedom of choice in recruitment and promotion;
- (v) to encourage more and better basic vocational preparation both before and after school leaving;
- (vi) to improve the availability and exchange of labour market information, particularly at local level, between individual employers and between employers and training institutions;
- (vii) to maximise within available resources opportunities for individuals to secure training in skills which they or their employers perceive to be relevant to future needs, including improvements in the availability of vocational education;
- (viii) to take such other steps as may be necessary to ensure an adequate supply of trained labour particularly in

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- (a) skills required for new technologies
- (b) skills requiring costly training which can be used in a variety of industries or firms
- (c) skill shortages in particular localities.

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VII. THE CHOICE OF MEANS FOR ACHIEVING THE OBJECTIVES

7.1 The RETA report and reactions to it have tended to concentrate attention on the institutional framework of industrial training, in particular the ITBs. Ministers will want to consider what framework will most effectively achieve their objectives in matters of substance, such as those suggested in Section VI above.

7.2 Appendix 1 lists, with brief comments, a wide range of institutional options related to ITBs, the MSC and educational interests. This section of the report focusses attention on four broad alternatives. It examines their relative merits as means towards the objectives set out in Section VI, in the light of likely reactions from employers, unions and educational interests.

A. Strengthen MSC and ITBs (the recommendations of the RETA report)

7.3 The RETA report recommended strengthening of the existing roles of the MSC and ITBs.

7.4 The MSC would exercise stronger leadership and more effective co-ordination in the achievement of national training priorities. It would continue to support with Exchequer funds training by employers and others for key skills under the training for skills programme (TSPA). This support would be made more conditional on the implementation of MSC objectives, including agreed standards and more flexible entry. MSC would increase its grants to employers to encourage participation in schemes of unified vocational preparation. The MSC's direct provision of training opportunities in Skillcentres and elsewhere (TOPS) would continue - by implication as in the present (reduced) programme - but would be more closely geared to local skill shortages in key occupations on which MSC would assume responsibility for identifying, and supporting or steering, local action programmes. In particular the MSC would strengthen its local labour market information services.

7.5 The number and scope of ITBs would be reviewed by the MSC in consultation with both sides of the industries concerned. The financing of ITBs would broadly revert to the position under the 1964 Industrial Training Act, reversing the changes introduced in 1973: costs of administration and advisory services ("operating costs"), currently met by the MSC out of Exchequer funds, would be met out of the levies raised by the ITBs on firms; to meet the small increase in levy that would be required for this purpose (around 0.2% of payroll) and to give ITBs

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greater influence over their industries (whether by raising higher levies or by granting exemptions from them) the present requirement for Affirmative Resolutions of both Houses for levies over 1% would be removed; the present mandatory requirement on ITBs to exempt firms whose training arrangements are adequate for their own needs would be made discretionary. These changes would also make the Boards more accountable to their industries.

Likely Reactions

7.6 The CBI are likely to express hostility to the proposals for withdrawing Exchequer funding of ITB operational costs and for removing the 1% levy "ceiling" (on which their representatives on RETA reserved their position) but to suggest these are matters for consultation with the particular industries concerned; they are likely in general to welcome continuation of existing MSC programmes, and extension of support for unified vocational preparation. The TUC are understood to be generally in favour of the RETA recommendations. Educational interests are likely to seek close involvement, particularly at local level (they are already represented on MSC and ITBs).

Comment

7.7 The RETA approach would be fully consistent with the first objective identified in Section VI, viz. to maintain pressure on employers to provide training. It would go some way towards reducing economic obstacles by enabling costs to be shared more evenly between employers and by maintaining (and in respect of vocational preparation increasing) the current levels of Exchequer funding - subject to the saving (already allowed for in current public expenditure plans) on ITB operating costs.

7.8 Removal of unnecessary restrictive practices and wider recognition of formal standards, would depend mainly on the degree of vigour with which ITBs pursued these objectives, though MSC could exert some influence especially through training grants. Little has been achieved in these directions so far. It must be a matter for conjecture how far stronger powers would help.

7.9 The other objectives would be primarily matters for the MSC, both by coordinating the activities of ITBs, other training organisations and educational interests and by direct provision.

7.10 In sum this approach maintains continuity (for good or ill) with emphasis on

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tripartite (employer, union, educational) institutions; the Government maintains a supportive role, funding at the margin. It is likely to be opposed by employers generally insofar as they would like Government to continue meeting ITB operating costs. The TUC and educational interests are likely to be generally in favour.

B The "market" option

7.11 An alternative approach would be to abolish all ITBs and to restrict MSC to the provision of training for the disadvantaged. Apart from this public funds would be confined to vocational education.

Likely reaction

7.12 This would probably be welcomed by many employers, who would see the immediate benefits of reduced public expenditure and bureaucracy. Other employers and their organisations would fear resultant skill shortages in the medium term. It would be strongly opposed by the unions and probably, unless other steps were taken to safeguard vocational education, by educational interests.

Comment

7.13 This approach would place total emphasis on the objective of maintaining the responsibility of individual employers. It would offer them no direct help in meeting the costs or assuring a return. It would be up to employers, individually or collectively, to negotiate removal of restrictive practices, to establish standards, to improve vocational preparation to meet skill shortages and to increase the contribution of individuals to the cost of their training through bigger pay differentials. Only the provision of labour market information and the provision of opportunities for the disabled and other disadvantaged, including the long term unemployed, would remain as objectives in this field for the MSC.

7.14 In sum, this approach would involve extensive disruption of existing arrangements which could be very damaging if introduced too suddenly, particularly in present circumstances. It needs to be considered rather as a longer term policy towards which some immediate steps might be taken, such as phasing out of ITBs and planned reductions in public expenditure on training.

C Abolish all ITBs but maintain public expenditure at planned levels

7.15 All ITBs would be abolished but MSC programmes would be maintained at

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planned levels (and unified vocational preparation developed as currently proposed). Alternatively, public funds could be channelled through local training bodies to meet special training needs arising in particular areas. One possibility would be the development of local education and training authorities.

Likely Reactions

7.16 The approach would be likely to be welcomed by most employers. Some would give higher priority to reducing Government expenditure. Others on the other hand would look to the MSC to provide increased grants and facilities to replace those now provided by ITBs. The trade unions and some educationists would be strongly opposed because of the loss of their position on ITBs, but again this might be offset to some extent if the outcome were increased public expenditure.

Comment

7.17 This approach would weaken the objective of maintaining employers' responsibility insofar as statutory industrial bodies, funded by industrial levies, would be abolished leaving the MSC with sole responsibility for remedying such deficiencies as might well emerge. In some industries Training Boards might be continued on a voluntary basis (whether tripartite or simply as employers' organisations) but they would be entirely dependent on persuasion in achieving their objectives, and they would have no incentive to look beyond the needs of their own industries, eg in dealing with shortages of cross-sector skills. The MSC could make a valuable contribution through taking steps to improve the collection and dissemination of local labour market information.

7.18 Insofar as the Government wanted to press for removal of restrictive practices, more flexible training arrangements, the attainment of standards, better vocational preparation etc, because levy would no longer be available as a lever, it would be entirely dependent, exhortation apart, on the leverage of public expenditure. At presently planned levels (even including development of YOP and UVP) this is marginal in relation to industry's training costs. There would be strong pressures to increase it for particular purposes, yet this would run the risk of substitution for industry's own efforts.

7.19 In sum, to abolish all ITBs and with them the principle of industrial training levies, would leave a gap which merely maintaining public expenditure at planned levels would seem not to fill. Employers would be likely to leave training beyond their immediate and specific needs to be met elsewhere. As the

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only available lever to achieve Government objectives, public expenditure would be under constant pressure to increase, whether through MSC or through the education service.

D Maintain public expenditure and keep some ITBs

7.20 This is the RETA approach modified in the following respects

- the MSC review of ITBs would be on the basis of reducing the number from over 20 to three or four
- final decisions would rest with the Government
- industries would be encouraged to establish voluntary arrangements unless either a majority of employers clearly wished to preserve the statutory framework or the Government saw an overriding need for this in a key sector
- the review would also explore possibilities of amalgamation or redefinition of scope, including limitation to key occupations
- while remaining ITBs would be more closely linked with their industries as recommended by RETA, including transfer of operational costs, the Government would make clear that approval of levies would be conditional on energetic pursuit by ITBs of Government objectives for reform

7.21 MSC programmes would continue as currently planned (including current proposals for development of UVP).

Likely Reactions

7.22 This approach strikes a balance between conflicting views within the CBI. The construction industry is likely to favour continuation of its ITB. The engineering industry will be divided and a Government decision will be needed, which might be eased by some changes in scope. The position is more uncertain in the case of the other three big boards, Hotel and Catering, Road Transport and Distribution Trades. A number of unions with important training interests would continue to be involved: and to that extent the TUC would be more satisfied than if all ITBs were abolished. Educationists would continue to be closely involved in some key areas.

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Comment

7.23 As a compromise this approach can be presented as preserving some valuable features of the present system, while cutting out a deal of unnecessary bureaucracy. It preserves the principle of industrial responsibility in key areas, while still providing in those areas a mechanism for the achievement of Government objectives, including the removal of restrictive practices, other than increased public expenditure and improved local labour market information.

7.24 On the other hand it is essentially discriminatory, involving Government directly in some hard decisions as to where ITBs should or should not be continued. The areas where Government felt that ITBs were desirable would not necessarily coincide with those where industry wanted to retain Boards. Moreover, the needs that would have to be met are in many cases needs which concern cross-sector occupations which are not exclusive to a particular industry. It would therefore create considerable difficulty, as well as being inequitable, to retain a board for one of these industries while employers in the other industries which make use of these occupations are left out of scope.

7.25 If this approach were adopted further thought would need to be given to other possible modifications of the RETA recommendations. For example, though it would be essential that remaining ITBs should have adequate powers to secure Government objectives through operation of a levy/grant/exemption system which might call for levies exceeding 1% in some cases, the present special procedures might be retained, either at that or some higher figure.

7.26 In sum, this approach seeks to keep the levy mechanism available to the Government as a means of maintaining pressure for desirable reforms (and resisting pressures for increased public expenditure) in key areas. The definition of these areas would be pragmatic, taking account of but not being totally guided by, the views of the employers' and other organisations concerned.

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POSSIBLE INSTITUTIONAL OPTIONS

This appendix sets out in a schematic way the a range of possible options for public sector training institutions. It summarises the main considerations involved and indicates in which, if any, of the approaches in Section VII of the report the option is incorporated.

INDUSTRIAL TRAINING BOARDS

1. Abolish all statutory ITBs

Relieves firms within scope (covering 55% of all employees) of requirement either to justify exemption or pay a levy of up to 1% of payroll (less in many cases, more in parts of engineering) currently totalling something over £100m a year.

Relieves Exchequer of operating costs of £45m a year without transferring this to industry. (ITB staff - just under 5,000 - are not civil servants. Some small staff savings in MSC).

Continuance and funding of advisory industrial training bodies dependent on agreement between employers, with or without continued participation of trade unions and educational interests.

Removes special financial incentive (other than direct Government grants) for employers to undertake training rather than attract skilled labour from other firms by bidding up pay.

Features in approaches B and C in Section VII.

2. Keep only those statutory ITBs wanted by their industries

Seek views of employers' organisations concerned, or direct poll of employers in scope. (Unions generally in favour anyway). Would be on the basis of industry meeting all costs.

Levies raised only in industries (or sections of industries) where majority of employers (weighted for size) in favour.

Relieves Exchequer of operating costs (either transferred to industry or ITB abolished).

In these industries ITBs continue as now, but dependent on continued goodwill of majority of employers. This might increase their effectiveness but could reduce ability to push reforms. In other industries position is as in 1 above.

Not included in Section VII as a straightforward option. Would be one element in approaches A and D, especially the latter.

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3. Keep statutory ITBs wanted by their industries or judged necessary by MSC/Government.

Criteria of need would be (i) existing or potential skill shortages and/or failure to provide adequate and flexible training opportunities, and (ii) the extent to which, in the particular circumstances of the industry, an ITB with statutory powers would help.

Differs from 2 in that while all ITBs would want to maximise goodwill of the industries, survival ultimately depends on meeting MSC/Government objectives.

Means MSC/Government imposing ITBs and their levies on some industries where a majority of employers see no need (or not prepared to admit a need). Government would confine this to small number of ITBs, and where substantial minority of employers in favour. MSC more likely to preserve status quo.

Features in approaches A(MSC) and D(Government).

4. As 3, but keeping Exchequer funding of operating costs

Unlikely significantly to reduce opposition to "imposed" ITBs. Would have to extend to "wanted" ITBs. Means adding up to £45m p.a. to planned public expenditure from 1982/83.

Not featured in Section VII.

5. Replace ITBs with Occupational Training Boards

The Government would establish a series of Boards with statutory powers similar to those of ITBs but covering occupations or related groups of occupations, e.g. engineering crafts, across all industries.

This would preserve an external impetus to reform, particularly well suited to dealing with cross-sectoral shortages and shortcoming.

Boards on these lines would fit pretty well with existing union structures, but not that of employers' organisations, or firms who might have to deal with more difficult Boards than now.

Levies related to numbers employed in particular occupations would be difficult and costly to assess and collect, and would result in employers paying several levies each covering a different occupation.

Seems to have no advantages over a single National Training Authority (see below) operating in occupational divisions.

Not featured in Section VII.

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6. Replace ITBs with Local Training Boards

The Government would establish a series of Boards with statutory powers similar to those of ITBs but covering all firms in a given area (smaller than the 9 standard regions but larger than the 350 or so travel-to-work areas - possibly based on the 116 LEA or 88 MSC District Manpower Committees).

There would be difficulties in satisfying claims to representation from the several employers' organisations and trade unions who would be concerned in each area. More importantly, a standard levy for all firms in a given area would cause inequity. Well suited to identifying and pursuing solutions to local skill shortages. Maximises possibilities of local union co-operation. Close relationships might make enforcement of standards difficult. Risk of excessive bureaucracy, yet no Board would be large enough to employ very specialised staff. Some central organisation would be needed to maintain common definition of skills and standards across the country.

Doubtful whether has advantages over a National Training Authority (see below) operating in geographical divisions.

Not feature in Section VII

7. A National Training Authority

The Government would establish a national training authority (which might be the MSC itself, or a body linked either to the MSC or an appropriate national educational institution, or free-standing), combining the present powers of the MSC and ITBs, covering either all industries and occupations, or some industries as now, or some occupations, and possibly delegating functions to a series of local Boards.

The establishment of a new central body would not be popular with employers (though the TUC would welcome it). It would seem even more remote than ITBs unless substantial powers were delegated to local Boards, which could still give rise to tensions.

Levy-raising apart, the necessary national function can be exercised by MSC now and the local functions by the MSC's existing or modified organisation.

Financing of MSC activities by industrial levy has previously been rejected as, in effect, hypothecated taxation.

Approach C in Section VII would tend to put the MSC in this position, but funded from the Exchequer not a levy.

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ITB'S LEVY POWERS

8. Remove levy-raising powers entirely

If not abolished entirely (see 1 above) would then need to be funded by Exchequer, through MSC.

Replacement by Exchequer of £100m+ present levy income plus continued funding of £45m operational costs would add unacceptably to planned public expenditure.

Retention of ITBs as statutory bodies merely as agents for existing MSC grant schemes unjustifiably bureaucratic. Better abolish and encourage industries to set up (and pay for) their own voluntary organisations which could be used for this purpose.

Not featured in Section VII.

9. Extend to cover operating costs

Since 1973 Act levy has been restricted to cost of actual training services. Advisory work and administrative costs (currently £45m p.a.) have been funded by the Exchequer.

RETA recommended (CBI representatives reserving their position) transfer back to industry through levy, to increase ITBs' accountability to industry and reduce MSC detailed control of staffing etc. This saving is assumed to operate from 1982/83 in current public expenditure plans.

Likely to be opposed by employers generally, especially those covered by ITBs but currently exempt.

Would necessitate an additional levy of 0.1 to 0.2%^{of payroll} if spread over all^{firms} covered.

Features in approaches A and D of Section VII.

10. Remove special procedures for levies exceeding 1%

The 1973 Act requires Affirmative Resolution in both Houses (otherwise negative procedure applies). This procedure has been operated in respect of the mechanical and electrical engineering construction section of the engineering industry.

Recommended by RETA partly to overcome the minor problem of coping with the addition required for operating costs in those ITBs already at the 1% limit, but mainly to restore ITBs' ability to fix levies at levels more nearly reflecting the level of training costs and making exemption a more powerful inducement to firms to undertake to adequate levels of training. (At one time prior to 1973 the EITB operated on a levy of 3%).

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The question is whether special procedures should be required at any level, and if so whether 1% is the right figure. Raising the figure to 2 or 3% would be another option.

Features in approach A and for consideration in approach D in Section VII.

11. Remove mandatory exemption requirements

1973 Act requires ITBs to exempt from levy firms whose training arrangements are adequate for their own needs, in accordance with approved criteria. (Small firms are separately excluded and no change is recommended).

RETA recommended that ITBs should have discretion whether or not to operate an exemption scheme. This was partly to leave to ITBs the question whether firms at present exempted should or should not contribute to operational costs transferred from the Exchequer, and partly because of the need for firms to train in excess of their own immediate needs in some circumstances if national long term needs are to be met. CBI views are awaited.

Features in approach A, and for consideration under approach D.

MSC TRAINING ACTIVITIES

These consist mainly of

- a. supervision of ITBs: transfer of operational costs to industry would remove need for detailed control of staffing etc, but supervision of broad policy still exercisable through approval of levy orders (or if necessary use of existing powers of direction)
- b. training for skill programme (TSPA); grants to firms through ITBs, other industrial training bodies, or direct, to encourage counter-cyclical training, etc. currently totally some £45m reducing to £42m in 1983/84
- c. training opportunities scheme (TOPS); training of unemployed and other disadvantaged in Skillcentres, colleges of further education, etc. planned to reduce to £180m in 1983/84
- d. unified vocational preparation (UVP): an experimental scheme giving grants to employers to encourage participation e.g. by day or block release in schemes of vocational preparation run by local education authorities; there are proposals, yet to be agreed, to increase expenditure to £12m by 1983-84

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- c. special employment measures, particularly the Youth Opportunities Programme (YOP): pays maintenance allowances for young people undergoing, inter alia, short periods of work experience and training in employers establishments and elsewhere; YOP in total currently £170m with proposals for increase to £277m by 1983-84, not yet agreed.

12. Continue broadly as currently planned or proposed
This features in approaches A, C and D.

13. Restrict to the disadvantaged
This features in approach B.

14. Expand to replace current ITB programmes

If ITB were entirely abolished there would be pressures for MSC to take over at least some of their existing training centres and other activities.

This would require additional public expenditure of up to £100m or more (the current product of ITB levies)

This does not feature in Section VII, save as a possible outcome of approach C.

15. Other options involving MSC

These include

- strengthening local training organisations
- improving local labour market information
- closer links with vocational educational system, especially at local level (see further 16. below).

All these are current policy and feature in all approaches other than D.

EDUCATIONAL INSTITUTIONS

In the time available it has not been possible to explore in any depth the institutional options available in the educational field. The following is offered as a first outline of possible options.

- 16. Reduce investment of public funds in vocational education
Encourages employers to become more closely involved in provision of vocational education at educational institutions by making them bear a larger share of the real cost. Alternatively individuals could be made to bear a larger share of

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the cost by imposing (or increasing) fees.

Likely to reduce public expenditure through a fall-off in demand.

Could be a feature of approach B in Section VII.

17. Encourage employers to make greater use of the education service without increasing public expenditure

Improve liaison between employers and colleges/universities, if necessary by establishing new information centres. Helps to persuade (a) employers to identify suitable courses and grant employees paid educational/training leave and (b) educational institutions to modify their courses to meet employment needs. Could be a feature of any of the approaches in Section VII.

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18. Increase public subsidies for industrial training through the educational system

One method would be the provision of mandatory allowances to individuals for vocational preparation and/or other forms of training such as upgrading/updating. Another would be a reduction in the fees charged to employers for vocational education and/or training undertaken in educational establishments.

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An alternative to increasing public funding through the MSC, but harder to control.

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Particularly relevant to approach C in Section VII.

19. A Central training and education authority

This could be a development of a national training authority (as explained under 7 above) which combined responsibilities for training and vocational education by absorbing the responsibility for vocational education at present carried out by the DES/SED and LEAS.

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Alternatively the DES/SED or a new Department of Employment and Vocational Education and Training could take charge of training and vocational education in combination with LEAS.

Long-term possibility of closer integration of education and training under any of these variants likely to be offset by considerable short-term disruption while responsibility is being transferred to the new central authority.

Success of such an institutional change also dependant on other far-reaching changes (eg in integrating methods of funding education and training).

20. Compulsory day release or a right to day release for 16-18 year old employees

Encourages employers to allow 16-18 year olds to attend off-the-job vocational preparation courses; but legislation likely to be ineffective by itself without massive injection of public investment to provide the necessary staff and facilities in educational institutions (particularly for compulsory day release). Secondly active co-operation of employers required to provide the on-the-job training element of vocational preparation.

21. A larger programme of vocational preparation for the 16-18 year old age group to absorb the current YOP and UVP

If employers were to be expected to bear the costs of the scheme the pay of 16-18 year olds undergoing training might be removed from collective bargaining arrangements and replaced by a system of "youth training allowances" set at levels substantially below current earnings of young people. The merits of this proposal are being further considered by the MSC.

It could feature as an element of any of the approaches except approach B.

22. A right to paid leave for vocational education and/or training after a minimum period of service

Helps employees, particularly in mid-career, to undertake short courses of education or training without leaving their current permanent job. Could be particularly helpful to employees pursuing courses which

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rely for the most part on self-learning.

Such a right available in France since 1978, but not much used.

Tends to add to employers costs through absence of experienced employees. To be successful it would require some increased public investment in educational facilities. Could be a feature of any of the approaches in Section VII.

Table 1.1: ...

Year	...	...	...
1974	...	...	...
1975	...	...	...
1976	...	...	...
1977	...	...	...
1978	...	...	...
1979	...	...	...
1980	...	...	...
1981	...	...	...
1982	...	...	...

The above does not include the ...

The Public Sector

The ... of the public sector, ...

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Facts and figures on industrial training in UK1 Industrial Training Boards (ITBs)

There are 24 ITBs (including the Agricultural Training Board which reports to the Agricultural Ministers and not, like the other boards, to the MSC). The Foundry Industry Training Committee is technically a Committee of the Engineering ITB, but in practice has considerable autonomy. The boards cover firms in a large part of the manufacturing, construction, distributive industries. The largest ITBs are the Engineering Distributive, Hotel and Catering; Food, Drink and Tobacco Boards, which taken together cover nearly 8 million employees. The smallest are the Man-Made Fibres, Carpet, Petroleum and Air Transport Boards which taken together cover as few as 279,000 employees.

ITB levy income (net of exemption) and exchequer support for operating costs and training grants (Revised to reflect 1980 Survey prices)

	£000s			
	<u>Levy Income</u>	<u>Operating costs</u>	<u>Training Grants</u>	<u>Total</u>
1971/72	609,408	-	17,307	626,715
1972/73	544,035	-	16,554	560,589
1973/74	441,438	-	10,717	452,155
1974/75	310,302	-	8,486	318,788
1975/76	148,240	41,201	29,301	218,742
1976/77	139,147	43,266	51,008	233,421
1977/78	129,434	46,916	57,419	233,769
1978/79	114,410	44,869	58,327	217,606
1979/80	N/A	42,750	40,539	-
		(provisional)	(provisional)	

The above does not include the Agricultural Training Board since it is not empowered to impose a levy. In 1979/80 the ATB received Exchequer support of £3,445,900 for its operating costs and £2,579,000 for its grants to industry.

2. The Non-ITB Sector

This embraces most of the public sector, nationalised industries and a substantial part of the private service sector, for example, insurance, banking and finance, ports, shipping, fishing and professional services.

MSC financial support for training in the Non-ITB sector (including special measures to increase the intake of first year craft/technician apprentices)

in £ millions at 1980 survey prices

	75/76	76/77	77/78	78/79	79/80
	2.0	2.45	5.61	8.18	9.48

3. Training Opportunities Scheme

	77/8	78/9	79/80
Numbers completing courses	98,964	70,187*	74,489*
% employed in their training trade 3 months after completion	54	62	N/A
Expenditure £ millions at 1980 survey prices	£241	£237	£230

* adults only

4. Youth Opportunities Programme

	78/79	79/80
1 Total number of entrants	162,200	216,400
2 Number of entrants undertaking Work Preparation Courses	34,000	34,300
3 Expenditure in £ millions at 1980 survey prices	73.4	148.5*

- * 1 £19.5 million spent on Work Preparation Courses
- 2 £0.9 million spent on FE fees for day release component of Work Experience on Employers Premises.

5. Unified Vocational Preparation

Since the scheme started in 1976 over 8000 young people have taken part.

	<u>Expenditure at 1980 survey prices</u>	<u>Numbers taking part</u>
1979/80	£1.6 million	4000

Contribution by Educational System

6. Availability of post school education and training. Destination of young people reaching school leaving age in 1976/7. (Based on Annex A of the consultative paper 'A better start in working life')*

in 000s

	England and Wales		Scotland	
	No	%	No	%
(i) Reaching minimum school-leaving age	773	100	88	100
(ii) Staying on at school	213	28	31	35
(iii) Entering full-time or sandwich FE	109	14	8	8
(iv) Entering employment with part-time FE	109	14	11	13
(v) On unemployment register	65 (Jan 78)	8	12 (Oct 77)	14
(vi) Employed not on part-time day courses	278	36	27	31

(Broadly speaking, those young people in employment who receive P/T education are the same as those in craft training.)

7. Courses at major establishments of Further Education in 1979 in England and Wales. (Source: DES Statistics Bulletin 8/80)*

	Full-time/Sandwich	PT/Day release
Advanced	191,000	103,000
Non-Advanced	307,000*	480,000**

* 25% taking GCE courses; 66% under 18

** numbers taking GCE negligible; 50% under 18

8. Courses at major establishments of Further and Higher Education in 1979 in Scotland *

	Full-time/Sandwich		Day Release		Other Part-time/Day	
	All	17 and under	All	17 & under	All	17 and under
Advanced/	20,080	1,309	9,783	550	166	6
Non-Advanced	17,031	8,896	43,263	15,444	7,157	4,246

* Information for England and Wales and for Scotland is presented separately because the figures quoted are not totally compatible. Those for Scotland also include students at institutes of higher education.

9. Total expenditure on education of people over compulsory school age in GB at 1980 survey prices

	in £ millions
FE, Teacher Training and Higher Education	£1,940
16 plus pupils in schools	£ 350
Student awards (mandatory and discretionary)	£ 700
	<hr/> £2,990* <hr/>

* includes non-vocational adult education. expenditure on which is not more than £50 million.

10. Expenditure by firms on industrial training

Exact figures on the total amount of national resources devoted to industrial training are not available. However an article in the September Department of Employment Gazette suggests that for the Production Industries alone around £800 million of their 1978 expenditure on labour costs were attributable to training. This figure includes wages and salaries of apprentices and other trainees, as well as levies paid to (less grants received from) ITBs but does not cover the salaries of trainers, or expenditure on training facilities, equipment and materials. It is thought that taking these items into account total expenditure on training by industry is of the order of £2000 - 4000 million per annum.

11. Apprentice and other training in Manufacturing Industry

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	
Male and Female																		
Number																		Thousand
Apprentices	240.4	243.3	243.7	242.6	236.2	232.1	218.6	208.1	186.9	155.5	139.6	155.3	148.4	153.1	156.2	155.0	149.5	
Other trainees	148.9	145.3		201.9	209.6	205.3	202.1	173.8	159.7	157.0	156.6	135.2	116.3	125.1	116.3	111.3	90.0	
All trainees	389.3	388.6		444.5	445.8	437.3	420.7	381.9	346.6	312.5	296.2	290.5	264.7	278.2	272.5	266.3	239.5	
As a proportion of all employees in manufacturing industries																		
Apprentices	3.0	3.0	3.0	3.1	2.9	2.9	2.7	2.7	2.5	2.2	2.0	2.1	2.1	2.2	2.2	2.2	2.3	
Other trainees	1.8	1.8		2.5	2.6	2.5	2.5	2.2	2.1	2.2	2.2	1.8	1.7	1.8	1.7	1.6	1.4	
All trainees	4.8	4.8		5.6	5.6	5.4	5.2	4.9	4.6	4.4	4.2	3.9	3.8	3.9	3.9	3.9	3.6	

Training Arrangements in West Germany and FranceWest Germany

- 1 In West Germany 85% of those finishing compulsory schooling at 15 undertake a three year apprenticeship within what is known as the "dual system".
Apprentice-type arrangements apply to a much wider range of occupations (over 150) than in Great Britain eg commercial and banking occupations.
- 2 The content of training, and the standards to be attained for each of these occupations, is laid down by law. It must include periods of both in-firm training and day-release for attendance at vocational schools (on a ratio of 2.1) - hence "dual system".
- 3 Ultimate responsibility for ensuring the adequacy of in-firm training arrangements lies with the Federal Government, which promulgates the law governing both the training of apprentices and the training of the in-firm apprentice trainers. Responsibility for off-the-job provision in the vocational schools lies with the individual states (Länder).
- 4 Those school-leavers who wish to obtain a training place under the dual system but are unable to do so may stay on at school for a further year of pre-employment vocational preparation. Training for above craft level occupations is undertaken in technical colleges (often associated with the vocational schools) or at technical universities.
- 5 The wages paid to apprentices in Germany are less than half those of a skilled worker but nonetheless the overall cost to the employer is quite considerable (eg net cost to Fords per trainee place in 1978 was DM 20,000 or £5000 per annum). The rates paid to apprentices are agreed as part of normal collective bargaining procedures.
- 6 The costs of industrial training are primarily borne by the individual employer concerned. Off-the-job training provision in technical colleges and vocational schools is financed by the individual states except as regards the maintenance allowances to day release students. This is paid by their employer. The costs of in-firm training fall completely on the employer.

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7 Some industries operate a voluntary system of collective funding. Under the Training Place Promotion Law of 1976 the Federal Government can impose an 0.25% payroll levy on all employers if it is not satisfied that sufficient training places will be available to meet the needs of the next year's school-leavers (sufficiency is defined as the number of training places available being 12.5% in excess of the numbers leaving school so as to allow for structural imbalances). This has not as yet proved necessary.

8 Inspectors appointed by local Chambers of Trade, Industry and Commerce are responsible for ensuring compliance with statutory training standards. All employers must belong to the appropriate Chamber and must ^{be} registered all their apprentices with them. In addition the Chambers are jointly responsible with trade unions for conducting the final apprenticeship examinations.

France

9 Under a law of 1966 vocational training in France was declared to be a "national obligation". Under the 1971 Act all employees have the right to paid training leave, though only for training of an approved type.

10 The content and organisation of training are laid down by the national Government, much 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.

11 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, if the employer satisfies certain criteria, he may be exempted. The State bears the greater part of the costs.

12 Training for craft occupations is usually undertaken through full-time courses at state-run and financed vocational schools. (There are some in-firm apprenticeships particularly in small firms and even these include a large "off-the-job" component of complementary vocational education undertaken at state run and financed apprentice training centres.) An apprenticeship inspectorate of the Ministry of Education examines all aspects of the work of these centres and (nominally) the related in-firm training.

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13 Each year around 200,000 young people leave school with low educational attainments and no vocational qualifications. The Government is concerned at this, particularly in the light of the present high levels of youth unemployment, and has therefore introduced a number of measures to help:-

(i) "alternance" - a re-organisation of the last years at school so that these include both vocational assessment and substantial periods of work experience;

(ii) a temporary system of inducements to encourage employers to take on additional apprentices and other trainees (the latter under 'employment with training' contracts whereby the State pays the costs of the training element).

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