PREM 19/3071

PART 24

NTT

Confidential Filing

Special Employment Measures
Employment and Training Bill (s)
Youth Service Review
Industrial Training
Folder: Training credits booklets x2
TEC Prospectus - 1990's.
Action for Cities Report - "Task Force in Action".

MANPOWER

Part 1: Jan 1980
Part 24: March 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~6/3/90~~							
~~12.3.90~~							
~~13.3.90~~							
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~~13.7.90~~							
~~9/90~~							
~~4.10.90~~							
~~22.10.90~~							
31.10.90							

PREM 19/3071

PART 24 ends:-

HOMG SEC TO SS16MP. 31.10.90

PART 25 begins:-

SS16MP TO SS1DGS. 1.11.90

n.b. P.M.
BHP
1/11

CC PU.

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

31 October 1990

Dear Michael

INVESTORS IN PEOPLE - THE NATIONAL STANDARD FOR DEVELOPING PEOPLE

Thank you for copying to me your letter of 3 October to David Mellor. We in the Home Office have not previously heard about your plans for launching the national standard for developing people. Of course, we are ready to give a broad welcome in principle to what you propose, and a range of measures has been introduced in the Home Office in recent years designed to enable us to develop our staff to the full. But I think that a good deal more detailed work would be needed before we could undertake to subscribe completely to what you have in mind. For example, in the time available we have not been able to consider the implications of your proposal for all the staff for which I am ultimately responsible, bearing in mind that training and staff development require significant resources. I imagine you will now be looking to officials to carry forward the detailed work.

I am copying this letter to David Mellor and the other recipients of yours.

Yours

The Rt Hon Michael Howard, MP.
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

MANPOWER : SEMS pr 24

Friday 25 Jan ccPM.
12.00-13.00

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 . . .5802
Telex 915564 Fax 071-273 5821

Secretary of State

Barry Potter Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

26 October 1990

Dear Barry

Record attached.

NO. 10 RECEPTION FOR TEC CHAIRMEN

You will recall that, when my Secretary of State met the Prime Minister on 4 October, he suggested that it would be helpful if the Prime Minister could continue to show her support for Training and Enterprise Councils whenever possible. Your letter of 4 October records that the Prime Minister agreed to host a reception for TEC Chairmen and politicians around the turn of the year. I am writing to take forward the arrangements, and to suggest that we identify a date as quickly as possible so that we can get it into people's diaries.

My Secretary of State is very keen that the Prime Minister should host a reception, and has reflected on a number of points which were discussed at their meeting. He believes that the reception should be for TEC Chairs, but not their spouses. Invitations should also be extended to the Chairs of the local enterprise companies in Scotland and to members of the National Training Task Force. My Secretary of State does not suggest that other 'captains of industry' should be invited, as the list above would already extend to over 100 people, including a range of senior business leaders. However he would very much want to encourage Cabinet colleagues from those Departments with a close interest in the development of TECs to attend.

Secretary of State
for Employment

As to timing, my Secretary of State believes it would be sensible to look for a date in the early part of the New Year. You said that you would be ready to raise this at the next No. 10 diary meeting, and I would be happy to have a word with you either in advance or immediately afterwards about the possible options.

Yours

Martyn.

MARTYN WARING
Principal Private Secretary

CONFIDENTIAL

FILE JD

cc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 October 1990

Dear Martyn,

INTEGRATION OF THE TRAINING AGENCY WITHIN THE EMPLOYMENT DEPARTMENT

The Prime Minister was grateful for your Secretary of State's minute setting out his proposals for integrating the Training Agency within the Employment Department.

The Prime Minister has noted the proposals without comment.

I am copying this letter to Jim Gallagher (Scottish Office), Judith Simpson (Welsh Office), Martin Le Jeune (Office of the Minister for the Arts), Sir Robin Butler and Sir Angus Fraser.

Yours,

Barry

BARRY H. POTTER

Martyn Waring, Esq.,
Department of Employment.

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CONFIDENTIAL

Secretary of State
for Employment

Prime Minister
To note.
BHP
24/10

PRIME MINISTER

INTEGRATION OF THE TRAINING AGENCY WITHIN THE EMPLOYMENT DEPARTMENT

At your Value for Money seminar in February, we discussed the future of the Training Agency and I said I would review its organisation and structure once the network of Training and Enterprise Councils (TECs) was complete.

Our progress in establishing TECs is running some two years ahead of schedule, with the result that we now have all 82 Councils in development and 36 already fully operational. Over the summer I have therefore undertaken a fundamental reappraisal of the Training Agency's work, structure and staffing.

You will know that my interim conclusion (with which you agreed) was that the Training Agency should not be a Next Steps agency. TECs are assuming the bulk of its work in delivering programmes. The remaining functions, apart from the management of our contracts with TECs, are essentially those of policy and programme development and advice to Ministers. Both of these are appropriate to a mainstream government department.

I have now concluded that it is right to wind up the Training Agency forthwith and integrate its remaining functions with those of my Department. The integration, and the reduction of functions resulting from the establishment of TECs, enable me to secure significant staffing reductions, equivalent to at least 40% of the Training Agency's present staff numbers. In about a year from now the staffing of the former Agency will have reduced from 9,000 in 1989 to some 1,600 - and there may be scope for some further small reduction once the transition to a fully operational TEC network is completed.

CONFIDENTIAL

Secretary of State
for Employment

The integration will take place on 6 November. On that date, the Training Agency will cease to exist in England and Wales. For legal reasons, it is necessary to continue it in existence in Scotland until April 1991, at which point it will disappear there too as Scottish Enterprise takes over.

These changes are being announced to staff on Monday 22 October. I do not, at this stage, plan any Parliamentary announcement though I shall be writing to Ron Leighton, the Chairman of the Select Committee on Employment, and my Permanent Secretary will be writing to the Comptroller and Auditor General.

I am copying this minute to Malcolm Rifkind, David Hunt, David Mellor, Sir Robin Butler and Sir Angus Fraser.

M. H.

MH

22 October 1990

N. b P.M, cc PM
BMP
23/10

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The Rt Hon David Hunt MBE MP

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From The Secretary of State for Wales

CT/12449/90

22nd October 1990

Dear Michael

INVESTORS IN PEOPLE - THE NATIONAL STANDARD FOR DEVELOPING PEOPLE

Thank you for copying to me your letters of 2 October to Malcolm Rifkind and 3 October to David Mellor.

I welcome the initiative as a means of focusing employers' attention on the value of training and of sustaining their interest. I am also keen to promote quality in training, an aspiration shared by the Welsh TECs, who are looking collectively at ways of improving both commitment and quality. I am happy that my own Department's approach to training is already in line with the proposed national standard and I will encourage Welsh agencies also to achieve it.

I propose to issue a press release in Wales in support of your own. My officials will liaise with yours over the detail.

I am copying this letter to recipients of yours.

Yours ever

David

Rt Hon Michael Howard QC MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

MANPOWER: SOURCES #124.

FLO
ECL

cc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 October 1990

Dear Martyn,

STRATEGIC GUIDANCE ON TRAINING AND ENTERPRISE:
"1990s THE SKILLS DECADE"

The Prime Minister was grateful for your Secretary of State's minute enclosing a copy of the strategic planning guidance for Training and Enterprise Councils in England and Wales and their counterparts in Scotland.

The Prime Minister has noted that the guidance has been published at the TEC Conference and will now be distributed widely.

I am copying this letter to Jim Gallagher (Scottish Office), Judith Simpson (Welsh Office), Stephen Crowne (Department of Education and Science), John Gieve (H.M. Treasury), Jeremy Heywood (Chief Secretary's Office), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours,

Barry

(BARRY H. POTTER)

Martyn Waring, Esq.,
Department of Employment.

EA

Secretary of State
for Employment

PRIME MINISTER

STRATEGIC GUIDANCE ON TRAINING AND ENTERPRISE: "1990s" THE SKILLS DECADE"

I have pleasure in enclosing a copy of my strategic planning guidance for Training and Enterprise Councils (TECs) in England and Wales, local enterprise companies in Scotland and others involved in the planning of training, vocational education and enterprise.

The guidance sets out the national priorities for training and enterprise in the early 1990s and describes the roles and responsibilities of Government, employers and individuals in meeting those priorities. It also identifies the key issues which TEC and local enterprise company Chairmen and Directors will want to address in drawing up their plans.

The guidance is being published tomorrow at the TEC Conference and will be distributed widely very shortly after that.

Malcolm Rifkind, David Hunt and John MacGregor have endorsed this document. I am copying this minute to them and to John Major, Peter Lilley, Norman Lamont and Sir Robin Butler.

M. H.

M H

October 1990

1990s
THE SKILLS DECADE

STRATEGIC GUIDANCE

FROM THE

SECRETARY OF STATE

FOR EMPLOYMENT

1990s:
THE SKILLS DECADE

STRATEGIC GUIDANCE ON TRAINING AND ENTERPRISE

1990s: THE SKILLS DECADE

FOREWORD

BY THE SECRETARY OF STATE
FOR EMPLOYMENT

As we enter the 1990s, Britain is faced with an unprecedented challenge to its international competitiveness. Our future economic growth and well being depend upon our ability to overcome it. In the last decade we have established the foundations for success. We have restored the enterprise culture in our country. We have created the incentives that are necessary to encourage our people to maximise their contribution to the effort that is needed.

The response has been dramatic. But the next decade will need to see an even greater emphasis, throughout our economy, on the acquisition of the skills that are required to meet and beat the standards of the best in the world. Success will call for a partnership between Government, business, individuals and the broader community.

This Strategic Guidance provides the framework for this partnership. It identifies the responsibilities of all those involved; and it outlines the action needed to take advantage of the huge opportunities available. In England and Wales, this Strategic Guidance will set priorities for TECs to address in developing their annual plans. In Scotland, it will form part of the policy frameworks which the Secretary of State for Scotland will establish for Scottish Enterprise and Highlands and Islands Enterprise. Taken together, the objectives contained in this Guidance are an ambitious agenda for the nation.

It is not an undertaking which can - or should - be the responsibility of Government alone. The worldclass workforce which Britain needs for the 1990s demands serious commitment from us all if we are to achieve our common goals.

A Commitment by Government to provide a first class education system, a framework for training and enterprise policy, and quality training and help for young people and unemployed adults. The task ahead is to build on our educational reforms, ensuring that every level of the system is relevant to working life. It is to ensure that effective career guidance is readily available to all our young people. It is to provide a record of achievement to encourage those who leave school to take the same pride in what they do as those who stay. It is to complete a national system of industry specified standards and portable work-related qualifications. And it is to provide national recognition of excellent performance by employers in training to meet their business needs through the National Training Awards and the new "Investors in People" kitemark.

A Commitment by Employers to upgrade the skills of their employees and to make the necessary investment in training. Business is best placed to specify the job skills, competencies and credentials that it needs. It is best equipped to change attitudes and behaviours by establishing incentives and pay structures which justify and reward training and education. I welcome the CBI's initiative to set targets for measurably increasing employer investment in the skills and qualifications of our workforce and I encourage other bodies to consider similar arrangements for their members.

A Commitment by Individuals to take responsibility for their own training and development. Perhaps our most formidable challenge is the need to increase motivation among our people, to change antiquated attitudes and values, to instil a philosophy of self-development and self-investment in every worker. People must be encouraged to see the acquisition of knowledge, skills and qualifications as the essential passport to economic independence and personal fulfilment. They must have access to the information they need to enable them to make the relevant choices about their future and to follow through the action needed to make a reality of those choices.

A Commitment by Training and Enterprise Councils and local enterprise companies to transform training provision and to encourage local enterprise to make the most of its opportunities. This Strategic Guidance provides a national policy framework. But **action** must take place at the local level where the needs of individuals and employers are most sharply defined and where the interests of customer and supplier meet. It is at that level that the responsibility of the TECs and local enterprise companies must be discharged.

This Strategic Guidance sets out broad national aims for TEC and local enterprise company Boards to consider as they plan for the activity which they will undertake in 1991/92. In framing their plans, I would like Directors to take note of two specific issues in need of special attention — issues on which I believe they can make a particularly valuable contribution.

1990s: THE SKILLS DECADE

The first is our aim to increase employer commitment to training as a key to business success. This Autumn, in co-operation with the National Training Task Force, I will launch "Investors in People" which will set a national quality standard for training and employee development within British Industry. TECs and local enterprise companies have an important part to play in mobilising advice and assistance to help local firms develop the skills of their employees. I will be keenly interested in the plans which TECs put forward to support the "Investors in People" initiative within the context of their general objective of raising the local skill base.

The second issue to which I would like TECs to give special attention is the way in which they might capture the imagination and commitment of individuals in their own training and self-development. Here, I am particularly interested in innovative approaches to:

- changing **attitudes** and increasing personal motivation;
- providing effective **information, advice** and career guidance to young people, unemployed adults and those in employment;
- increasing individuals' **access** to education, training and business counselling;
- and making arrangements to achieve appropriate **recognition** of prior learning and experience.

I believe that the 1990s will be the skills decade. I am confident that, working together, we will succeed in the tasks that face us. I and my colleagues, the Secretaries of State for Scotland and Wales, are fully committed to doing so. As a nation, we must do so. The alternative is not something I am prepared to contemplate. We are embarked on a **joint** enterprise. Together we have a unique opportunity to make contributions to the future of our country of a kind and on a scale which rarely occur. We must not be found wanting.

Michael Howard

Michael Howard QC MP
Secretary of State for Employment

October 1990

1990s: THE SKILLS DECADE

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1990s: THE SKILLS DECADE

INTRODUCTION

The White Paper "Employment for the 1990s" set out a new framework for training and enterprise in Britain. That framework identifies clearly the responsibilities and challenges which face all of those involved if as a nation we are to meet the challenge of creating the skilled Britain which will be essential to enable us to compete internationally in the 1990s.

That framework requires commitments from

Government to provide a first class education system, to set the national framework for training policy and to help ensure that quality training is provided for young people and for people who are long-term unemployed;

Employers to upgrade the skills of their employees to meet the job opportunities which exist or are in prospect. They must also continue to play a full part in the new **Training and Enterprise Councils and local enterprise companies,** where they have been given a major new opportunity to transform training in their local communities to meet local needs;

Individuals to create and seize training opportunities for themselves and their collegues.

Since the publication of the White Paper the elements of the new framework have been put in place, and in particular the involvement of employers has been radically changed at all levels.

The most important change has come at **local** level with the setting up of employer-led Training and Enterprise Councils and, in Scotland, Scottish Enterprise, Highlands and Islands Enterprise and local enterprise companies. By the summer of 1991 - two years ahead of the timetable envisaged in the White Paper - there will be in place fully operational TECs covering the whole of England and Wales (with, in Scotland, Scottish Enterprise and Highlands and Islands Enterprise becoming operational on 1 April 1991, and all the local enterprise companies coming on stream during 1991).

At **industry** level, employers supported by Government are setting up voluntary and independent industry training organisations. Over 100 are already in place. They will review the skill needs of their industries and play a key role in setting and maintaining the standards on which the new national vocational qualifications are based.

At **national level** the National Training Task Force has been vital in setting up the new TECs, and its new proposals for an action programme for effective training, to be called Investors in People, will encourage employers to invest more effectively in training.

Other significant aspects of the framework and policy are in place:

- the Government's education reforms in England and Wales are designed to raise the standards of young people in our schools and will ensure that all pupils follow a coherent curriculum designed to encourage them to achieve their full potential and to prepare them better for work;
- the substantial progress towards establishing a comprehensive framework of universally accepted national vocational qualifications based on standards of competence agreed by employers will provide people with clear signposts to the acquisition of new skills;
- new Youth Training gives every 16 and 17 year old school leaver the opportunity to learn skills and gain qualifications;
- Employment Training has been rapidly built up to provide a wide range of opportunities for long-term unemployed people to train and retrain.

Now we have to consider how to build on this progress, and to set key objectives for the 1990s. Those key objectives must include the following:

Government will

- ensure, working with industry and through the National Council for Vocational Qualifications, coverage of all significant occupations with reformed vocational qualifications up to level IV by December 1992;
- encourage the development of a comprehensive network of national employer-led sector bodies capable of monitoring the skill needs of their sectors, and of establishing and maintaining occupational standards;
- help the education system at every level become more relevant to working life.

Employers should ensure that

- all employees have the opportunity to take part in Company training or development activities, and to acquire the related qualifications;
- all young people in work have the opportunity of structured training leading to recognised qualifications;
- the national standard for Investors in People in planning and resourcing the training of employees is widely met.

Individuals must be encouraged to

- take responsibility for, and invest their own time and resources in, their career development;
- secure the appropriate National Vocational Qualifications as they raise their skill levels;
- seek and take advantage of learning opportunities.

Providers of education and training must

- respond flexibly and effectively to the needs of employers and individuals.

In all these areas the new Training and Enterprise Councils and local enterprise companies will have a major role to play at local level. They need to become the centre of active local partnerships between employers, individuals and all the organisations concerned with training and enterprise. Their local base makes them ideally placed to ensure that:-

- local provision is based on the needs of employers, individuals and the local community as well as national priorities;
- the total national investment in training is used effectively;
- their activities contribute to the wider economic well-being of the local area.

Chapter 3 of this guidance is specifically addressed to them.

The rest of this guidance sets out in detail the implications of these overall objectives for those involved in the new framework. It builds on the agenda set out in last year's document "Priorities for Action".

It is in three parts:

Chapter 1

sets out national priorities for training and enterprise;

Chapter 2

describes what the Government will be doing at national level to help employers and others meet those priorities;

Chapter 3

identifies the key issues which TEC and local enterprise company Chairmen and Directors will need to address in considering how they can contribute to the achievement of the key priorities identified here.

Arrangements in Scotland

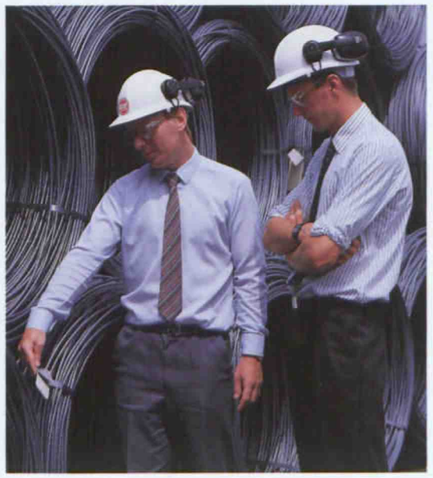
In Scotland, the Enterprise and New Towns (Scotland) Act 1990 created two new bodies - Scottish Enterprise and Highlands and Islands Enterprise - which will have overall responsibility for economic development, training and environmental projects and programmes. The two new bodies will work through a network of 22 local enterprise companies throughout Scotland. The enterprise companies will have a wide range of training, economic development and environmental powers: a key priority for them will be integrating these separate elements effectively. In doing so, the task of the enterprise companies in respect of training will be comparable to that of the TECs, and in subsequent chapters references to TECs can be taken as covering local enterprise companies in Scotland also.

CHAPTER 1:

PRIORITIES FOR TRAINING AND ENTERPRISE

This section sets out the Government's view of the priorities for all those involved in training and enterprise in the early 1990s. These priorities must be seen in the light of the broad objectives set out above and the wider economic and labour market context. That context is discussed in more detail in the Annex. The key factors are greater **international competition,** continued changes in the **occupational structure** with increases in jobs at higher levels as industry and commerce become more technology-based, and slow growth in the **labour force** with sharply reducing numbers of young people until the middle of the decade.

We need a workforce with higher levels of skills and the enterprise and initiative to seize new business opportunities. People must be willing and able to adapt rapidly to change. Our workforce must be able to compete with the best in the world, and contribute to continued economic growth and success.



Priorities

There are six major priorities. They are:

a. employers must invest more effectively in the skills their businesses need;

b. young people must have the motivation to achieve their full potential and to develop the skills the economy needs;

c. individuals must be persuaded that training pays and that they should take more responsibility for their own development;

d. people who are unemployed and those at a disadvantage in the jobs market must be helped to get back to work and to develop their abilities to the full;

e. the providers of education and training must offer high quality and flexible provision which meets the needs of individuals and employers;

f. enterprise must be encouraged throughout the economy, particularly through the continued growth of small business and self-employment.

What are the main issues raised by each of these priorities?

More effective investment by employers

Employers are the key to effective training provision. They are the major investors in training. As customers of educational and training institutions their actions can and should have a major impact on the relevance of training and education to the needs of employment. In respect of their employees, they can also exercise a major influence on individuals' attitudes to training and development.

Investment in training in 1986/87 was

- Employers £18 billion
- Individuals £8.5 billion
- Central/local government £7 billion

A top priority for the early 1990s must be that all employers should assess their skill needs more effectively and plan to meet them. As many as possible should meet the standard for Investors in People, which forms the cornerstone of the NTTF's action programme which is being launched this Autumn.

An Investor in People

- makes a public commitment from the top to develop all employees to achieve its business objectives
- regularly reviews the training and development needs of all employees
- takes action to train and develop individuals on recruitment and throughout their employment
- evaluates the investment in training and development to assess achievement and improve future effectiveness

Raising the level of skills and qualifications of young people

A greater proportion of young people than ever before are now staying on in full-time education to gain higher skills and qualifications. Of those who leave school at 16 greater numbers are continuing to train and obtain qualifications. But our performance needs to improve further to meet the skill needs of the 1990s.

Motivating young people must start in the schools, with a good level of basic skills, coupled with preparation for working life and a desire for knowledge and learning. They should have the opportunity to develop their skills and knowledge, whether they stay in full-time education or go into work. Training and education should provide a mix of broad-based skills, supplemented by work experience when appropriate, and leading to qualifications. The recently announced training credits pilots are designed to motivate more young people to take up training. Training credits are designed to give young people real purchasing power and give them a wider choice of training routes and opportunities.

If the increasing demand for higher level skills is to be met more young people than at present will have to stay in full-time education beyond 16 to lay the basis for subsequent progression to those higher levels. But the choices at 16 must not be a last chance for full-time education. Those who leave school at 16 should have the opportunity to re-enter full-time education at a later date where that seems appropriate.

Arrangements for delivering careers information and advice to young people are currently under review, and must ensure that they can take best advantage of the wide range of choices open to them.

Youth Training

- is giving young people the opportunity to gain modern skills
- almost 350,000 are now in training

Of those who complete their training

- 89% go into jobs or further training
- 67% gain a vocational qualification

Encouraging individuals to take more responsibility for their own development

The attitude of individuals to training and development is central to meeting the skill needs of the 1990s. At present most adults' expectations are not high enough. They do not realise the contribution training can make to broader career opportunities, greater earning power and increased job satisfaction. According to the "Training in Britain" study, 42% of adults said they did not expect to undertake further training.

We must raise the awareness and motivation of individuals so that they are more willing to train and to take personal responsibility for their own development. The process must begin in education and in the early years of work. But renewed attention must also be given to the attitudes of adults who have already passed through education and initial training. This requires good information,wider access and opportunity and greater rewards for those who acquire new skills. Individuals need to be motivated to invest some of their own time and, where appropriate, money in training. Career Development Loans offer valuable help to individuals who wish to train but lack the financial means to do so. The training credits pilots are designed to give young people a greater say in the type of training they undertake.

Career Development Loans

- are loans of up to £5000 to help individual adults pay for their own training
- are available to unemployed people as well as those in work. Courses can last up to a year, and can be full time, part time or distance learning.
- 18,000 loans (representing an investment of £50 million) will have been made by March 1991

Opportunities for unemployed and disadvantaged people

Unemployed people often need extra help to get them into a job. Such help and assistance will continue to be a main focus of Government funding. In particular the Government will continue to provide a guaranteed offer of training to every 16 and 17 year old school leaver who would otherwise be unemployed, and opportunities for long-term unemployed adults to learn new skills to get back to work.

Employment Training

- has helped over 700,000 people, a third of whom have been unemployed for more than two years
- 88% of trainees find ET useful
- 11% of those joining have disabilities
- 10% are from ethnic minority groups
- 46% are inner city residents

The Employment Service has a key role to play in this area. It has a range of programmes and services specifically designed to help unemployed people back to work, and its local offices are the gateway to training and enterprise for most unemployed people. The Government will also continue to ensure that those people who are at a disadvantage in the labour market, such as people with disabilities or inner city residents, are given special help in gaining skills and employment, and in developing their talents to the full.

Providers of education and training

The responsiveness of trainers and teachers to the needs of individuals and business is an essential part of ensuring effective training provision.

The two keys to achieving this are: first, **partnership** between business and educational institutions, so that the providers of education and training understand better the needs of business and keep up-to-date with changing techniques and processes, and so that employers are better informed about the services available; and second, greater **choice** so that individuals have more opportunities to train at a time and place and in a form which best suits their personal needs.

Fostering self-employment and small business growth

A flourishing small business sector has been one of the essential foundations of economic and employment growth in the 1980s.

The task for the early 1990s is to sustain and develop further the small business sector and in particular to encourage existing small firms which have the potential to grow. This will require further efforts to remove the barriers in the economy to the development of small firms and to provide greater coherence in the provision of information, advice, counselling and consultancy; and to ensure accessible sources of small business support and finance.

Compacts

- over 300 schools and 50,000 young people taking part
- 5,000 employers/training providers involved
- 23,000 jobs with training guaranteed

Enterprise Growth

- Almost 3.3m people are now self employed, compared to 1.8 m in 1979
- that represents 1 in every 8 people in work
- the number of registered businesses grew by an average of 1,700 every week during 1989, compared to an average of 500 a week in the mid 1980s

CHAPTER 2:

ACTION AT NATIONAL LEVEL

The Government's role in training and enterprise is important, but there are limitations to what Government can achieve. The main task is to continue to provide the leadership and strategic direction necessary at national level to help ensure that the priorities set out in the previous chapter and the overall objectives identified in the introduction are met. In particular:

- It will support effective arrangements at national, sectoral and local levels to harness employer commitment and leadership in improving the arrangements for training and enterprise.
- It will support arrangements to encourage individuals to take greater responsibility for their own development.
- It will ensure that there are opportunities for those (eg long-term unemployed people and those with disabilities) who face particular disadvantages in getting into work.

- It will continue to press ahead vigorously with the education reforms which are raising the standard and quality of publicly funded education and initial training.
- It will work to remove barriers in the economy to the growth of self employment and small businesses.
- It will encourage the creation of a system of nationally accepted vocational qualifications based on agreed standards of competence.
- It will encourage new developments and innovation in providing cost effective, accessible training and education, and spread best practice by providing a framework for action to which all can contribute.
- It will continue to invest substantial sums in training, vocational education and enterprise. In 1990/91 the Employment Department Group plans to spend over £2.5 billion. And in addition there is significant expenditure on education and enterprise by other parts of government.

Securing the commitment of employers and individuals to relevant and cost-effective training and enterprise will continue to be the major focus of Government action. But such commitment must become a reality at local level. That is why the Government is moving responsibility, authority and resources away from national organisations to local people. This is essential if we are to get all those concerned at local level committed to the task of creating a highly skilled and enterprising workforce.

Against this background there are some immediate tasks for Government to complete in the period covered by this guidance:

Completion of the network of TECs

We are on course to have the national network of operational TECs in place by summer of 1991, two years ahead of schedule. To ensure their effectiveness:

- We will agree challenging targets with each TEC, targets which clearly reflect the needs of each local area as well as national priorities.
- We will continue to reduce control and intervention from the centre.
- TECs will be given more freedom to devise local strategies for training and enterprise.

By the middle of October 1990

- 36 TECs were fully operational
- 46 TECs were in the development phase

The full national network of operational TECs is scheduled for completion by Summer 1991

TVEI

- 3,000 schools and colleges are involved in the initiative
- over 500,000 students are benefiting
- 103 authorities are extending TVEI to all 14-18 year olds in their maintained schools and colleges

Completion of educational reforms

The Government has set in hand a major programme of reform to ensure that the education system provides the proper foundation for the skills the country will need to compete in the 1990s. A number of key elements will be completed or come to fruition in the period. In particular in England and Wales:

- The introduction of a National Curriculum designed to raise standards throughout our school system.
- Local management of schools and colleges will allow them greater freedom to provide cost-effectively for local needs.
- Increases in employer representation on governing bodies will ensure that the needs of the world of work are better taken into account, while colleges are being specifically required to draw up plans which take into account employers' views.
- New arrangements for funding higher education, and the independence of the polytechnics and colleges from local authorities, which have helped to increase numbers of students in higher education to a record level.

Throughout Britain:

- The Technical and Vocational Education Initiative will be extended to all 14-18 schools and colleges.
- Compacts and the Enterprise in Higher Education initiative will continue to help young people and students develop the skills and qualities employers seek.

Completion of network of Industry Training Organisations

We are well on the way to establishing a comprehensive network of voluntary, employer-led independent Industry Training Organisations (ITOs). A key task for ITOs will be to establish a mechanism for keeping TECs informed of sectoral labour market needs.

Industry Training Organisations are

- establishing and reviewing standards of competence on which vocational qualifications are based
- developing strategies to meet the skill needs of particular industries
- taking action to address particular training requirements

Establishment of National Vocational Qualifications

To ensure training which is relevant to the needs of the job, and to help progression by individuals, we must complete the national system of vocational qualifications.

The National Council for Vocational Qualifications has an important part to play in this process. That is why the Government has recently taken the opportunity to review the progress and achievements of the NCVQ to date. (In Scotland a separate but similar system of Scottish Vocational Qualifications (SVQs) is being created through co-operation between SCOTVEC and the National Council for Vocational Qualifications.) The Government will work with TECs and others to ensure that employers and individuals accept and understand national vocational qualifications.

National Vocational Qualifications (NVQs)

- NVQs are based on standards of competence defined by lead bodies representing sectors of industry and commerce
- a national framework of NVQs covering 80% of the workforce is expected to be in place by the end of 1992.

An Action Programme for Employers (Investors in People)

The National Training Task Force (NTTF) has developed for use by TECs a new standard for effective investment in people. This Investors in People standard will be the foundation for an action programme aimed at encouraging employers to plan, act on and review the training needs of all their employees in order to achieve business objectives. The successful National Training Awards will continue to provide examples of excellence in training in support of the action programme.

National Training Awards

- will continue as support for all training activities:
- this year over 1200 companies entered the Awards
- 149 companies have been commended for effective training, and their entries have been put forward for consideration by the national panel
- the companies commended range from small businesses with less than 20 employees to large multi-nationals

Establishment of a Development Framework

It is important that the resources devoted to developing the education and training system itself are used at every level to their best effect. The Government has identified a number of areas for action. These include:

- **The development of information and advice systems** so that employers and individuals can make informed choices about vocational education, training and enterprise;
- **Action to develop each step in the learning process**, including: improved methods of assessing what skills people already have and introducing records of achievement across education and training; helping individuals to plan their personal development; developing a broader variety of learning routes so that more people can benefit from cost-effective education and training;
- Stimulating the growth of self-employment and the small business sector where market failures exist.

In all these ways, the Government will set for TECs and others a clear national framework within which to operate and which will underpin their activities. That framework will give TECs the freedom they need to develop local solutions, yet the strategic guidance necessary to ensure that the Government's priorities are met.

Training Access Points (TAPS)

- there are over 50 TAP Agencies giving information to the public through
- 250 public terminals, which provide access to
- over 100,000 learning opportunities

CHAPTER 3:

THE ROLE OF TECs

TECs have the major role to play at local level in stimulating the high skill, high productivity economy we need. This chapter provides guidance on how they should address the priorities set out in Chapter 1 in drawing up their plans.

TECs are **employer-led**. They are **locally based** so that they can identify clearly with the local areas they serve. They are charged with working in **partnership** with other important local interests - the education service, higher education institutions, business organisations, voluntary groups, local authorities - many of whom are represented on TEC boards. They are, therefore, uniquely placed to bring about the necessary changes in attitude to training and enterprise. They will do this by:

- setting clear **local priorities** based on local knowledge and analysis;
- creating **market related** solutions in the local economy, so that education and training is relevant to what is needed;
- breaking down **artificial barriers** (eg between education, industry and training) which can hinder progress towards effective solutions;
- bringing **coherence** to local services and provision, so that value for money is improved and the services make sense to local people;
- improving the **quality of training and enterprise** activities by securing better value for public and private money and by partly linking payment to results, not processes;
- acting as a focus for the development of coherent **information and advice** services for individuals and employers;
- acting as a **catalyst** for new ideas to improve training and make local business more productive;
- having the authority to **influence** attitudes by being a recognised source of expertise and intelligence on the training and enterprise issues relevant to the creation of a prosperous local economy.

TECs' first task is to address the training and enterprise activities for which they have direct responsibility. But over time they will play a growing part in the local community in promoting wealth creation and economic growth more generally.

Issues for TECs

The following pages reflect the key issues that TEC Boards will need to consider if the priorities in Chapter 1 are to be met. But the balance of priorities - and how they are met - must depend on TECs' own assessment of their local labour market and of the views and priorities of those who live and work there. As they address these issues TEC Boards must ask themselves how better value for money can be obtained from investment in training - by employers, Government, and individuals - and how the quality and effectiveness of provision can be improved in their areas. That is their key task.

In Scotland, Scottish Enterprise and Highlands and Islands Enterprise will have a crucial role in providing a clear vision and direction for the design and delivery of enterprise development, training and environmental action in Scotland. The overall framework will be agreed with the Government, and will give scope for local enterprise companies to develop appropriate integrated local solutions to local needs.

Encouraging employers to invest more effectively

TECs will be responsible for ensuring that the substantial public investment in training and enterprise is used to make the maximum impact on the local economy. However, most of the expenditure on training is by employers. Each TEC must therefore give increasing attention to the effectiveness of the total national investment in training. In doing so it should consider:

- How can it influence the substantial investment in training which is outside its direct control and use Government funding to exert maximum impact on employers' training practices and investment?
- What targets might be set locally for (a) increasing employer contributions to youth and adult training and (b) increasing the number of employees in an area obtaining vocational/academic qualifications, including helping them to progress to higher level skills?
- How will it use the new standard for Investors in People to encourage employers to develop all their staff effectively?

TECs are

- linking up with financial institutions to promote training as an integral part of investment
- launching local training awards to recognise investment in training
- mounting marketing campaigns to secure greater employer commitment to training and the inclusion of training in company business plans
- establishing business clubs in major towns
- promoting Economic Development Forums involving employers and interest groups to promote a common agenda for training and enterprise issues

Raising the levels of skills and qualifications of young people

Raising the skill levels of young people depends on the providers of education and training, on the opportunities provided by employers and, above all, on the attitudes and commitment of young people. TECs are centrally placed to influence all three: through building partnerships between education and business, through direct support for youth training and through action to motivate individuals to continue learning beyond 16.

- How will the TEC fulfil its obligation to ensure that every young person under 18 who would otherwise be unemployed is guaranteed the offer of a suitable training place?

- What will the TEC do to encourage employers to provide more systematic training with a mix of broad-based and practical skills leading to NVQs, and what are the appropriate local targets for increasing the number of young people training to NVQ level 2 (or its academic equivalent) and above?

- What arrangements will the TEC make to ensure that young people with special training needs have adequate opportunities and support?

TECs are

- developing vocational training experience for young people before entering higher education
- developing training to meet literacy/ numeracy needs
- sponsoring in partnership with industry and LEAs special training for young people with disabilities
- encouraging the development of individual action plans for 14 year olds
- strengthening careers advice to all young people
- improving the relevance and quality of employer placements for young people

Encouraging individuals to take more responsibility for their own development

TECs should help individuals by influencing employers and providers of training and education to create more relevant and accessible opportunities, but they should also examine ways of influencing directly the attitude of individuals through, for example, developing better local information and guidance.

- How can the TEC make individuals more aware of the contribution training can make to increased earning power and job security?

- How can effective information and advice be provided for people wanting to develop themselves? What needs to be done to make existing services in the area more accessible and effective? Are there particular local needs or specific groups who require extra help?

- How can the TEC help widen access to appropriate training and development, including making the most of the latest open and flexible learning?

- How can the TEC use LIF funding to encourage increased learning and provide opportunities for those who lack the financial means to undertake training or self-development?

- What can the TEC do to make the new national vocational qualifications readily accessible to individual people and promote their acceptability to both individuals and employers?

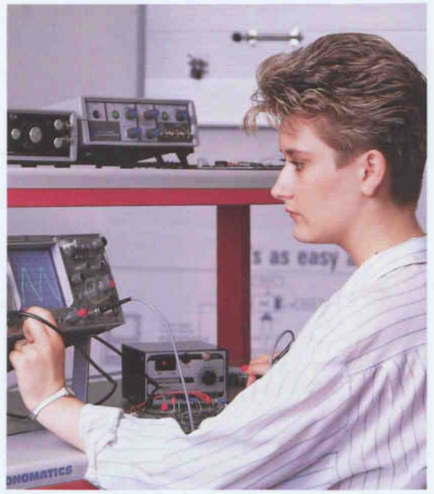
TECs are

- improving management development in many cases in co-operation with the Management Charter Initiative network
- improving and promoting guidance material for individuals on the availability of training
- developing mobile training facilities for people with accessibility problems
- promoting the effective use of open learning within firms by setting up resource centres
- promoting training exchanges with overseas companies
- establishing helpline and counselling services for returners to the labour market

Opportunities for unemployed and disadvantaged people

TECs will continue to have a major role in providing help back to work for those at greatest disadvantage in the jobs market. A substantial proportion of the resource provided by Government will be focused on these groups including, in particular, long-term unemployed people.

- What will the TEC do to encourage employers to play a greater part in training unemployed and disadvantaged people and to improve opportunities for all those at a disadvantage in the labour market?
- What has the TEC learned about the characteristics of unemployed people and the types of training they need as a result of consulting the Employment Service (and others)?
- What local targets are to be set for helping unemployed people, particularly long-term unemployed people, into jobs through training and what vocational qualifications will be secured?
- How will the TEC help to ensure that the Government's guarantee and aim for long-term unemployed people are met?
- What contribution can the TEC make in partnership with others (such as City Action Teams and Task Forces) to help people in areas with particular development problems - eg inner city areas or the South Wales Valleys?



TECs are

- promoting customised training and community recruitment in inner city areas
- setting up support services for women wanting to rejoin the labour market
- developing specific training to meet the needs of disabled people
- supporting new initiatives for ethnic community based training and co-operative businesses
- promoting the establishment of creche/nursery facilities
- encouraging a better match of technology to the needs of people with disabilities

Working with providers of education and training

All TECs are developing links with the education service, higher education institutions and providers of training and vocational education. They will need to give priority to developing strong partnerships between education, training and business in their local area, so that education and training are relevant to the needs of business.

- How can the TEC encourage all those involved in education and training to be aware of the present and future needs of employers and jobs and react effectively to them by teaching up-to-date skills using modern equipment and methods?
- How will links between business and education be developed in the locality and what outputs will they produce?
- How can the TEC, through partnership with the local education authority and local colleges and schools, contribute to the effectiveness of the learning process?
- How can the TEC best use its resources in cooperation with providers of education and training to remedy forecast shortfalls of high level skills?

TECs are.

- helping to identify potential school governors from the business community
- sponsoring joint management training programmes for head teachers and business executives
- establishing formal education/business forums and encouraging teacher placements in industry
- agreeing with higher education institutions vocational guidance and career planning for final year students
- sponsoring access to higher education for YT completers
- improving the quality of labour market intelligence for educational planning purposes

Fostering self employment and small business growth

TECs have a major role in promoting the growth of small firms and encouraging enterprise. This is also true of local enterprise companies in Scotland but they have a larger economic development role than TECs (separate guidance will be provided to local enterprise companies on this aspect of their remit). The last ten years have seen a rapid growth in services to small firms through organisations such as Local Enterprise Agencies, Government schemes such as the Consultancy Initiative and through the private sector. The principal task for TECs in encouraging enterprise is to bring coherence to the help available, and to ensure that any gaps in services are filled with cost effective provision. They can also help to boost the local economy by stimulating co-operation between large and small companies.

- What local targets are to be set for helping people, including the unemployed, to set up in business? Is there adequate local advice and support for those wishing to do so?
- How will the TEC ensure that effective business information and advice is available to small firms in their areas? Is there further scope for working with other organisations to eliminate unnecessary overlap?
- What can the TEC do to stimulate small businesses to undertake training, in combination with other firms where appropriate?
- What can the TEC do to focus business advice and support on improving new business survival rates and encouraging small businesses to grow?

TECs are

- increasing and improving counselling for business start-ups
- promoting management development training for small firms through open learning
- setting up arrangements to link experienced business people with companies intending to develop new markets and products
- improving access to and effectiveness of enterprise support
- developing tele-working to assist people in remote locations

The Wider Role of TECs

TECs primary role is to deal with training, enterprise and vocational education. But, by tackling these areas, they will increasingly play a wider role in promoting the wider economic development of the local area. They will want to consider in their plans how they propose to do this. For example, how can the TEC work with Government Departments, local authorities and other agencies in their area to provide support to local businesses? And how, over time, can the TEC's activities contribute to promoting wealth creation and economic growth more generally?

Conclusion

This document has set out the agenda for training and enterprise for the coming years. We have set out some key objectives for the nation as a whole. We have described the lead Government will give by providing the strategic direction and by setting the framework. But it is employers, through TECs, who are being given the lead role in helping to develop the skills and enterprise of local people based on their knowledge of what is needed. They need to work with local interests and encourage every individual to take personal responsibility for their own training and development. It is through such a combined effort that we will develop the skills to allow us to continue to compete with and outpace the best.

ANNEX

THE CHANGING LABOUR MARKET

THE CHANGING LABOUR MARKET

Important changes are taking place which affect virtually every aspect of the labour market. The skills required, the labour force available to supply them, and even the nature of organisations and patterns of employment are changing rapidly. It is vital that planners of training and enterprise should take account of these changes and the opportunities they offer. This annex gives a brief summary of some of the key trends nationally, as a starting point for the more detailed local and sectoral assessments which planners of training, enterprise and education will need to make.

KEY TRENDS UP TO 1990

Growth in employment

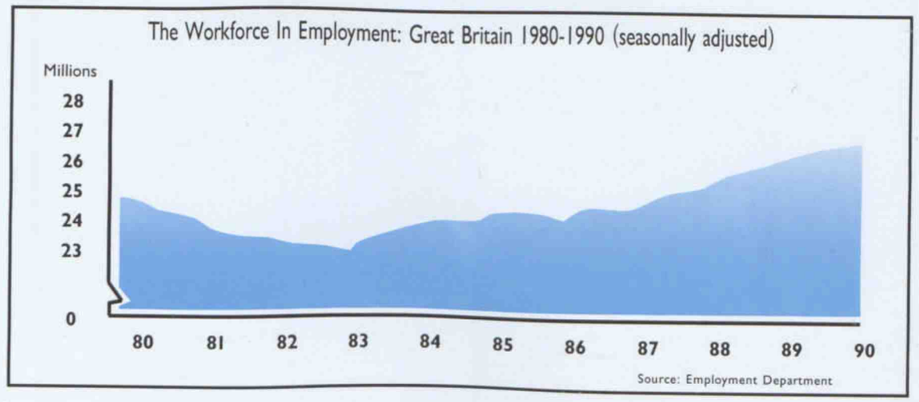
- The number of people in employment has been on an upward trend since 1983, and by June 1990 it stood at 26.8 million, its highest ever level.
- There have been signs in 1990 that the strong growth is starting to ease. The increase in the workforce in employment during the six months to June 1990 was the lowest for any six month period since March 1987. Unemployment has been rising slightly since April 1990, after falling continuously since 1986.

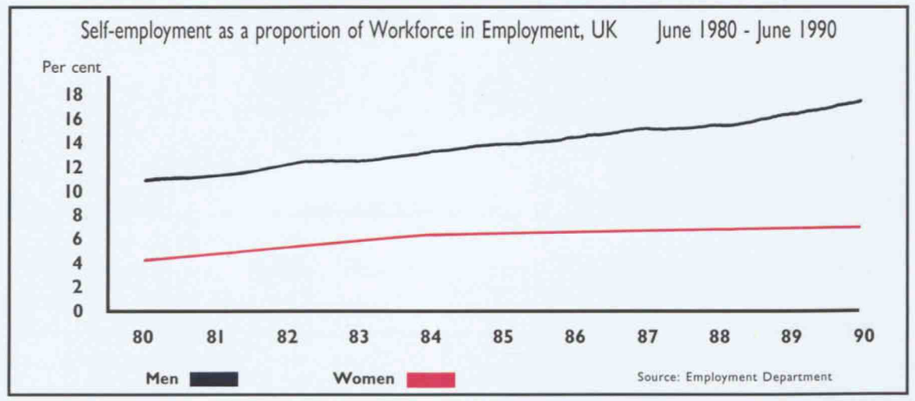
More women in work

Most of the increase since 1983 is accounted for by women. Their numbers in the workforce in employment rose by 2.6 million between June 1983 and June 1990, compared with an increase of 1.2 million for men.

Changes in types of employment

Relative demand within particular industries and occupations has been changing. The growth in employment has been concentrated in the service industries. The number of employees in the service sector grew by around 2.7 million between June 1983 and June 1990, while there were losses of around 0.5 million in the other sectors.





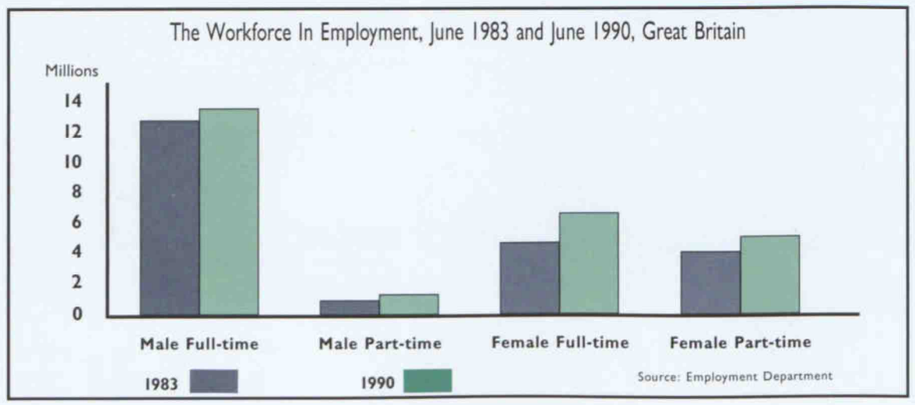
The level of skill required has been increasing. Growth has been strongest in managerial and professional jobs, with numbers (employees and self-employed, Great Britain) increasing by a quarter between Spring 1983 and Spring 1989, to reach 8 million. In contrast the number of general labourers was reduced by almost half over this period.

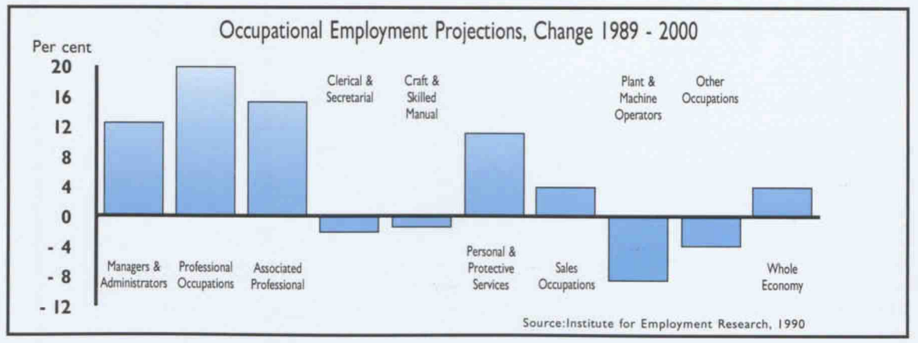
Major growth in self employment and small businesses

- The late 1980s saw a major acceleration in the growth of registered businesses in the UK, from around 500 additional businesses (net) a week in 1986 to almost 1700 a week in 1989. Over 95 per cent of businesses employ fewer than 20 people.
- Self employment increased by three quarters from 1980 to 1990 and now accounts for about an eighth of all employment.
- Firms employing less than 20 people (including the self-employed) created around half a million additional jobs between 1985 and 1987, compared with only 20,000 created by larger firms.

Skills shortages

Skill shortages reported by employers in early 1990 have remained at a lower level than those of 1989, and well below the peak level of 1988. However recruitment difficulties continue to be





reported nationally in a range of occupations:

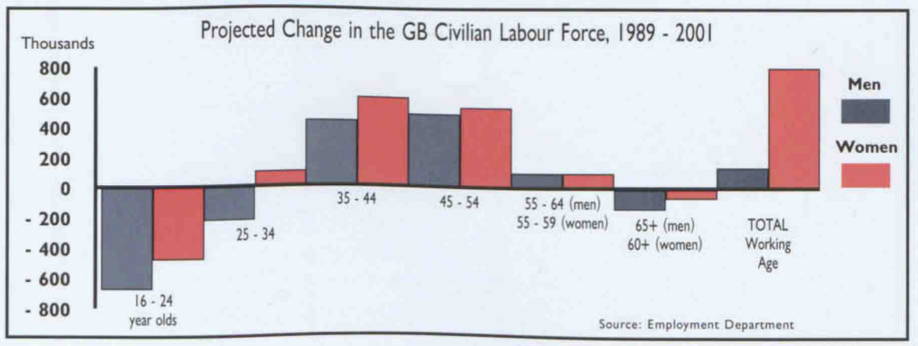
- engineers and technologists;
- secretarial and clerical occupations;
- trades in engineering;
- health associate professionals;
- scientific technicians and IT specialists;
- sales occupations;
- textile occupations;
- unskilled occupations in sales and services.

Employers in the engineering sectors are most likely to report recruitment difficulties. Experience is seen as a major requirement for many employers - particularly those recruiting into engineering. For lower level occupations, a lack of general skills in applicants is reported as a problem. Recruitment difficulties in occupations concerned with production, design or sales have had the most impact on business performance.

THE LABOUR MARKET CHALLENGES OF THE 1990s

Continuation of current trends beyond 1990

The trends described so far are well established and as broad national trends they are likely to continue throughout the 1990s. However the speed of change will be affected by economic circumstances, and there is no attempt here to give detailed predictions. The picture will also vary between different localities and sectors. Planners will need to make their own assessments of long and short term prospects in their locality or sector, on the basis of the best and most recent information they can obtain at the time when decisions are actually being made.



Developments in the 1990s which are likely to pose further challenges include:

- international developments/competition;
- new technologies and materials;
- environmental concerns;
- population and labour force changes.

International developments/competition

The Single European Market is one of the most significant developments for 1991/92. Likely effects include:

- increased competition for British firms in domestic and overseas markets;
- rationalisation of enterprises and industries on a Europe-wide basis;
- increased mobility of labour, particularly at higher skill levels.

The opening up of **Eastern Europe** is likely to offer the opportunities of new markets. But those countries may also be strong competitors as they have educated populations with relatively low wage rates. Adjustment to account for changing defence requirements may also be a significant factor in some local and occupational labour markets.

Increasing **international competition from beyond Europe** will also be important. Other parts of the world have relatively young and rapidly growing populations compared with Europe and some, particularly from the fast developing countries of the "Pacific Rim", increasingly have a high proportion with skills and qualifications.

New technologies and materials

The continuing development and application of **information technology (IT)** will offer further challenges to our skills base in the 1990s. The 1980s have seen the increasing use of information technology in office and manufacturing environments, but usually in a rather piecemeal way. In the 1990s, a shift to more integrated application of IT is likely to be required for businesses to remain internationally competitive. This integration could result in a significant reduction in routine jobs, especially in offices and shops, and a major reallocation of roles at the supervisory and junior management levels. A greater knowledge of IT amongst managers, as well as an increase in the number of IT professionals, will be required to achieve the maximum benefit from investing in IT.

Developments in **new materials** will give opportunities for reduced production costs as well as improved product performance. The spread of their use has been relatively slow so far. Enhanced knowledge and skills at both professional and craft level will be needed to accelerate the necessary adaptation and take advantage of the potential of new materials.

Commercial applications of **biotechnology** will probably not become widespread in the 1990s, but growth is likely into the next century and training for both scientific and non-scientific staff will be required.

Environmental concerns

Over the past few years increased concern for the environment has emerged in both legislation (domestic and EC) and consumer pressures. Many of the issues raised by the recently published White Paper "This Common Inheritance" have important implications for the skills we will require. In future, attention is likely to be focused on the total environmental impact of a process, with a greater emphasis on prevention of waste and pollution via new production processes.

Population and labour force changes

Important changes are taking place in the labour force which will have to meet these new challenges. By 1994 there will be **1 million fewer 16-19 year olds than there were in 1984**, and more than half of this fall will take place in the 1990s. The number of young people will then increase slowly to the end of the century but will not return to the levels experienced in the early 1980s.

However the challenge of the 1990s is not a shrinking workforce but a changing one. The **total labour force is projected to continue to grow nationally**, though at a slower rate than in the 1980s (800,000 more by 2001). Some regions will have little increase or even a slight decrease. The labour force as a whole will be older, and most of the national increase (over 95 per cent) will be accounted for by women.

The reduction in school leavers makes the role of **other groups in the labour market increasingly important.**

Women who return to the labour market after raising children or because of changes in domestic circumstances are likely to be an important labour pool in the 1990s.

- Around half a million women return to employment each year who were not available for work a year earlier.
- Over 800,000 more would have liked regular work but were prevented from working by family commitments.

There is much unrealised potential in this group. Women are currently concentrated in a narrow range of industries and are under-represented in managerial and professional occupations.

Sufficient flexibility is needed at all occupational levels to enable individuals to combine paid work, at a level commensurate with their skills, with domestic responsibilities.

The number of **unemployed people** has fallen sharply since 1986, but they remain an important potential source of skills and experience. In 1989 over half of the unemployed persons of working age possessed formal qualifications and almost 6 per cent had qualifications above A level. Others will have valuable recent work experience through Employment Training or related programmes.

Many people **over 55 years old** are already economically inactive (ie. not working or seeking work). The gap in activity rates between those over and under 55 has widened sharply since the early 1980s partly in response to employers use of early retirement. However a considerable number who are over 55 and economically inactive would like regular paid work (588,000 in 1989 according to the Labour Force Survey). Many have substantial skills and experience which employers could tap if suitable working arrangements could be developed. The introduction of more flexible arrangements, particularly part-time work, is likely to be an important factor.

Whilst the total number of young people in the population is declining, the proportion who are from **ethnic minorities** is increasing. The evidence suggests that the labour market does not currently make the best use of their skills and potential. Unemployment amongst people of ethnic minority origin was almost 12 per cent - more than half as much again as that for the white population, though the difference has narrowed since 1985 when it was twice that for the white population. At all qualification levels, people from ethnic minorities have higher unemployment levels than their white counterparts, and are more likely to be found in semi-skilled and unskilled work.

People with disabilities or health problems which limited the type of work they could do numbered around 1.85 million people of working age in employment in Britain in 1989. Almost 400,000 people of working age with work-limiting disabilities were unemployed in Spring 1989 - representing a high unemployment rate of 21 per cent. Over 22 per cent of these had academic or vocational qualifications at A level or above. Their abilities are often under-used even when they are at work. New approaches to their employment, including flexible working conditions and use of new technology should increasingly make it possible to use their skills to a much greater extent.

KEY IMPLICATIONS FOR TRAINING AND ENTERPRISE PLANNING

Meeting these challenges will require a labour force which is not only more highly skilled, but is also committed to constantly updating and increasing its skills. There will be increasing need for:

- **higher-level skills** overall - more technicians, fewer operatives, more managers, fewer supervisors, more professionals;
- **specialist skills** in new or growing areas of work to implement new technology (correspondingly fewer in shrinking areas of work);
- **regular updating and upgrading within occupations** (we face qualitative as well as quantitative skill shortages);
- training for increased **job flexibility** (eg enabling operators to programme machines, or undertake jobs covering several related skills);
- wider **management appreciation** of the implications of new technologies and techniques - especially the organisational implications;
- a much stronger **base of general competencies** at all levels in the workforce;
- increasing **enterprise and initiative** across the workforce.

A key task for planners of training and enterprise is to assess the impact that these trends and issues are likely to have on their own locality or sector. This will provide a sound basis for action to help ensure that the changing labour force is equipped to meet the challenges of the 1990s.

Employment Department Group
Moorfoot, Sheffield, S1 4PQ

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cc: PU

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 October 1990

STRATEGIC GUIDANCE ON TRAINING AND ENTERPRISE

Thank you for your letter of 12 October covering the foreword to the Strategic Guidance for Training and Enterprise Councils which your Secretary of State proposes to publish shortly.

I submitted your letter and the foreword to the Prime Minister over the weekend. She has noted the foreword without comment.

Barry H. Potter

Martyn Waring, Esq.,
Department of Employment.

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Prime Minister ②

To note. The foreword reflects the line on the Government's approach to training which you agreed earlier. The only reference to targets (at 'X') is in terms of increasing inputs not specifying outputs.

BTTP 12/10

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Secretary of State

Barry Potter Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

12th October 1990

Dear Barry

STRATEGIC GUIDANCE ON TRAINING AND ENTERPRISE

My Secretary of State discussed with the Government's approach to training with the Prime Minister at their meeting on 4 October. He subsequently developed some of the themes in his speech to the Party Conference on Wednesday.

My Secretary of State now intends to publish his strategic guidance for Training and Enterprise Councils, local enterprise companies in Scotland and others involved in the provision of training, vocational education and enterprise support. He will do so at a Conference to be attended by TEC Chairmen and members in Brighton next week. The guidance sets out the national priorities for training and enterprise in the early 1990s and describes the roles and responsibilities of Government, employers and individuals in meeting these priorities. It also identifies the key issues which TECs and local enterprise companies will want to address.

I am enclosing a copy of my Secretary of State's Foreword to the strategic guidance, which summarises his approach and which he redrafted in the light of his meeting with the Prime Minister. The document as a whole (including the Foreword) has been endorsed by the Secretaries of State for Scotland, for Wales and for Education and Science; and the final draft incorporates comments from Treasury at official level.

Secretary of State
for Employment

My Secretary of State would be grateful for the Prime Minister's agreement to proceed on this basis. A copy of the final document will, of course, be sent to the Prime Minister in its published format next week.

Yours

Martyn

MARTYN WARING
Principal Private Secretary

FOREWORD

As we enter the 1990s, Britain is faced with an unprecedented challenge to its international competitiveness. Our future economic growth and well being depend upon our ability to overcome it. In the last decade we have established the foundations for success. We have restored the enterprise culture in our country. We have created the incentives that are necessary to encourage our people to maximise their contribution to the effort that is needed.

The response has been dramatic. But the next decade will need to see an even greater emphasis, throughout our economy, on the acquisition of the skills that are required to meet and beat the standards of the best in the world. Success will call for a partnership between Government, business, individuals and the broader community.

This Strategic Guidance provides the framework for this partnership. It identifies the responsibilities of all those involved; and it outlines the action needed to take advantage of the huge opportunities available. In England and Wales, this Strategic Guidance will set priorities for TECs to address in developing their annual plans. In Scotland it will form part of the policy frameworks which the Secretary of State for Scotland will establish for Scottish Enterprise and Highlands and Islands Enterprise. Taken together, the objectives contained in this Guidance are an ambitious agenda for the nation.

It is not an undertaking which can - or should - be the responsibility of Government alone. The worldclass workforce which Britain needs for the 1990s demands serious commitment from us all if we are to achieve our common goals.

A Commitment by Government to provide a first class education system, a framework for training and enterprise policy, and

quality training and help for young people and unemployed adults. The task ahead is to build on our educational reforms, ensuring that every level of the system is relevant to working life. It is to ensure that effective career guidance is readily available to all our young people. It is to provide a record of achievement to encourage those who leave school to take the same pride in what they do as those who stay. It is to complete a national system of industry specified standards and portable work-related qualifications. And it is to provide national recognition of excellent performance by employers in training to meet their business needs through the National Training Awards and the new "Investors in People" kitemark.

A Commitment by Employers to upgrade the skills of their employees and to make the necessary investment in training. Business is best placed to specify the job skills, competencies and credentials that it needs. It is best equipped to change attitudes and behaviours by establishing incentives and pay structures which justify and reward training and education. I welcome the CBI's initiative to set targets for measurably increasing employer investment in the skills and qualifications of our workforce and I encourage other bodies to consider similar arrangements for their members.

A Commitment by Individuals to take responsibility for their own training and development. Perhaps our most formidable challenge is the need to increase motivation among our people, to change antiquated attitudes and values, to instil a philosophy of self-development and self-investment in every worker. People must be encouraged to see the acquisition of knowledge, skills and qualifications as the essential passport to economic independence and personal fulfilment. They must have access to the information they need to enable them to make the relevant choices about their future and to follow through the action needed to make a reality of those choices.

A Commitment by Training and Enterprise Councils and local enterprise companies to transform training provision and to encourage local enterprise to make the most of its opportunities. This Strategic Guidance provides a national policy framework. But action must take place at the local level where the needs of individuals and employers are most sharply defined and where the interests of customer and supplier meet. It is at that level that the responsibility of the TECs and local enterprise companies must be discharged.

This Strategic Guidance sets out broad national aims for TEC and local enterprise company Boards to consider as they plan for the activity which they will undertake in 1991/92. In framing their plans, I would like Directors to take note of two specific issues in need of special attention - issues on which I believe they can make a particularly valuable contribution.

The first is our aim to increase employer commitment to training as a key to business success. This Autumn, in co-operation with the National Training Task Force, I will launch "Investors in People" which will set a national quality standard for training and employee development within British Industry. TECs and local enterprise companies have an important part to play in mobilising advice and assistance to help local firms develop the skills of their employees. I will be keenly interested in the plans which TECs put forward to support the "Investors in People" initiative within the context of their general objective of raising the local skill base.

The second issue to which I would like TECs to give special attention are the ways in which they might capture the imagination and commitment of individuals in their own training and self-development. Here, I am particularly interested in innovative approaches to:

- changing attitudes and increasing personal motivation;

- providing effective information, advice and career guidance to young people, unemployed adults and those in employment;

- increasing individuals' access to education, training and business counselling;

- and making arrangements to achieve appropriate recognition of prior learning and experience;

I believe that the 1990s will be the skills decade. I am confident that, working together, we will succeed in the tasks that face us. I and my colleagues, the Secretaries of State for Scotland and Wales, are fully committed to doing so. As a nation, we must do so. The alternative is not something I am prepared to contemplate. We are embarked on a joint enterprise. Together we have a unique opportunity to make contributions to the future of our country of a kind and on a scale which rarely occur. We must not be found wanting.

Manpower

SENS

Pt 24

BUSINESS in the COMMUNITY

Employment have copied. DHP

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PRIVATE & CONFIDENTIAL

Sir Hector Laing
President
United Biscuits (Holdings) Plc
Grant House
PO Box 40, Syon Lane
Isleworth
Middlesex TW7 5NN

9th October 1990

Dear Hector,

Re: GOVERNMENT FUNDING FOR TECs

As you know, we have been closely involved in encouraging business leaders to join the Training and Enterprise Councils. We are delighted that the private sector has responded so positively to the Prime Minister's challenge to assume more responsibility for training and enterprise development and that the TECs are now 2 years ahead of schedule.

We are most concerned, however, that the funding and flexibilities available to the Training and Enterprise Councils are a very real threat to their future.

The latest, private information available to us is that TEC budgets for the financial year 1991-2 might be cut substantially below the PES base line.

With such cuts, there must be a very real danger that the business leaders attracted on to TEC boards will walk away.

This would be disastrous not just for TECs but for public-private partnerships generally. How the government reacts to one public-private partnership inevitably affects the private sector's receptivity to other invitations to form public-private partnerships. If the private sector becomes disillusioned and walks away from the TECs, I know they will not just be walking from TECs. It would put into sharp reverse all the progress made in recent years in developing a greater private sector role in the community. If TECs were to fail, there would be a substantial corporate backlash against all the areas where the private sector has been asked to become more involved: education, health, enterprise, etc.

Whilst, not entering the wider political debate about the longer-term level of government funding for training versus employers' contributions, there is surely a strong argument for pump-priming the TECs adequately. TECs have attracted some top quality people. Substantial cuts in funding now, would send the wrong signals just as the TECs are getting established. Many TECs regard further cuts quite simply as a "violation of trust". Quite clearly, as debate at the Labour Party Conference has shown, such signals would be strongly exploited by the Opposition.

TECs will also be crucial in stimulating the growing business sector to grow their staff rather than poach in a limited market for skilled staff (which would give a further push to the wages-spiral).

I strongly believe that the TECs must be adequately resourced both to train young people and the unemployed, and to pump prime more in-company training.

Our private conversations with TEC chairmen suggest that they will, reluctantly, accept some budget cuts providing that they are given real flexibility on the rules and regulations of existing schemes and the opportunities for virement between programme areas. The Government needs to concentrate on getting value for money and on outputs - not on rules.

The effects of cuts in DE budget levels on TECs could be further mitigated if already committed expenditure from other Government Departments and programmes, such as the DTI Enterprise Initiative, is redirected to TECs. This is strongly resisted by the other departments.

In turn, the Government can reasonably ask the TECs for certain quid pro quos:

- to be entrepreneurial in the way they are run - and for employers not to abandon their business skills when they put on their TEC hats.

- to use their muscle and influence to pressurise the one in five companies which do not currently invest in training to start doing so.

- to look not just at the Government expenditure going into TECs but how they can improve the results from what the private sector is currently spending on training.

I do not know what you can do to help but this is a cry from the heart.

Yours ever

Stephen

STEPHEN O'BRIEN

Our ref: DRG/bl/1185G

cc: David Grayson, Julia Cleverdon

CONFIDENTIAL

Fld
Eom

cc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

8 October 1990

Dear Martyn,

EMPLOYMENT TRAINING: DROP OUT

The Prime Minister has seen your Secretary of State's minute of 4 October on the numbers who drop out of Employment Training (ET) courses.

She has noted the latest assessment of the numbers who fail to complete ET and the steps being taken to improve take up of ET.

Yours,

Barry

BARRY H POTTER

Martyn Waring Esq
Department of Employment

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Prime Minister
'X' is still not a good record. But steps are being taken to improve take-up of ET.
BHP 5/10

PRIME MINISTER

EMPLOYMENT TRAINING: DROP OUT

We spoke earlier today about the level of drop out from Employment Training. I thought it would be helpful to put the record straight.

For every 100 people who actually start in training on ET, around 45% complete their planned training programme. Of those who leave before completing their training over a third do so in order to take up jobs or to go on to other training. Training and Enterprise Councils will have the flexibility and incentive to improve this performance further.

There is a quite separate issue of people who fail to take up offers of training on ET. This was the main focus of the recent Efficiency Scrutiny, which found that only 32% of those referred to ET by the Employment Service actually started training.

X

We have taken urgent steps to improve the position. Every Restart interview now ends with an agreed plan of action, which is checked when the unemployed person comes to sign for unemployment benefit. Those who fail to pursue an ET application will now be called back by the Employment Service, and may lose their benefit.

I have also announced that we intend to require the 2 year unemployed who still refuse to take part in our programmes to attend a Restart course. This will come into effect in November and should deal directly with those who are persistently seeking to avoid our programmes.

M.H

MH
4 October 1990

MEETING RECORD
subject cc MASTER

FILE

bc BG

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 October 1990

Dear Martyn,

MEETING WITH THE SECRETARY OF STATE FOR EMPLOYMENT ON TRAINING

The Prime Minister discussed the Government's approach to training, and what might be said at the Party Conference, with your Secretary of State this morning.

Your Secretary of State said he was convinced that the existing framework for training policies was correct. All the main elements of the strategy were now in place: progress on the TECs had been particularly impressive. Earlier, he had seen attractions in a commitment to quantified national targets as part of the Government's approach to training. He understood why the Prime Minister had seen problems with that approach; and he was now persuaded that by building on initiatives planned by the CBI and other employers groups, the Government would be better able to demonstrate its commitment to improved training throughout the economy.

The Prime Minister said that her objections to Government national targets flowed from their apparently central planning nature. There was a danger that national programmes could become self-fulfilling and pay insufficient regard to the need to match the right people to the right jobs at a local level.

Your Secretary of State said he proposed to define in his Party Conference speech the limited role of the Government; the role and responsibilities of employers; the future for TECs; and the responsibility of individuals. The emphasis would be on employers identifying the future job opportunities, the right skills needed for those opportunities, and turning those into programmes for local TECs to pursue. Targets prepared by the CBI and employers groups might be helpful: these could refer to the proportion of employees who would achieve certain NCVQ levels by a certain time. But the focus would firmly be on the employers and individuals as the people who knew best what training would be needed.

Concluding this part of the discussion, the Prime Minister said she was content for your Secretary of State's speech to the Conference to be along these lines. It should also lay suitable emphasis on what he had already achieved in developing

the TECs and in attracting business interest to them. She wholly endorsed the theme that NCVQ programmes and qualifications had to be linked to what industry wanted, and that the focus of identifying needs and how they should be met, ought to be at a local level.

Continuing the discussion, the Prime Minister said she considered that the Employment Training programme should be cut back. She supported the Chief Secretary's view that there was considerable scope for cutting back the work of the Training Agency. There was still slack within the Agency in her view - as there was in Jobcentres, where staff numbers could be substantially reduced.

Your Secretary of State said that he was proposing to cut the ET programme below baseline. But, while he accepted there was scope for cuts in staff numbers in the Training Agency, and that the record on the ET programme needed improving, he could not accept the Treasury's position of a 25 per cent cut in real terms in the money going to the TECs. After all, most TECs have not yet started running ET; and if the programme were cut back too far, then the TECs would lack the incentive and resources to make it a success.

Summing up this part of the discussion, the Prime Minister said her view was that your Secretary of State would need to find further savings on ET in order to reach a settlement with the Chief Secretary. Your Secretary of State would not be able to persuade Star Chamber of his present spending proposals.

Finally, in response to your Secretary of State's suggestion that it would be very helpful if the Prime Minister could show support for TECs, the Prime Minister agreed to host a reception for TEC Chairmen and politicians around the turn of the year. She would also aim to include a visit to a TEC on a suitable regional tour. The Prime Minister also noted that your Secretary of State proposed to give a vigorous response in a speech tomorrow evening about the behaviour of the EC Commission over the Social Charter.

Yours,

Barry

BARRY H POTTER

Martyn Waring Esq
Department of Employment

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 5802 . . .
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Secretary of State

The Rt Hon David Mellor QC MP
Minister of State
Privy Council Office
Horse Guards Road
LONDON
SW1P 3AL

31 October 1990

Dear David

INVESTORS IN PEOPLE - THE NATIONAL STANDARD FOR DEVELOPING PEOPLE

The National Training Task Force, in consultation with the Training and Enterprise Councils and their Scottish counterparts, the CBI and other business organisations, was asked last year by Norman Fowler to develop an action programme to raise employer commitment to training and developing people. The Task Force has developed a national standard for effective investment in people (Annex A). I have already written to Malcolm Rifkind and other colleagues about the standard itself and my plans for launching it. The standard is based upon best practice in a wide range of employing organisations, not least those that have won National Training Awards. It is strongly supported by business leaders and builds on the earlier work of a CBI/Task Force lead by Sir Bryan Nicholson. Employers will be encouraged to commit themselves to meeting the standard. Those that subsequently demonstrate that they meet it will be awarded "Investor in People" status.

I have endorsed the standard and intend to launch it under the banner "Investors in People" at the CBI Conference in Glasgow on 5 November. I plan to foreshadow this launch in my speech at the Party Conference.

While the Training and Enterprise Councils and, in Scotland, the Local Enterprise Companies will concentrate on securing business commitment to the standard, a lead by Government will be immensely important. A measure designed to improve organisations' performance through the more effective development and use of

Secretary of State
for Employment

people, should offer substantial benefits to Departments and agencies. With a collective workforce in excess of 500,000 they form an important sector of employment. Officials here have kept the Office for the Minister of the Civil Service in touch with these developments.

I believe that the investment already being made by Departments and Agencies in training means that they should be well placed to be recognised as "Investors in People". My Department will be committing itself at the time of the launch to reaching the standard. I very much hope that you and colleagues will be able to endorse the standard, and encourage any associated agencies, including the National Health Service, to commit themselves to taking action to achieve the standard by the time of the full public launch on 5 November. My officials will be glad to provide further detailed briefing before the public launch. I am copying this letter to all Departmental Ministers.

Yours ever

Michael

MICHAEL HOWARD

NATIONAL STANDARD
FOR EFFECTIVE INVESTMENT IN PEOPLE

An investor in people makes a public commitment from the top to develop all employees to achieve its business objectives.

- *Every employer should have a written but flexible plan which sets out business goals and targets, considers how employees will contribute to achieving the plan and specifies how development needs in particular will be assessed and met.*

- *Management should develop and communicate to all employees a vision of where the organisation is going and the contribution employees will make to its success, involving employee representatives as considered necessary and appropriate.*

An investor in people regularly reviews the training and development needs of all employees.

- *The resources for training and developing employees should be clearly identified in the business plan.*

- *Managers should be responsible for regularly agreeing training and development needs with each employee in the context of business objectives, setting targets and standards linked, where appropriate, to the achievement of National Vocational Qualifications (or relevant units) and, in Scotland, Scottish Vocational Qualifications.*

An investor in people takes action to train and develop individuals on recruitment and

throughout their employment.

- *Action should focus on the training needs of all new recruits and continually developing and improving the skills of existing employees.*

- *All employees should be encouraged to contribute to identifying and meeting their own job-related development needs.*

An investor in people evaluates the investment in training and development to assess achievement and improve future effectiveness.

- *The investment, the competence and commitment of employees, and the use made of skills learned should be reviewed at all levels against business goals and targets.*

- *The effectiveness of training and development should be reviewed at the top level and lead to renewed commitment and target setting.*

CONFIDENTIAL

PRIME MINISTER

3 October 1990

TRAINING POLICY

Michael Howard is coming to see you tomorrow to discuss his strategy for training in advance of his Party Conference speech. He has achieved a tremendous amount in a short space of time:

- the TEC network is complete two years ahead of schedule;

- a thousand businessmen from companies covering a third of the workforce are now involved;

- training credits have been launched successfully in eleven areas around the country.

His inheritance has not been easy. He has been faced by the Training Agency, which has found it difficult to accept that the policy of heavy, centralist, intervention has changed. They have their own agenda and have pursued it with almost crusading fervour. The Training Agency are part (along with Labour, the CBI and the TUC) of a corporatist consensus on training of which national training targets are the centrepiece.

This problem has been compounded by the need to get TECs up and running. In order to attract businessmen of sufficient calibre to participate, the Training Agency appears to have presented an over-inflated vision of what the role of TECs would be: leading agents of the economic regeneration of Britain. The political problem we have now is that TEC boards might be disappointed by the reality and simply drift away.

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We have a clear policy. Michael Howard needs encouragement to stick to his guns in the face of this prevailing wave of corporatism.

The Policy is:

1. A sense of Priorities

At present there is no sense of priorities in the general discussion about training. It has become flavour of the month. Too often the impression is given that more training is necessarily better training. There is no clear delineation of responsibilities between government, employers and individuals. In the absence of this, ultimate responsibility will be laid at the government's door.

The main elements of our policy are:

- to provide a first-class education for all children, giving them the core skills on which to build in adult life;

- to address clear examples of market-failure. The two obvious categories are the young (who may have emerged from the school system with little to show) and the unemployed. But there may also be a case for limited pump-priming support to help small firms meet the overhead costs of putting together training packages for their own workforces.

Our policy is not about providing general subsidies to fund the training employers should be doing themselves. Employers must decide for themselves what their investment in training should be. This is a crucial difference between the

Government and the Labour Party.

2. Decentralisation

Hitherto government training programmes, such as ET and YT, have been large and monolithic. They have been more concerned with the rules and processes of the training than with the results. As a consequence they have been rigid and in some ways inefficient.

The main rationale for TECs was to escape from this system. The philosophy was that employers know what training is relevant to market needs and, given the scope, can deliver it more cost-effectively.

3. The individual

This is the element in Government policy which is entirely new. It is a recognition that Britain's training problem is not simply a matter of supply, but of demand as well. For the first time incentives for individuals to train are a key element of policy.

All of this amounts to a distinctive and coherent philosophy. It contrasts markedly with the Labour Party. Their policy is:

- unfocussed - "never mind the quality, feel the width";
- centralist and reliant on compulsion;
- silent on the individual;
- more concerned with securing adequate representation for local authorities and trade unions within the training system, than with how to secure relevant

training.

The Way Forward

It seems to me that there is a coherent package which the Government can put forward to capture the initiative on training. The main elements are as follows:

1. Strategic Guidance

Michael Howard is committed to issuing strategic guidance. This is an opportunity to make a virtue out of necessity. If it is to be real guidance then it needs to keep the crusading rhetoric to a minimum and focus the minds of TECs on the Government's priorities. It is also an opportunity to spell out the philosophy behind the Government's approach (as outlined above) and to define clearly the limits of its responsibilities. In this way we will prevent TECs dissipating their energies on chasing hares.

Quantified national training targets should form no part of this document. They would become a substitute for real policy: willing the ends without specifying or providing the means. The result could only be that expectations and reality become further removed from each other.

Companies will only pay for training if they can be convinced it will improve their productivity and profits. Individuals will only be persuaded to acquire skills if they believe it will improve their career prospects and lifetime earnings. **TECs should be developing a marketing strategy based on data which demonstrates these points.**

2. Decentralisation

The Training Agency still handles too much centrally. For example:

- £200 million of ET resources for large training providers such as Marks and Spencer;

- the funds for the £10 ET premium training allowance;

- other programmes such as Work Related Further Education (ie TVEI for FE colleges).

All of these could be given to TECs. Not only would this be in tune with our philosophy of devolving as much as possible to local level, it would also help us in a difficult PES survey. The Treasury are looking for significant reductions in the ET budget particularly. This is not unreasonable. The presently funded ET plans have only been filled by going beyond the immediate guarantee group of long-term unemployed. But giving TECs responsibility for the funding outlined above would offset these reductions and allow us to maintain TEC budgets at existing levels next year. This is very important politically and will help to keep TEC boards on-side. The Treasury are not unsympathetic to this approach.

3. Operational Flexibility

This is crucial if we are to make less resources go further and to get maximum benefit from the private sector management efficiency and innovation which the TECs can offer. At present they are too heavily regulated. They still have to meet a battery of programme requirements eg length and content of

training. Payments are still largely based on volumes of training delivered.

There are two major changes which would be popular with TECs and would improve the quality of training:

- in future TECs should be funded to a much greater extent for outputs (jobs or qualifications) achieved; Government would set TECs specific output targets; TECs would be left to decide how best to achieve them;

- the Local Initiative Fund should be increased. TEC budgets are divided into five blocks. Of these only the Local Initiative Fund (LIF) is not tied to specific programmes (YT, ET etc). As its name implies LIF is designed to enable TECs to respond flexibly to innovating ideas. It has the added attraction that part of the funding is conditional on the private sector offering matching funding. It, therefore, gives the TEI some leverage.

The Treasury are sympathetic to these ideas.

4. The Individual

Training credits for the young are the key here. 11 pilots are already up and running. We need to make as much of these as possible. We need also to think in terms of a Manifesto commitment to extend them nationwide. This could be a trump card against the Labour Party.

The Longer Term

All of the above fits in to a longer-term strategy of more radical policies. This strategy should include:

1. **Privatising TECs:** in effect the employees of TECs would cease to be civil service secondees. TEC budgets would include an element for management. TECs would have complete discretion over how this was used. Pay structures, hiring and firing etc would be entirely their responsibility;

2. **De-regulating further education:** FE colleges would become more responsive to the market if their income were entirely dependent on charging fees. Existing public funding for FE colleges might be channelled through a national training credit scheme administered by TECs;

3. **Reforming the Careers Service:** responsibility for the Careers Service should be removed from LEA control. Instead public funding for careers advice should be channelled through TECs, who could sub-contract locally with private sector organisations eg Alred Marks, MANPOWER, Brook Street etc.

ANDREW DUNLOP

(1)

PRIME MINISTER

BILATERAL WITH THE EMPLOYMENT SECRETARY

You have a short bilateral with Mr. Howard tomorrow morning. Mr. Howard wishes to discuss what he might say about training in his Party Conference speech.

You may also wish to use the opportunity to press for savings on the Department of Employment Programme, in the light of this morning's discussion on public expenditure.

Background You may recall that Mr. Howard wrote to you on 10 July about training policy. He proposed the introduction of quantified national training objectives. An explanation of the objectives would have formed the centrepiece of his Party Conference speech. The Policy Unit note (FLAG B) argued against the proposals because:

- they were artificial and too corporatist in nature;

- they would have distorted the pattern of training, encouraging people to deliver training in order to meet national targets, rather than to satisfy identified local needs.

You agreed with the Policy Unit criticisms and I wrote out accordingly. Mr. Howard was disappointed and sought a meeting. For various reasons, it has not proved possible to arrange such a meeting until tomorrow.

Subsequently Mr. Howard wrote to you proposing he might instead lead on industrial relations at the Party Conference. But you rejected his central proposal - the introduction of legally enforceable collective agreements; and Mr. Howard has not pursued this further.

Training Policy Both Andrew Dunlop (Policy Unit) and I have spoken to senior Department of Employment officials and to

Treasury officials about Mr. Howard's approach to training policy. Our appreciation is that Mr. Howard has not moved much, if at all, from the proposals in his earlier minute of 10 July.

Mr. Howard is likely to argue that his proposals were misunderstood and that they would be acceptable in a modified form. The line will be that there are two overwhelming reasons for announcing a major national training initiative:

i) The Opposition is making a new Government-led training strategy one of its principal policies. The Government needs an effective response.

ii) The CBI and TUC are now considering a joint initiative to establish national training objectives and targets. Mr. Howard will argue that the Government risks being out-flanked by such an initiative; and that it would in practice have little choice but to endorse the targets which emerged.

These proposals have to be seen in the context of Mr. Howard's separate, but closely related, argument with the Treasury on resources for training.

The basic thrust of the Government's training policy (over simplified) is:

- to switch resources away from public sector provision through the Training Agency, into greater private sector involvement through TECs;

- to decentralise, switching from national plans to TECs meeting local needs; and

- to give individuals power through training credits.

This strategy clearly implies reducing the role of Government through services like Employment Training (ET).

But Mr. Howard is resisting reductions in the old ET programme - even though only 42 per cent of those attending ET are in its original target groups, where there is market failure (long-term unemployed and unemployable school-leavers). In other words, most of the training places are being filled by people who ought to be seeking training through their employers or through TECs.

Treasury's proposals would involve maintaining in real terms the budgets of the TECs next year: looking to them to provide more of the quality training needed to meet local demands; and cutting back the more general national programmes.

Conclusion As the note from Policy Unit (Flag A) indicates, Mr. Howard has made progress. But he is coming under pressure, not just from political opponents, but from the well-established training lobby. The Training Agency is nervous about its future - its role must become more modest. All this is reflected in a perhaps still rather corporatist approach within the Department of Employment: this stresses Government-provided training; a national approach; and quantified targets.

Instead, the strategy ought to be to confine the Government role to provider of remedial training for the young who have failed at school and for the long term unemployed. The vast bulk of training to those in employment (or in short term unemployment), should be designed to re-skill and re-train. In that area the TECs are best placed to assess local needs and to effect local delivery.

It is on these themes that Mr. Howard might be advised to base his Conference speech. They also point to cutting back provision on the old ET programmes.

BHP

BARRY H. POTTER
3 October 1990 a:\howard.kw

cc PM

n.b. P.M.

BHP

30/8

Treasury Chambers, Parliament Street SW1P 3AG

Ms Anne-Marie Lawlor
Private Secretary to the Secretary of State
for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

29 August 1990

Dear Anne-Marie,

PILOT SCHEMES OF TRAINING CREDITS FOR YOUNG PEOPLE

Thank you for sending me a copy of your letter of ~~28~~ August to Stephen Crowne, enclosing a draft of the Press Release your Secretary of State proposes to make tomorrow. I telephoned through the Chief Secretary's comments this morning.

2 The Chief Secretary's main concern is that the Press Release should not give the training credits initiative such an enthusiastic welcome that it inevitably prejudges the subsequent evaluation of the pilots. He therefore thinks it might be wise to tone down a little some of the more exuberant language in the present draft.

3 In particular, the Chief Secretary suggests that the word "revolutionary" should be deleted from the second line of the text of the Press Release and that the first direct quotation from your Secretary of State might read:

> "There is great potential here for altering both attitudes to training and.... We are now on the road to a major development in training and vocational education in this country."

4 I am copying this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Education and Science, Scotland, Wales, the Environment and Trade and Industry and to the Private Secretary to the Cabinet Secretary.

Steve Bowden

STEPHEN BOWDEN
Assistant Private Secretary

dti

the department for Enterprise

CCPU
N.B.P.M.
BHP
30/8

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

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Miss Anne-Marie Lawlor
Private Secretary to the
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

Direct line 071-215 5621
Our ref
Your ref PE2FAG
Date 29 August 1990

Dear Anne-Marie

PILOT SCHEMES OF TRAINING CREDITS FOR YOUNG PEOPLE

Thank you for your letter of 28 August asking for comments on the draft Press Release announcing training credit pilots.

As agreed between our officials, we would like to see greater emphasis on the benefits to employers from training credits.

For ease of reference I enclose a copy of the draft, suitably annotated.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chief Secretary, the Secretaries of State for Scotland, Wales, the Environment, Education and Science, and to Sonia Phippard in Sir Robin Butler's office.

Yours ever

MARTIN STANLEY
Principal Private Secretary

Recycled Paper

DRAFT PRESS NOTICE

MICHAEL HOWARD GIVES GO-AHEAD FOR TRAINING CREDIT SCHEMES FOR YOUNG PEOPLE

In a major step towards the introduction of the Government's revolutionary training credit initiative, Michael Howard, Secretary of State for Employment, today announced the names of the TECs which have been selected to run training credits pilot schemes in England and Wales.

The initiative gives young people real buying power to get the quality training that they need, whilst ensuring that employers' needs are also met.

Ten Training and Enterprise Councils (TECs) and a local enterprise company (LEC) in Scotland are to run the pilot schemes. In these areas, training credits will give some 45,000 young people every year greater opportunities to train to approved standards in the skills that they will need in the employment market of the future.

Making the announcement, Michael Howard said:

> "There is massive potential here for revolutionising both attitudes to training and the quality of provision for young people. The TECs, working closely with their local education authority and other local partners, are to be congratulated on their effort and quality of thinking. We are now on the road to what could prove to be the most significant development in training and vocational education in this country for a great many years."

The selected TECs and LEC are:

Birmingham
Bradford
Devon & Cornwall
Grampian
Hertfordshire
Kent
Northumberland
NE Wales
South East Cheshire
South London
Suffolk

Of these, nine will be schemes where credits are available to all 16 and 17 year olds joining the labour market. In the Birmingham and Kent schemes, credits will be for use in key skills and sectors identified by the TEC.

Under the initiative, announced by Mr Howard on 27 March this year, the first credits will be issued to young people who leave school in April 1991. Meanwhile, the TECs will be pressing ahead with the arrangements necessary for their schemes, including improved careers advice and guidance for young people, and information about the credit scheme for parents, schools and employers.

Michael Howard also said:

"The objectives of each scheme are to increase the motivation of young people to continue with quality training and vocational education when they join the labour market, as well as to increase the numbers of employed and unemployed young people in training and the levels of their qualifications. The Government is making available £100 million in 1991/92 rising to £115 million in 1992/93. The response of the TECs and LECs to the credits initiative has been enthusiastic and impressive, and provides further proof of the major improvements in training which these employer-led bodies are bringing about."

Mr Howard was joined at the Press Conference by Tim Eggar, Minister of State at the Department of Education and Science.

Mr Eggar said:

> "I very much share Michael Howard's view that this is an exciting initiative. Credits will bring home to young people and employers that training is not an optional extra, but a valued and essential part of working life. I commend the commitment which local authorities have shown in responding to the credits initiative and I am confident that this close relationship with TECs will continue to grow and prosper."

NOTES FOR EDITORS

1. On 27 March the Secretary of State for Employment, following consultation with the Secretary of State for Education and Science and other Ministerial colleagues concerned, announced the Government's training credits initiative. The initiative aims to increase the interest and motivation of young people in the benefits of continuing in training and further education after they have left school or college, to encourage employers to improve careers advice and guidance, and to increase the number of jobs with quality training.

2. The training credits will be issued by the Training and Enterprise Councils (or local enterprise company in Scotland) to young people who will be able to present their credit either to an employer who makes available training to the right standard or to another specialist training provider if the young person is unable to find a job.

3. In March, the TECs and LECs were invited by the Secretary of State to submit bids, in co-operation with local education authorities, to run pilot credit schemes with the aim that some ten schemes would be selected to become operational in April 1991.

4. Thirty-two outline bids were received, and in early June the Secretary of State selected seventeen of these to be worked up into detailed proposals to be submitted by 27 July.

5. The Government is making available a total of £100 million in 1991/92 to the TECs and LEC running pilot credit schemes, and this total is set to rise to £115 million in 1992/93. These overall totals include planned provision for New Youth Training: transfer to the TECs of relevant provision previously made through the Revenue Support Grant in respect of part-time courses of education and training for 16-18 year olds; and a further £12 million in 1991/92, rising to £25 million in the following year, which the Government is making available from within existing expenditure plans.

6. The Secretary of State for Scotland is arranging an announcement on the selection of Grampian local enterprise company to run a pilot scheme there. The Secretary of State for Wales is making similar arrangements concerning the selection of North East Wales TEC.

cc PM

n.b. P.M.
PHP
30/8

ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
071-934 9000

29 AUG 1990

Anne-Marie Lawlor
Private Secretary to the
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London SW1H 9NF

Dear Anne-Marie

PILOT SCHEMES OF TRAINING CREDITS FOR YOUNG PEOPLE

Thank you for your letter of 28 August enclosing a copy of the draft Press Release for the announcement of pilot training credit schemes on 30 August.

The Minister of State has seen the text in the Secretary of State's absence. He is concerned that it does not reflect fully the joint nature of the initiative in terms of the collaboration between Departments in the selection of bids and between TECs and LEAs in compiling the bids. The necessary balance would be achieved by inserting the quote from the Minister of State immediately after the first quote from Mr Howard.

I understand that your Press Office has already been notified of the following changes which would also ensure that the press release makes clear the close collaboration which has taken place:

- first paragraph, after "for Employment," insert "and Tim Eggar, Minister of State at the Department of Education and Science"

- fourth paragraph, delete "working closely with", insert "and"

- seventh paragraph, delete "announced by Mr Howard" and insert "launched by Mr Howard and Mr MacGregor, Education Secretary"

- as Mr Eggar's presence will now be explained at the start of the Press Release, the sentence which reads

"Mr Howard was joined at the press conference by Tim Eggar, Minister of State at the Department of Education and Science." should be deleted

- final paragraph (now paragraph 5), insert "Education Minister" before "Mr Eggar".

I should be grateful if you would ensure that all these changes are incorporated. Colleagues have written separately with some points of detail on the Notes for Editors.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chief Secretary, the Secretaries of State for Scotland, Wales, the Environment, and Trade and Industry; and to Sonia Phippard in Sir Robin Butler's office.

Yours sincerely

Stephen Crowne

STEPHEN CROWNE
Private Secretary

n. b. P.M.
BHP
30/8

Department of Employment
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Telephone 071-273 5802
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Secretary of State

Stephen Crowne Esq
Principal Private Secretary to the
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
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LONDON
SE1 7PH

28 August 1990

Dear Stephen,

PILOT SCHEMES OF TRAINING CREDITS FOR YOUNG PEOPLE

As you know, my Secretary of State will announce on 30 August the pilot schemes of training credits to come into full operation from April next year.

I enclose a copy of the draft Press Release. If you have any comments, I would be grateful to have them by 2.00pm on Wednesday 29 August.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chief Secretary, the Secretaries of State for Scotland, Wales, the Environment, and Trade and Industry; and to Sonia Phippard in Sir Robin Butler's office.

Yours,

AnneMarie

ANNE-MARIE LAWLOR
Private Secretary

ps.misc

DRAFT PRESS NOTICE

MICHAEL HOWARD GIVES GO-AHEAD FOR TRAINING CREDIT SCHEMES FOR YOUNG PEOPLE

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The initiative gives young people real buying power to get the quality training that they need.

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14august.ta

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

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Telex 915564 Fax 071-273 5821/5517

Permanent Secretary
Sir Geoffrey Holland KCB

Sir Robin Butler, KCB, CVO
Cabinet Office
70 Whitehall
LONDON SW1

14 August 1990

Dear Robin.

REVIEW OF THE ED GROUP'S TRAINING, ENTERPRISE AND EDUCATION FUNCTIONS : MESSAGE TO STAFF

I attach an advance copy of the message I am sending tomorrow to staff about the outcome of our review of the training, enterprise and education functions of the Employment Department Group.

By Wednesday afternoon, a copy of this message will have gone to all staff in the Training Agency, to TEC Chairs, Chief Executives and secondees and to staff in the Employment Department Headquarters.

I am copying this letter to Peter Kemp, Andrew Turnbull and Richard Wilson at the Treasury.

Yours.

EMPLOYMENT
DEPARTMENT

PERMANENT SECRETARY

A note to staff

REVIEW OF THE ED GROUP'S TRAINING, ENTERPRISE AND EDUCATION FUNCTIONS

1. I announced on 15 June that I had set up a review to consider the training, enterprise and education functions of the ED Group once TECs were established, and how these should be carried out, together with the future role and organisation of the Training Agency.

2. The recommendations of that review and its wider implications for departmental organisation have been considered by top management and the Secretary of State. I am now able to let you know of the main decisions we have reached so far, and the further work to be done.

3. The review looked in detail at the Group's training, enterprise and education work, which is carried out both by the Training Agency (in Sheffield and the regions) and in EDHQ. It took careful account of the Government's intention that TECs should lead on developing training and enterprise programmes for their own localities, within national frameworks laid down by Ministers. It noted that the Department would need to adapt to a world in which delivery of training and enterprise programmes is the primary province of TECs, and that this process of adaptation had already begun. The Department will increasingly shift its focus from the detailed specification of these programmes, and the control of processes and procedures, to dealing with TECs through contracts. All this has important implications for the shape and size of the Department in future and for the skills and competencies its staff will need to possess.

4. We need to make sure that we give Ministers the best service we can, and run the Department as efficiently as possible. Our existing structures have served us well. Our achievements have been remarkable but our tasks are changing, and we must organise to adapt to them. It is the Government's policy that to the greatest extent practicable the executive functions of Government, as opposed to policy advice, should be carried out by way of Next Steps Executive Agencies. We have already launched the Employment Service as just such an Agency and the Training Agency has been under consideration accordingly. However, with the transfer to TECs of a large part of our executive work, this proposal is now overtaken and we do not think that Agency status would be appropriate for the policy formulation and contract monitoring functions which remain.

5. We have decided

- to bring together all the training, enterprise and education functions of the group, in a single, ED Headquarters command; this new Training, Enterprise and Education Division (TEED) will carry out the relevant functions of the Training Agency and the Employment and Training Policy Division of ED Headquarters;

- to bring together, also, the corporate and support functions (finance, personnel etc) of the former Training Agency and ED Headquarters.

The new commands created through this integration will need to have staff in Sheffield, Runcorn and London.

6. The regional structure in England and Wales of what is currently the Training Agency will have an important job to do in establishing the TEC network though its staffing and functions will change as a result of the introduction of TECs. It will form part of the new Training, Enterprise and Education Division. It will retain responsibility for the personnel management of staff seconded to TECs.

7. The arrangements already announced for Training Agency staff in Scotland are not affected by this announcement.

8. A good deal of detailed work will be needed to put the proposed changes into operation and this is now being carried out. In the process, and in line with Government policy on Next Steps, we shall of course be looking to see what specific areas of work within TEED, and the Department as a whole, may be suitable for contracting out or Next Steps Agency status.

9. The top management structure of the Department's headquarters will also need to reflect these developments. Precise decisions on the top structure must await the outcome of the Senior Open Structure review, about which I minuted widely on 12 July.

10. So none of the changes outlined here can be made overnight (and, in any case, there is a great deal of detailed work still to be done. We are at the end of stage 1 and must now move on to stage 2). For the moment, all existing working arrangements and relationships should continue. The project team under Mrs Bayliss, whose members are drawn from both TA and EDHQ, will continue to lead and coordinate the detailed work needed for implementation. Mrs Bayliss will continue to report to me on the review, and my steering group will continue in being. We shall aim to take detailed decisions about the new structures in the autumn.

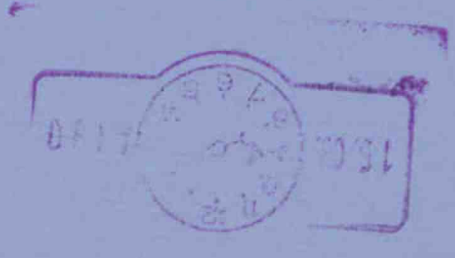
11. An important task for the team and for line management in all the affected parts of the group will be to focus on the levels of staffing they will need over the next 2 to 3 years. Staff already know that the numbers of posts within the Department will fall as work changes with the introduction of TECs. We are aiming to be in a position to give you in the autumn detailed figures and an indication of where, in broad terms, the reduction might be required and over what period it might be made.

12. At that point we will need to discuss with managers, staff and the trade unions the best means of handling these changes. We shall use all the means open to us by redeployment of staff within the department or elsewhere within the Civil Service to achieve them. I know news of reductions in posts will not be welcome, but I believe staff generally will recognise that changes must be made to ensure we remain an efficient organisation which reflects the needs of the future rather than those of the past.

13. I am grateful to all of you for your continued efforts and achievements at this time of far-reaching change. I will let you know as soon as I can how things are developing.

Geoffrey Holland.

SIR GEOFFREY HOLLAND



R3/8 TPM

Barry O'r

Department of Employment
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Permanent Secretary
Sir Geoffrey Holland KCB

Dominic Morris Esq
Private Secretary
10 Downing Street
LONDON SW1

3 August 1990

Dear Dominic, —HAP

Thank you very much indeed for your letter in which you explain that it is not now possible for the Prime Minister to attend our Training and Enterprise Conference in Brighton on 19 October.

We are, as you surmised, extremely disappointed at this, not least because it is a large and important audience and, so far as the Training and Enterprise Councils are concerned we may not see its like again in the lifetime of this Parliament.

We do, however, understand the position and it is good of you to let us know so quickly. I do hope that there will prove to be some further opportunity for the Prime Minister to follow up the Seminar and to make a major speech on these important matters. I will keep my eyes open and be in touch with you again just as soon as any opportunity begins to appear.

Yours,

Geoffrey

MANPOWER: 80MB pr 24

DOMINIC

Barry rang me about this. I think if the P.M. had realised it was her Annual Ladies Lunch (which is always on a Constituency day and other engagements follow) she would not have agreed to the TEC speech. You will see her answer to my note. Sorry to land you with having to deal with TEC in Barry's absence!

JOY
1.8.90

a: Hecs DGG.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 August 1990

Dear Geoffrey

TRAINING AND ENTERPRISE CONFERENCE

Barry Potter spoke to you earlier this week about the possibility of the Prime Minister attending the Conference. I think he did explain the diary constraints to you. We had another talk with the Prime Minister about this yesterday before she left for Aspen, but I am very sorry to have to say that it really does not look as though it will be possible for her to join you. I realise that this will be a considerable disappointment, and I think we will have to look with you for a suitable alternative engagement which could provide the follow up, as you suggest, to the Seminar at No.10.

Yours ever

Dominic

Dominic Morris

Sir Geoffrey Holland, K.C.B.

MR

Prime Minister

I understand you have agreed to do a speech in Brighton on 19 October for the TEC. This is the Constituency day and the Ladies Lunch. After the Lunch, you had :-

2.45 pm Open Homefield Old Peoples Home
3.45 pm Dep.

Mike had other things in mind also but would you confirm that you will:

1. Attend the Ladies Lunch

2. We should cancel Homefields?

Although you could go by helicopter to Brighton I think you would need to be back at No 10 by 4.0 pm especially as it is a speech. I understand the Brighton engagement could be 7.0 pm.

JM

31.7.90

I think we had better push on with the Brighton engagement

MT

(1)

PRIME MINISTER

SPEECH TO TECs CONFERENCE: 19 OCTOBER

You agreed earlier to deliver a speech to the first major conference of all chairmen and chief executives of Training and Enterprise Councils (TECs). The Conference is scheduled for 19/20 October in Britain.

I spoke to Sir Geoffrey Holland about options for your speech to the Conference. We identified three:

(A) attend an informal reception at around 7.00pm; go on to the dinner; and give an after dinner speech;

(B) arrive rather earlier at, say, 5pm; deliver an opening speech; and attend an informal reception afterwards;

(C) arrive at around 5pm; deliver speech; and depart.

Sir Geoffrey's preference is option A. It would mean departing a little late from Brighton in the evening: but it would avoid breaking into the afternoon. (According to the diary, there is nothing scheduled in the afternoon beyond a lunch at Finchley.) This approach has the advantage of allowing you to mix and talk to the chairmen of TECs on an informal basis.

Option (B) would also allow you to mix with the chairmen and representatives of TECs but only <u>after</u> your speech had been given. This has some disadvantages.

The problem with option (C) is that you would not get a chance to talk informally to people working in TECs at all.

Which option do you prefer - (A)?
(B)?
(C)?

Or do you want a different approach?

I fear that may be a constituency day. If however no other engagements have been fixed, I will "do" A.

BHP

BARRY H. POTTER

26 July 1990

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dti

the department for Enterprise

n.b. P.M.
BHP
29/7

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

CONFIDENTIAL

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Direct line 071-215 5623
Our ref PE4BAH
Your ref
Date 24 July 1990

Dear Martyn

My Secretary of State has seen your letter to me of 11 July in which you asked for his comments on your Secretary of State's proposals for taking forward training strategy and policies. My Secretary of State has also seen Barry Potter's letter to you of 13 July about the Prime Minister's views on training policy.

My Secretary of State understands that further consideration will now be given to the Government's approach to training objectives and to the presentation of training policy. He therefore proposes not to comment in detail now on your Secretary of State's minute of 10 July although he will be grateful for the opportunity to comment on revised proposals as they emerge. He has also asked that officials here stand ready to contribute to your further work in this area if you would find that useful.

I am copying this letter to the recipients of yours.

Yours

Rosalind Cole.

ROSALIND COLE
Private Secretary

CONFIDENTIAL

Recycled Paper

MANPOWER : SEMS : PT24

Sep[illegible]er 1990 Disc 3686 [13.7.90] Galley 5 What Job for You in Britain's New Workforce? First Proof
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UNREAD

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What Job for You in Britain's New Workforce?

BY LESLEY ABDELA

file copy

Young mothers and senior citizens, get ready to be appreciated—in this decade of opportunity, employers need you

WHEN Loretta Hopewell of East Dulwich, London, told her employers she was pregnant, there was not talk of her getting the sack. "Far from it," she says. "I got promotion—and a rise."

Her firm, Blue Arrow Personnel Services, a nationwide recruitment agency, even paid for her to go on two three-day training courses. "They recognized my abilities. Their encouragement meant that three months after my son was born I was excited to return to work." Today 32-year-old Loretta is a project manager in charge of nine staff.

As Britain heads into the 1990s, career stories like Loretta's will be typical rather than exceptional. A new age in employer-employee relations is beginning. For, as the Government has warned the Confederation of British Industry (CBI), the nation now faces "the most dramatic decline in numbers of new entrants to the workforce that any of us have ever known."

Between the mid 1960s and 1970s Britain's annual birth-rate plunged from a record high of one million to a low of around 700,000. The chief reasons: the pill, the 1967 Abortion Act and the decision of many couples to delay starting their families. The result: by 1995 there will be 1·5 million fewer 16- to 24-year-olds, the age-group from which employers traditionally recruit trainees. Yet 1·7 million new jobs are predicted.

Already the most spectacular drop in the birth-rate this century is intensifying the hunt for teenage talent. One Leeds electrical contracting firm attracts apprentices with £130 tool kits. The Army, almost totally dependent on young labour, has drawn up a battle plan entitled MARILYN (Manning and Recruitment in the Lean Years of the Nineties). And the CBI, in search of executive high-flyers for the turn of the century, is even making itself known to Scout troops. "Scouting," says former CBI president Sir Trevor Holdsworth, "gives youngsters an early chance to develop leadership skills."

Meanwhile employers are taking a fresh look at the over-50s, who will number more than 18 million by 1995. B&Q realized, with surprise, the potential of this largely neglected workforce when staffing their new DIY store in Macclesfield, Cheshire. They advertised in local papers asking to hear from any over-50s interested in working again—and had 600 applications. In future this age-group will help fill staff needs at all B&Q stores.

Sainsbury's have extended their offer of profit-sharing and share-ownership inducements to senior citizen recruits—like retired invoice clerk Tehmi Pawlowska, 65, who has joined the company's Cromwell Road supermarket in London. "I was delighted to get a full-time job at my age," says Tehmi, an assistant in the fish department. "They gave me in-store training, and I really enjoy my new work."

Says Prudence Raper of Sainsbury's: "Older workers are dedicated

and extremely reliable. And the maturity and experience is an invaluable asset in dealing with people."

According to the Commons Select Committee which has studied the implications of the teenager shortfall, Britain's over-50s face "a golden age." However, the biggest jobs chance will be for women. Michael Howard, the Employment Secretary, forecasts for them "a tremendous decade of opportunity."

Some 2·5 million women are still at home, having left jobs. Employers want them back. A recent survey published by the Institute of Manpower Studies at Sussex University highlights the particular skills women workers bring to their jobs. They are co-operative rather than competitive; more adaptable to change; good at working in groups. And as Chris Kilby, in charge of personnel at Abbey National, points out, "Mothers who have mastered the art of running a home have proved their skill as managers."

By 1995, according to Michael Howard, 80 per cent of all the new job vacancies will be filled by women; by the year 2000, women will account for more than half the nation's workforce. Charles Handy, Visiting Professor at the London Business School, predicts: "So desperate will be the skills shortage that major organizations will woo the ex-executive mother back into paid employment with perks like that traditionally male status symbol the company car. The era of the million-dollar mum is nearly upon us."

Many 1990s returners will decide to set up their own businesses. Already one new business in four is owned by a woman, often working from home, like Sharon Lomas of Bratton, Wiltshire. Sharon, a company secretary's assistant before she left to start a family, now runs two businesses from her modern estate house, knitting sweaters with personalized slogans, as well as supplying a bookkeeping and secretarial service to local firms.

Other returners will want to halve their work-time by job-sharing, an idea which caught on among local authorities five years ago and is now beginning to spread. Tracey Kitchen, for example, shares her job as an accounts officer at British Telecom in Bromley, Kent, with another mother who also has a baby. "We each work half a week," says Tracey, "and keep each other up to date when we change over on Wednesdays."

But the majority of workers returning because of the birth-rate fall—or "demographic time-bomb," as the Royal College of Nursing, with some 250,000 young members, calls it—will be looking for full-time employment, with as many benefits as possible, and on their own terms. "Employees of the 1990s will seek much more control over the hours they work," forecasts Professor Handy. "It will be a matter of 'Tell me what you want done, but leave it to me when I do it."

Firms pointing the way include

UNREAD

Norwich Union, with staff on flex-time, deciding which office hours they work. Branches of Dixons give parents weeks off in school holidays. And many large companies have followed the lead of NatWest and other clearing banks in providing career-break schemes; Sainsbury's, for example, offers management who need to look after children the choice of a total break for up to three years, or working only part-time for the same period.

Esso's returner scheme allows up to five years off. "Any employee with at least 12 months' satisfactory service can take a career-break and come back to a guaranteed job," says Jim Platt-Higgins, head of recruitment.

As yet, however, in the view of Ron Leighton MP, chairman of the Commons Select Committee which studied the birth-rate fall, "The coming shortage of youngsters in the labour market is not being taken seriously enough." The Institute of Manpower Studies finds that of the 71 per cent of employers expecting to suffer from the "time-bomb," and other skills shortages, only 54 per cent are doing anything to defuse it.

Too often, when would-be returners apply for work, employers still succumb to long-held prejudices. Although forecasters predict that women will occupy 55 per cent of the nation's managerial and professional posts by the end of 1995, most firms still see women mainly in terms of low-status jobs like clerical, catering and cleaning. Jo Richardson, MP, Labour's shadow minster for women, calls it "ghettoizing women as cheap labour in jobs men don't want."

Employers are also apt to turn down highly qualified returner-applicants as being out of touch. An estimated 5,000 women science graduates are not making use of their degrees; Britain desperately needs their skills. Yet when Christa Kelly of Colchester, Essex, who holds a masters degree in engineering, applied for posts in production management after a career-break to bring up her daughter, she was repeatedly rejected. "Everyone said I'd be too rusty after six years away from industry."

But the biggest prejudice is against age. Whereas Tesco have a "Life Begins at 55" recruitment campaign, and Lloyd's insurance brokers Leslie and Godwin says cheerfully, "Come to us at 60, if you like," many employers advertise specifically for 25- to 35-year-olds. Over-40s are regarded as unadaptable—a prejudice refuted by top management consultant Dr Colin Coulson-Thomas in a British Institute of Management booklet *Too Old at 40?*: "Although most people learn more slowly as they get older, they learn more efficiently." He adds: "There's another important advantage with older staff. Train an apprentice and you have no guarantee he will stay with you—but an employee of 58 is unlikely to go off job-hunting."

An estimated 74 per cent of

mothers who want to return to work are prevented from doing so because there is no one to look after their children at an affordable price. Public nursery places have dropped by more than half since 1945, and so far only 200 companies—three per cent of the national total—offer their employees any kind of childcare facilities. Employers like the Midland Bank, who plan to open 300 nurseries for staff by 1994, and Blue Arrow, who give their project manager Loretta Hopewell £960-worth of vouchers towards the £2,340 annual cost of having her infant son cared for, are in the minority.

In this year's Budget the Chancellor exempted the value of putting a child in a workplace nursery or playgroup from tax. But other forms of childcare must still be financed out of taxed income: to meet modest childcare costs of £45 a week, a mother paying tax at 25 per cent must earn £60. Says Lucy Daniels, Director of the Working Mothers Association: "The Government should do more to tackle the problem of prohibitive childcare costs. We need a mixture of subsidized care for both pre-school and school age children and an increase in child benefit.

Joanna Foster, Chair of the Equal Opportunities Commission, goes further. "If we are to remove barriers that prevent women using their full potential, we need a national system of childcare. Not just nurseries, but a choice for families, of affordable care right through a child's years, from playgroup to after-school hours and school holidays for older children."

Because of the birth-rate plunge, the 1990s, predicts employment Secretary Michael Howard, "will be not only a decade of great change; it will also be a 'skills decade.' Brains will be more important than brawn when eastern European countries get their economies going and compete with goods that do not need high skills to make."

To help British industry keep the edge on foreign competitors, the Government is spending some £3 billion on the employer-led Training and Employment Councils, now being operated throughout Britain to tailor-make training courses to the needs of the locality. Christa Kelly—the engineering graduate who was refused a returner's job because she was "too rusty," has helped the Department of Employment's Training Agency set up two courses modelled on the American *Foot in the Door* programme to provide further training for high-flying women returners.

Explains Christa: "Under the programme, women with first degrees in engineering, science or technology take courses at the Cranfield Institute near Milton Keynes, or at Bradford University, to catch up on the latest technology and learn to become senior managers."

For employers, coping with the demographic time-bomb will be a top priority. They will need to attract staff with flexi-time, job-sharing, comprehensive childcare and jobs in keeping with ability. They ought to follow the example of Boots and Abbey National, who give individual training to returners worried about going back to a changed workplace; or Legal and General, who offer women who return after having a baby a 25 per cent bonus for the first six months. They should copy the Midland Bank, who sends staff with potential to Loughborough and Birmingham universities, on full pay, for courses in management.

"Then," says Michael Howard, "We will have the high-skill, high-productivity, high-wage economy Britain needs in order to forge ahead into the twenty-first century."

IN JUNE, Lesley Abdela received the MBE for her work to advance women in politics. She founded the 300 Group in (date t/c), which aims to increase the number of women in the House of Commons to 300.

CONFIDENTIAL

cc PM

N.S.P.M.
BHP
13/7

Prime Minister

TRAINING POLICY

1. I was grateful to receive a copy of Michael Howard's minute to you of 10 July, setting out his proposals for taking forward the development of Government policy on training.

2. For my responsibilities for training and education in Scotland, I am entirely content in principle with his proposed approach. However both his minute to you and the draft example of national training objectives for consultation fail to take due account of the establishment of Scottish Enterprise and Highlands and Islands Enterprise, which will, inter alia, take on the training activities of the Training Agency in Scotland as from 1 April 1991, operating within a policy framework which I shall set (in consultation with Michael Howard as regards the training aspects so as to ensure broad compatibility with the Government's national training policy).

3. Michael's proposals therefore need to be augmented to include at paragraph 41 a reference to consultation with the Scottish Enterprise and Highlands and Islands Enterprise designate boards, and with the emerging local enterprise companies. As these bodies will be responsible to me rather than to Michael, I think that it would be proper for me rather than Michael to consult them (and perhaps also other relevant Scottish bodies) along similar lines to his proposed consultations.

4. In terms of the draft example set out in the annex to his minute, the following specific changes would be necessary:

(i) Under 1, the reference should be to "... commitment to testing targets by Government, employers, TECs, Scottish Enterprise, Highlands and Islands Enterprise and local enterprise companies in Scotland, and individuals."

(ii) Under 2,

first indent, to read: "Ensure that by April 1991, a complete network of TECs is in place in England and Wales, and Scottish Enterprise, Highlands and Islands Enterprise and the network of local enterprise companies in Scotland;"

(iii) A new section 4A should be inserted after 4, as follows:

"In Scotland, the Secretary of State for Scotland will lay down appropriate comparable objectives for Scottish Enterprise and Highlands and Islands Enterprise."

(iv) National training objectives expressed in terms of NVQs in 2-5 of the Annex are acceptable for England and Wales, but will be interpreted in Scotland in terms of SVQs or their equivalents.

5. I am copying this minute to Michael Howard, Kenneth Baker, John MacGregor, Norman Lamont and David Hunt.

MR

M R

Scottish Office
13 July 1990

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Department of Employment
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Permanent Secretary
Sir Geoffrey Holland KCB

Barry H Potter, Esq
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12 July 1990

Dear Barry.

Training and Enterprise Conference: 19/20 October 1990

Naturally I was delighted to receive your letter of 12 July in which you record the Prime Minister's willingness to attend this Conference and give a short speech on the evening of Friday, 19 October. I have told my Secretary of State and he, too, is extremely pleased.

Perhaps I could be in touch with you a bit nearer the time about the speech. I note what you say about Peter Makeham and have a very high regard for that particular officer, who has recently returned to us from his secondment to DTI.

Yours.

Geoffrey.

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Secretary of State

Martin Stanley Esq
Principal Private Secretary to
The Rt Hon Nicholas Ridley MP
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1

11 July 1990

Dear Martin

My Secretary of State thought yours would want to see a copy of the attached minute which he sent to the Prime Minister yesterday evening setting out his proposals for taking forward training strategy and policies. He would welcome any comments your Secretary of State may have on the proposals.

I am copying this letter to Barry Potter (No 10), Carys Evans (Treasury), Stephen Crowne (DES), Jim Gallacher (Scottish Office) and Stephen Williams (Welsh Office).

Yours

MARTYN WARING
Principal Private Secretary

(1)

PRIME MINISTER

TRAINING POLICY

The attached minute from Mr. Howard seeks policy approval for a system of quantified national training objectives. Mr. Howard would like to announce the system, as a basis for consultation, next Tuesday, 17 July. Policy Unit (note at Flag A) are unhappy.

Background

At the Training Seminar held at No.10, business leaders pressed for national training goals to be announced. Last December, the then Employment Secretary (Sir Norman Fowler) announced a set of objectives.

Mr. Howard acknowledges that this earlier DE statement of quantified objectives was a mistake because:

- they were too ambitious;
- they covered too short a timescale; and
- they failed to assign responsibility for meeting targets to specific groups, ie TECs, etc.

Nonetheless, Mr. Howard clearly remains attracted to national quantified targets. He argues they would provide a benchmark; a symbol of commitment; a sense of coherence and direction; and a framework within which other specific targets can be set. (Although the minute is long and repetitive, the three page annex setting out draft objectives sets out clearly what is in mind.) Mr. Howard also sees political attraction in the proposed announcement.

Assessment

The minute sets out the advantages of the proposed approach. It does not consider the potential drawbacks.

i) Would national targets become not just a benchmark but an inescapable commitment; and, if so, could that distort training patterns - with TECs etc under pressure to achieve a particular figure for numbers attending courses, or entering NVQ levels, rather than meeting genuine training needs?

ii) Mr. Howard claims there would be no commitment to additional public expenditure (para 35v). But the targets would permit TECs etc to put pressure on the Government for more resources. As Professor Bhattacharyya pointed out in a private letter, such targets increase the risk of TECs becoming a national pressure group.

iii) National targets for local problems has a distinctly East-European GOSPLAN element to it. How can national targets cope with the flexibility necessary to meet rapidly changing skill needs at local levels?

Mr. Howard's proposals do show an awareness of these problems. They avoid the worst of problems in Norman Fowler's earlier approach. For example, despite the rhetoric about use of the national quantified targets, the annex shows that responsibility for quantified targets is put on employers and TECs and not on Government.

That said, as Policy Unit point out, there are dangers in national planning with central government being held responsible for hitting targets. However modest the starting proposition, the planned consultation exercise will risk a firming up of the Government position. Why exceed the 1988 White Paper statement, 'The Government are responsible for helping establish a framework ...'?

Way Forward

I understand the Chief Secretary has considerable reservations about the proposals. So do Policy Unit. The next step ought to be a meeting with the Employment Secretary. But the diary, and

importance of the subject, would suggest decisions cannot be taken before 17 July, when Mr. Howard wants to make his announcement.

i) Content to call a meeting after the summer break?

ii) Or wish to hold a meeting urgently so Mr. Howard can make an announcement before the Summer Recess?

iii) Or content for Mr. Howard to make his announcement next Tuesday?

We have spent some time getting away from unskilled labour. They are part of a Socialist society. You may like the labour (or not) and have the wrong training for the right jobs. We are not training to fill labour - TECs are training to fill existing - for needs jobs. The approach is totally different. No unskilled labour.

BHP

BHP
11 July 1990

jd c:\wpdocs\economic\training

CONFIDENTIAL

cc bg Ckr

PRIME MINISTER

11 July 1990

TRAINING POLICY

Michael Howard is returning to the charge on the issue of quantified training targets. His paper tries to justify these on policy grounds. But the arguments are very unconvincing. The least convincing is that targets would provide "a sense of coherence and direction". Such an argument was no doubt used to justify China's "Great Leap Forward!"

His case is essentially political: the training industry is demanding them. But even here he is on weak ground. We should be setting our own agenda, not being forced to accept that of the producer lobby.

Background

We are on this particular hook because Norman Fowler announced a framework of specific national training targets in a speech last year. The Fowler objectives were never intended to be specific government targets. But, inevitably, they became part of the currency of political debate as "Government targets". (A warning for the future).

Ministers considered these targets in the context of the Training Seminar. You took the view that they were unhelpful on grounds that:

- they were far too general and carried too much of a corporatist flavour;

- they could become artificial targets against which Government was judged;

- they encouraged the belief that training was an end in itself rather than a means to generate productivity improvements.

You publicly distanced yourself from them in a reply to Mr Kinnock. You said:

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"Progress on meeting the objectives depends primarily on action by organisations outside Government; they cannot be specific Government targets".

The Latest Proposals

Michael Howard is now proposing to:

- announce support for the principle of quantified national training targets;

- consult TECs, employers' representatives and others on what form they should take;

- issue a strategic guidance document to TECs, which includes targets, this Autumn.

The intention is that targets should differ from the Fowler objectives in two respects. First, responsibility for achieving them would be assigned to specific groups. Second, 1995 would be the earliest date for achieving any of the targets. Many of the Fowler objectives were tied to 1992.

Critique

There are fundamental objections to Michael Howard's proposals:

1. **Limits to government action**.

It is central to our philosophy that the role of government should be limited.

It is right, therefore, for government to set targets for the things for which it is responsible. Specific targets will be set for TECs individually as a means of monitoring their performance and ensuring that the taxpayer is getting value for money. From these it should be a simple matter to judge their effectiveness overall (see para 27).

But it is not the business of government to set targets for employers or any other group. Moreover it is no defence to say that representatives of these groups will be asked to sign a document accepting the target and their responsibility for reaching it. This is nothing less than a planning agreement. And who are these "representatives"? The corporate state is, or should be, a thing of the past.

On these grounds the parallel (see para 21) with targets for CO_2 emissions is entirely false. There is a real difference between (a) a target designed to galvanise action by others (and which usually don't work) and (b) clear notice, focussed in terms of a target, of action which the Government is going to take and which will impinge on others (ie industry).

2. **Control of Public Expenditure**.

The Government will be held ultimately responsible for the attainment of any targets it underwrites. Attempts to write-in safeguards (see para 34(i)) will not work in practice. If the Government accepts that a particular target is desirable, and that target does not look like being met, the Government will be asked how it intends to rectify the situation. In those circumstances one can easily see employers asking the Government for just a little bit more money to help them hit their targets.

3. **Relevance of Training**.

The mind-set of those who advocate targets is that all training is good training. It isn't. It needs to be not only of high quality but also relevant to the needs of employers.

It is for this reason that we have moved away from the centralist and dirigiste approach. The purpose of TECs is quite deliberately to break up the public sector training monolith.

Primary responsibility for training is placed where it should rightly be: with the private sector. The Government's role was to be at arms length. That is why TECs were to be "locally-based", "market driven" and "consumer led".

If all this is not to be mere rhetoric then TECs must be encouraged to [redacted]ise local solutions to meet local needs and problems.

The Political Case.

There are two strands to Michael Howard's political case:

- the need to retain the commitment of business leaders to TECs;

- the need to have a credible alternative policy to the Opposition.

1. **The Commitment of Business Leaders**

The question is do we have the commitment of the right people. The sort of businessmen who are crucial to the success of TECs are "doers", not talkers and committee men. At present we appear to be attracting too many of the latter. There is a danger that TECs will develope into a powerful producer lobby. It is essential that they are not allowed to dictate the agenda from the start.

Two examples:

First, TECs are complaining that their budgets are being cut. They should not be allowed to get away with this. TECs have never had budgets before; they are new bodies. The Government is spending a massive £2.7 billion a year on training. The lion's share is going to TECs. The funds available to TECs are not as great as those available to the Training Agency last year for two very good reasons. Spending on training has risen by 60 per cent in real terms in the last four years at a time when unemployment fell by over 50 per cent. And TECs will be able to operate much more flexibly to ensure better use of resources.

Second, TECs want to develop machinery to allow them to lobby Government as a group - a sort of Association of Metropolitan Authorities for training. D/Emp seems to be encouraging this development. At the Annex is an internal Training Agency paper

entitled "How to develop the relationship with TECs collectively". It makes disturbing reading.

The way Michael Howard proposes to proceed - consulting TECs on the content of targets - seems almost designed to encourage this lobbying tendency amongst TECs to the detriment of their local focus.

2. **A credible alternative to Labour**

We will not be able to offer a distinct and attractive alternative to Labour if we appear to offer a slightly paler imitation. Credits do offer a vehicle for demonstrating our commitment to training, but the launch was a damp squib. Our policy should be to stress choice and the individual. A relaunch of credits at the Party Conference is essential. For the longer term we need to think about extending credits. This would have real electoral appeal: appealing over the heads of TECs and employers etc directly to individuals. Targets by contrast are a substitute for genuine action to make training more effective for individuals and firms.

Recommendation

You should continue to oppose strongly quantified national training targets. It would be well worth talking this through with Michael Howard particularly with a view to how we relaunch credits and develop our training strategy in the run-up to the election.

ANDREW DUNLOP

ANNEX

ITEM 3: HOW TO DEVELOP THE RELATIONSHIP WITH TECS COLLECTIVELY

1. The White Paper and TEC Prospectus offer TECs a partnership with Government. This has been a major factor in attracting quality people. TECs are looking for arrangements at the national level to give substance to that offer of partnership.

2. It is clear that TECs want representative arrangements within their control. They also want ready access to Ministers. The establishment of the representative group of Chairmen for England and Wales (and possibly Scotland) and its absorption of the smaller group of nominated chairmen, are important steps in the development of partnership.

3. Annex A sets down the current major concerns of TECs. It points out the danger that the relationship with Government would be dominated by and undermined by narrow debates about money and flexibilities. In these areas the TECs will tend to behave like any other "provider" and will seek to maximise the immediate benefits available to them.

4. In order to encourage a different approach by TECs, Government will need to engage them in:

a) setting and securing longer term strategic goals; and

b) development work to improve performance within the strategic framework.

The aim should be to create a collective sense of responsibility amongst TECs which will put the inevitable debates about money and flexibility into context.

5. The importance of national objectives and a strategic framework for training and enterprise is dealt with in a separate paper. It is vital to the development of an effective relationship that TEC Chairs should be involved in the setting of national

objectives and in strategic developments. TEC Chairs also would very much like to be consulted in advance about major Government policy initiatives. Major gains would flow from working with TECs to reinforce their wider economic remit and to foster their use by Government as delivery agents for services which go beyond training and enterprise.

6. There are a range of options which might be pursued in principle with the TEC Chairs group in order to give further substance to the partnership with TECs, these include:

a) a survey of "business led" initiatives/plans from other Government Departments;

b) (i) the establishment of "user groups" of TEC Directors, Chief Executives or staff to work with the Department on appropriate technical issues, eg systems development, marketing, dissemination of good practice etc;

(ii) extending this to other issues eg planning guidance, the contract etc;

c) support for a secretariat for the TEC movement (this has the advantage of improved coherence and professionalism but risks funding a sometimes hostile lobby);

d) formal linkage with the NTTF by adding TEC Chairmen to that body (subject to a decision that the NTTF should continue);

e) involvement in the R&D function (eg possibly advising on the R&D strategy, or setting-up inter TEC mechanisms for development (see Item 6)).

7. The issues covered in this paper are:

- how far does the Government want to go to make a

reality of the partnership with TECs; and

- suggestions about ways and means of building that partnership.

8. Further work could be done quickly to develop ideas which the Secretary of State might wish to canvas during his meeting with the TEC Chairs Group on 3 July. Some of these issues will need to be trailed by the Minister of State on 21 June to give his agenda some positive elements. The position of the NTTF has a bearing on the issues raised in this paper. The future of the NTTF is under active consideration but it will take a little time to assemble and evaluate the options.

ANNEX A

KEY CONCERNS OF TECs

- Consultation on strategy and policies/partnership
- PES and Funding 1991/92
- Flexibility and Rules
- Management Fees/Staffing/Detailed contract issues
- Budgets 1990/91/ET/YT recontracting
- National Objectives (lack of)
- Education Programmes: links to TECs
- Enterprise role of DTI
- Communications

Spoke to DE 11/7.
BHP

BARRY POTTER

10 July 1990

TRAINING POLICY

I have just seen Michael Howard's note to the Prime Minister. I intend to put in a note on this tomorrow. One thought did however occur to me. The note has been copied to all the Ministers one would have expected, with the exception of Nicholas Ridley. This seems odd to me. Some of the training targets Michael Howard is proposing are directed at employers leaders and companies. Do you not think Mr Ridley should be given a chance to comment?

ANDREW DUNLOP

CONFIDENTIAL

Secretary of State
for Employment

PRIME MINISTER

TRAINING POLICY

INTRODUCTION AND SUMMARY

1. This paper provides an update on the latest state of play on training policy, and sets out the next steps I am proposing to take.

2. Substantial progress has been made on the implementation of the training strategy set out in the 1988 White Paper "Employment in the 1990s" (para 9). There is now a need for a clear and up to date statement of the Government's training policies. I propose to provide this in a major speech on 17 July.

3. I will be expected in that speech to address the contents of the annual strategic guidance document for Training and Enterprise Councils which I am committed to produce this autumn (para 11). The White Paper lays down a Government responsibility for setting a national framework for training (para 15).

4. We have moved away from the national training objectives set out by Norman Fowler in December and I do not propose to return to them, because they were in some respects unrealistically ambitious, failed to assign specific responsibility to specific groups and included a number of targets for the end of 1992 which is for a number of reasons too short a timescale (paras 16-20). However, I am under very heavy pressure from Training and Enterprise Councils, the CBI, Parliamentary select committees, the media and others to produce a set of national training objectives

which do include quantified goals (paras 19-20; 28-32). Failure to propose any such objectives in the strategic guidance document would be perceived as indicative of a lack of Government commitment to training.

5. National training objectives, of this kind, if carefully worded, could serve a number of positive purposes. They would follow precedents set in other areas of Government policy. In particular, they could provide a benchmark and an added sense of coherence to our existing policies, and would help us to assess the value for money provided by different training institutions and approaches (paras 21-27). They would also provide an opportunity to set out the precise limits of Government responsibility for training, while asserting Government leadership of the training agenda (para 28).

6. Support for the idea of national training objectives would enable us to meet a strongly expressed demand of Training and Enterprise Councils at a time when relations with them are sensitive because of budget cuts (paras 29-31). It would also help us out of other political difficulties, since such objectives are seen as a litmus test of the Government's commitment to training (paras 32-33).

7. Any such objectives would have to be different from those Norman proposed. I propose a number of criteria to ensure that the Government is not held responsible for attaining objectives which are outside its proper responsibility, and to ensure that the targets do not require additional public expenditure (paras 34-35).

8. I therefore propose to announce on 17 July support for the principle of national quantified training objectives and a period of consultation on the form they should take. This would enable us to seize the initiative on training at a time which is vital

both in electoral terms and in the formation of Training and Enterprise Councils (paras 40-44).

BACKGROUND

9. The Government's White Paper, "Employment in the 1990s", published in December 1988, stressed the vital importance of training for the future of Britain and set out a radical new training strategy. We have made significant progress since then on the implementation of that strategy.

- Fifteen Training and Enterprise Councils are now operational, and the national network of TECs and Local Enterprise Companies should be complete next year, some two years ahead of schedule.

- Employment Training has been successfully launched as the largest training scheme of its kind in Europe.

- We have abolished all but one of the statutory industrial training boards and are replacing them with independent employer-led arrangements.

- Funding of training is moving over to a performance related basis.

- Last month I officially launched new Youth Training, a far more flexible and effective scheme than its predecessor YTS.

- From next April in ten pilot areas training credits for young people will begin to be issued.

10. Given these developments, there is a need for a clear and up to date statement of Government policy and national objectives in training policy. My speech on 17 July will seek to provide this.

Secretary of State
for Employment

STRATEGIC GUIDANCE

11. In the autumn I have to produce an annual strategic guidance document for Training and Enterprise Councils. This provides the backdrop they need for the formulation of their local plans for 1991/2. I am committed to issue this guidance by the Guide to Planning which is issued to TECs, which says (page 4):

> "The Secretary of State will issue guidance each year on the Government's strategic priorities for the development of training and enterprise to be delivered by TECs".

12. Norman Fowler issued such guidance last year and our intention to do so again was reaffirmed by Tim Eggar before a House of Lords Select Committee very recently.

13. There is strong expectation and heavy lobbying by Training and Enterprise Councils, the CBI and others that this strategic guidance document should set out quantified national training objectives. That is not a reason for acting.

14. If such objectives are to be published in the autumn, a process of consultation needs to take place over the summer. The best occasion for me to announce such a process would be in my speech on training policy to a Conference organised by the Careers Research Advisory Centre on 17 July.

THE NEED FOR A NATIONAL FRAMEWORK

15. The 1988 White Paper stated, as one of its conclusions:

> "The Government are responsible for helping establish a framework both at national and local level which will ensure that training is carried out on the scale and to the quality our economy will require in the 1990s".

You will remember the clear call for national training goals issued by business leaders at the Training Seminar held at Number Ten in February.

16. Last November the CBI published a report by its Vocational Education and Training Taskforce which set out a series of national quantified training targets for employers and others in the years ahead. In December Norman Fowler made a series of speeches announcing a set of national objectives, based on the CBI list but in some cases going beyond them.

17. Norman's objectives were in some respects unrealistically ambitious, and failed to assign specific responsibility to specific groups. In addition, some of his targets were for the end of 1992, a timescale so short that any failure to approach the targets would become evident before the next Election.

18. We have moved away from the Fowler objectives, and my public line when challenged on the status of them has been to say that these are not objectives which are the responsibility of Government alone because they cannot be achieved by Government alone, and that I am considering with Training and Enterprise Councils the best way of taking them forward.

19. This line has been interpreted by many commentators, and increasingly by Training and Enterprise Councils, as a withdrawal from the setting of any national training objectives. It has caused the Government's commitment to training to be called into doubt, and is being effectively exploited by the Labour party. I do not believe that it can be sustained for much longer.

20. Training and Enterprise Councils are anxious that a set of national objectives should be produced. I believe that there are decisive policy reasons why we should produce a new set of objectives, but that they should be substantially different from those announced by Norman last year.

Secretary of State
for Employment

THE VALUE OF NATIONAL QUANTIFIED TARGETS

21. The Government has set out national quantified targets in many fields of policy. For example, we have committed ourselves to quantified targets of reductions in CFC and carbon dioxide emissions.

22. These objectives, like national quantified targets for training, are not wholly within the power of Government to attain - nor should they be. They depend upon the behaviour of companies and individuals, and have been framed after other groups have been consulted as to what they consider realistic. In addition over a wide range of policy areas we are setting value for money targets to improve efficiency and provide an objective to which the efforts of those involved can be directed.

23. National quantified targets of these kinds do have particular value. They are a benchmark against which Government and others can measure their progress towards agreed but otherwise vague and non-specific targets such as "better training" or "cleaner air". They are an important and tangible symbol of commitment by Government and others to the importance of the issue concerned.

24. Such targets provide a sense of coherence and direction, particularly useful in an area such as training where there are so many disparate groups and individuals, and where 100 new Training and Enterprise Councils and Local Enterprise Companies are coming onto the scene in different areas and at different times.

25. National quantified objectives would provide the essential framework within which other specific targets can be evolved. For example, I have to contract individually with each Training and Enterprise Council each year for specific outputs. In theory, each negotiation could be handled quite separately. In practice, the Government must ensure that TECs are contributing to the

achievement of the same goals. That means that they and we need national training objectives.

26. TECs themselves are asked to produce in their own plans specific objectives for three years ahead (and, indeed, as businessmen are quite comfortable with doing so).

27. National quantified objectives would give the Government a Value for Money set of criteria against which it would be possible to judge the overall effectiveness of Training and Enterprise Councils, employers and further education establishments as a whole. Without them, I can only assess the effectiveness of individual TECs or employers or further education establishments.

28. Finally, specifying such objectives would provide an excellent opportunity to make clear precisely what is - and what is not - the responsibility of Government in the field of training policy, while enabling us to meet the clear demand from employers and Training and Enterprise Councils for the Government to provide leadership in the training field.

THE POLITICAL CASE

29. There is complete unanimity among all groups involved in training, both private and public sector, that national quantified objectives are necessary. Last week, I saw ten representative Chairmen of Training and Enterprise Councils. They made it absolutely clear that they saw national quantified objectives as an essential symbol of commitment to training by the Government.

30. However implausible it may seem in the abstract, Tim Eggar and I have been convinced by our visits to Training and Enterprise Councils around the country that failure to issue such objectives would be likely seriously to jeopardise the success of the entire TEC initiative.

31. This is reinforced by the fact that my Department's expenditure on training has been reduced this year. This has itself caused some Board members of TECs to question the Government's commitment to training. A refusal to respond positively to the request for national training objectives is likely to weaken significantly the commitment of business leaders to Training and Enterprise Councils.

32. Tim Eggar came under very heavy pressure to set out national training objectives when he appeared before the Social and Consumer Affairs Subcommittee of the House of Lords European Communities Select Committee on 19 June.

33. The Labour Party has clearly decided to make the Government's record on training a central part of its attack on our economic performance. They have endorsed many of the CBI's training objectives, and are likely to continue to gain ground on this issue until we are able to fill what is presently and widely seen as a weakness in our policies. The issue is seen as a litmus test of the Government's commitment to training.

AVOIDING PITFALLS

34. There are clearly some pitfalls which need to be avoided if we are to set out national quantified training objectives:

i. It is vital that we do not fall into the trap of committing the Government to targets which it cannot and should not be the role of Government to attain.

ii. Any targets must be fully realistic - but testing.

iii. The timescale for such targets must ensure that there is no danger that, in the unlikely event that progress towards the targets is not being made, this could become evident this side of an election.

THE CRITERIA FOR TARGETS

35. Given the need to avoid these pitfalls, I therefore propose that the targets should follow certain strict criteria:

i. They should be different from those Norman Fowler announced last year. In particular, they should assign specific responsibility to specific groups.

ii. While the targets must be clearly attainable, there should be no question of specifying the means by which they are to be reached. Such detailed planning is and must remain properly the role of Training and Enterprise Councils, employers and others outside Government.

iii. Any targets for groups other than the Government (eg the TECs or the CBI) should be clearly identified as the responsibility of those groups, should be produced by those groups, and representatives of those groups should sign a document accepting both the target and their responsibility for reaching it.

iv. No target should specify a date sooner than the end of 1995, and several should set targets for the year 2000.

v. No target should commit the Government to additional public expenditure.

36. I attach an annex giving an illustration of the kind of targets which I have in mind.

NATIONAL VOCATIONAL QUALIFICATIONS

37. The CBI expressed its own targets in terms of National Vocational Qualifications. I would propose to express national

quantified targets in terms of numbers of people attaining or having the opportunity to attain certain levels of National Vocational Qualifications.

38. It is essential to ensure that an NVQ is a qualification as readily intelligible to an employer or parent and as valued by an individual as a GCSE or A-Level; and NVQs should represent attainable goals to which individuals can aspire. The various levels of NVQ should be seen as rungs on a ladder of opportunity which is available for all to climb. NVQs should be fully portable, understandable and recognised by employers as a symbol of valuable skills.

39. I should add that progress towards the establishment of a comprehensive system of NVQs is not entirely satisfactory. An urgent inquiry into the NCVQ and its work is under way. I expect to receive its recommendations soon, and John MacGregor and I will then consider what action is required.

NEXT STEPS

40. I propose to announce in my speech on training policy on 17 July support for the idea of quantified national training objectives.

41. I would also announce a process of consultation with Training and Enterprise Councils, employers' representatives and others over the summer as to what form such objectives should take. The consultation process would extend over the summer and early autumn, and I would expect to be able to issue the strategic guidance no later than the end of September or October.

CONCLUSION

42. I am convinced that national training objectives of this sort would fill a major gap in our approach to training policy, a gap

which is causing steadily increasing political difficulties. An announcement of those objectives would meet one of the principal concerns of Training and Enterprise Councils, at a time when budget cuts make the relationship with them especially sensitive.

43. Properly drafted objectives need not commit the Government to anything for which it is not properly responsible. Indeed, the process of consultation I propose would ensure that the objectives which are finally produced have the explicit endorsement of every major actor in the training field. This would ensure that any attempt by the Labour Party to urge greater speed or higher targets would expose them to ridicule.

44. A public commitment to national quantified training objectives would enable us to seize the initiative on training at a time which is vital both in electoral terms and in the formation of Training and Enterprise Councils.

45. I would be grateful for your approval for this approach. If it poses any difficulty, I would be grateful for an opportunity to discuss it with you.

46. I am copying this letter to Kenneth Baker, John MacGregor, Malcolm Rifkind, Norman Lamont and David Hunt.

M. H.

M H

10 July 1990

DRAFT EXAMPLE OF NATIONAL TRAINING OBJECTIVES FOR CONSULTATION

1. A competitive Britain in the 1990s means a more skilled Britain.

That requires a national commitment to testing targets by Government, employers, TECs and individuals.

The world class workforce Britain needs in the 1990s requires four key commitments:

- A commitment by **Government** to provide a first class education system, set the framework for training policy and help ensure quality training for young people and the long term unemployed;

- A commitment by **employers** to upgrade the skills of their employees;

- A commitment by **Training and Enterprise Councils** and Local Enterprise Companies to transform training in their local communities;

- A commitment by **individuals** to create and seize training opportunities for themselves and their colleagues.

2. **The Government** will set the framework for Training Policy, which will support the achievement of these objectives. In particular it will:

- Ensure that by April 1991 a complete network of TECs is in place in England and Wales, and LECs in Scotland;

- Ensure, working with industry and through the **National Council for Vocational Qualifications**, coverage of all significant occupations up to level IV with NVQs by December 1992;

How could we have foreseen some of the jobs that exist to-day? We should have predicted the wrong jobs.

- Encourage the development of a comprehensive network of national employer-led sector bodies capable of establishing and monitoring standards;

- Help the education system at every level become more relevant to working life, and in particular ensure effective careers guidance.

3. Employers leaders agree that **companies** should ensure:

- By 1995 all employees can take part in company training or developmental activities;

- By 1995 all employers should recognise qualifications in line with the NVQ framework;

- By 1995 all young people should have the opportunity of structured training, work experience or education leading to NVQ level III or its academic equivalent;

- By the same date, at least half the employed workforce should be aiming for qualifications within the NVQ framework; and by 2000 half the employed workforce should be involved in activities leading to NVQ qualifications at level III;

- By 1995, all employers meet the criteria in "Investors and People" by investment in the training of all their employees.

4. TEC chairmen agree that **Training and Enterprise Councils** should ensure:

- All young people outside full time education have the opportunity to reach NVQ level II now, and by 1995, NVQ level III;

- By 1995 all training provided for people unemployed more than six months should lead to National Vocational Qualifications;

- By 1995 effective partnerships between education and business are in place in all areas;

- That TECs should seek agreement from local companies to publish targets for workforce skill levels, and generate increased commitment from employers to fund training.

5. **Individuals** should be encouraged to:

- Take responsibility for and invest in their career development;

- In raising their skill levels, secure appropriate qualifications endorsed by the NCVQ;

- Create and take advantage of learning opportunities.

FMG

KM

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 July 1990

TRAINING AND ENTERPRISE CONFERENCE: 19/20 OCTOBER 1990

Your letter of 5 June was passed to me as Private Secretary (Economic Affairs).

The Prime Minister agreed earlier today that she should attend one of the sessions of the Conference for the Chairmen, Directors and Chief Executives of the Training and Enterprise Councils. The Prime Minister would be willing to give a short speech on the evening of Friday 19 October 1990. You will no doubt wish to consider what subject matter might be appropriate for the speech and what form it should take in the light of the wider plans for the conference.

The Prime Minister is a little concerned that, because of the Party Conference during the preceding week, she will have limited time to consider and prepare a speech. Accordingly she would be most grateful if the Department could provide a draft speech in good time for the Training and Enterprise conference. One possible approach might be to refer back to the principal themes which emerged from her own seminar on training last year and the extent to which some of the ideas are being translated into practice.

The Prime Minister recalls that Mr. Peter Makeham has experience of writing excellent speeches for senior ministers and she wonders whether it might be appropriate to ask him to take the leading role in preparing a speech for this occasion.

I would be very happy to discuss further both the practicalities of the occasion and the content of the speech once you have had time to consider the best way forward.

BARRY H POTTER

Sir Geoffrey Holland KCB

MRM

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Secretary of State

Sir Angus Fraser KCB TD
The Prime Minister's Adviser on Efficiency
Efficiency Unit
70 Whitehall
LONDON
SW1

28 June 1990

Dear Sir Angus

SCRUTINY OF TAKE-UP OF ED GROUP PROGRAMMES

I am pleased to enclose with this letter a copy of my Department's action plan in response to the report of the above scrutiny.

As you will recall, we set up the scrutiny because of our concern about the failure of some long term unemployed people to take up places on our programmes after they had been referred by the Employment Service. I believe that the results of the scrutiny confirm the value of carrying out this exercise and make some very practical suggestions about how drop-out can be reduced.

Since receiving the scrutiny report, we have already taken three important steps to implement its recommendations. First, on 4 April, I announced a package of measures to improve the Employment Service's counselling functions, which implements many of the twelve recommendations in the report which were addressed to the Employment Service. These include particularly the introduction of "back to work" plans at the end of the counselling interview recording specific agreed action which can be followed up on a regular basis when the unemployed person comes into our offices to sign; the adoption of the case load approach to counselling, so that unemployed people are, where possible, seen and followed up by the same counsellor; and systematic follow up of everyone who agrees at a Restart interview to go to a place on Employment Training but subsequently fails to attend.

Employment Department · Training Agency
Health and Safety Executive · ACAS

CONFIDENTIAL

Second, we have introduced an intensive burst of counselling advice over an eight week period for those who reach two years of unemployment, designed to put them back on the road to a job. We have also announced that we intend to take powers to require attendance at a Restart course as a condition of receiving income support from those in this group who persistently refuse all offers of help.

In your letter to Tim Eggar of 25 April you were inclined to think that the scrutiny team had not been decisive enough in its recommendations on imposing benefit sanctions on those who fail to take advantage of our programmes. I regard the powers to require attendance at Restart courses, which I have announced, as an important step down the road. I intend to keep other possibilities under review, but, in view of their sensitivity, propose to take such consideration forward outside the scrutiny process.

Third, in the first performance agreement for the new Employment Service agency we have set specific targets for the Employment Service in relation to starts on ET and asked them to provide us with regular information on the ratio of referrals to starts so that we can monitor drop-out. This was not specifically suggested in the scrutiny report, but it is very much in line with your own comments about targets. I intend to consider in the context of the discussions on the 1991/92 performance agreement whether we should go further and set the Employment Service a specific target for cutting drop out. In principle I believe it is the right direction to take.

The attached action plan sets out our reactions to all twenty-two main recommendations in the report and the further action that we intend to take beyond that already announced. You will see that we are accepting most of the recommendations in full or in part. Where we have reservations, it is about the scrutiny's slight tendency to want to prescribe too many of the processes from the centre. As you know, in the setting up of the Employment Service agency and the Training and Enterprise Councils (TECs), we are moving to a situation in which we set clear targets and outputs, but give both the Employment Service and the TECs flexibility about the processes needed to meet those outputs. In a number of places in the action plan, therefore, and notably in our reaction to the scrutiny's recommendations about assessment we are proposing to allow the Employment Service and the TECs to test out the best means of reducing drop-out rather than simply adopting the single solution proposed by the scrutiny team.

Secretary of State
for Employment

CONFIDENTIAL

I am confident that the measures which we have already announced and the further steps set out in the action plan will lead over time to considerably increased take-up of our programmes. We need to recognise that some of the improved procedures will take time to put into effect and that the improvements in take-up will not happen overnight. The take-up of ET is already an improvement on previous programmes and, on the scrutiny's own findings, well ahead of performance in other European countries. I believe that, with the measures we are now putting in place, we can do even better.

We have had some difficulty with the scrutiny's estimates of the costs and benefits flowing from their recommendations. Their recommendations for increased counselling and follow-up undoubtedly involve extra running costs for the Employment Service. But, in implementing these recommendations, we have sought to contain the costs by redirecting resources from less essential activities and by the use of more efficient procedures. As for the scrutiny's claim that their proposals will result in net savings of £10 million to the Exchequer from benefit savings and additional tax receipts, we have had great difficulty verifying those figures, not least because the scrutiny did not attribute the expected savings to individual recommendations. However, insofar as such savings are achieved, you will appreciate that they will not accrue to my Department's budget.

Finally, I intend to make the scrutiny report publicly available under cover of a Press Notice setting out progress to date and the action we are taking. This may well revive some of the criticisms of ET drop-out which have appeared in the Press recently as a result of the report of the Select Committee on Employment. But there is a widespread expectation that the report will be published and the publication will enable us to put on record the measures we have already taken and the progress so far.

I am copying this letter to the Prime Minister and to the Chief Secretary.

Yours sincerely

Michael Howard

MICHAEL HOWARD

CONFIDENTIAL

SCRUTINY OF TAKE-UP OF ED PROGRAMMES

THE ACTION PLAN

June 1990

Recommendation	Response	Timetable/Responsibility	Cost/Saving
1. The Group should establish a new assessment service for long-term unemployed people, aimed at those who are hardest to help. This service should be managed by the Employment Service. It should be funded to offer higher quality than most Training Agents do at present.	We agree in principle with the need to improve the quality of assessment and action planning for long-term unemployed people, particularly those who are hardest to help, and to make it available to groups other than those considering participating in ET. We are not, however, convinced at this stage that this is best achieved by setting up a single assessment service managed by the Employment Service. Furthermore, we currently foresee major political difficulties in transferring the management of assessment for the long-term unemployed (and with it some £25m of expenditure) wholesale to the Employment Service. This would inevitably give rise to serious difficulties with the Training and Enterprise Councils, which are currently in the process of taking over responsibility for delivering our training and enterprise programmes and would not understand why we were removing from them so soon responsibility for assessment and the resource which went with it. A further important consideration is that the Department is moving towards a more responsive and localised approach to delivering its programmes which meets the needs of local people. We therefore intend to encourage the development locally of a range of initiatives to improve assessment for long-term unemployed people. Each of them will involve TECs and the local Employment Service working very closely together to find the most efficient means of providing assessment. Each will be judged by the effectiveness of the new procedures in increasing take-up of and reducing drop-out from programmes.	Pilots to take place between September 1990 and March 1991 The Department will consider subsequent action in the light of the results of the pilots - by Summer 1991. Mrs Ammon/Mr Smith	Pilots will be mounted within existing resources (including an estimated £200,000 from the ET Development Fund)

Recommendation	Response	Timetable/Responsibility	Cost/Saving
2. Ministers and senior managers should consider whether the present range of programmes is adequate to meet the needs of all long-term unemployed people. In particular, they should consider whether there is a need for temporary sheltered employment provision, without a training label.	We accept that the current range of provision for the long-term unemployed may not yet be sufficiently responsive to the needs of all those in the client group. Our overall aim is to move away from centrally designed programmes and instead to encourage TECs and local Employment Service managers to come up with new and imaginative proposals to meet the needs of the long-term unemployed (among others). The aim would be to judge what is done by the results, not by its precise content. In addition, there is much that can and is being done to expand the range of provision within the existing programme framework (notably within Employment Training), particularly in view of the new flexibilities which have been given to TECs. Outside ET, there has been the development of the Job Interview Guarantee by the Employment Service in inner city areas and new approaches which combine TA and ES provision are being tried in some areas (notably Leeds/Bradford). We believe that such a decentralised approach - within a framework of central guidance and objectives - offers the best means of ensuring an adequate and appropriate range of provision for the long-term unemployed. We therefore intend to draw TECs' attention to the scrutiny recommendation and the need to ensure that training available provides effectively for as wide a range of long-term unemployed clients as possible. We will also continue to encourage the use of programme development funds and other sources of funding to explore new types of provision for long-term unemployed people.	Scrutiny report circulated mid-July Mr Smith	No additional cost

Recommendation	Response	Timetable/Responsibility	Cost/Saving
3. Ministers should also consider whether programmes should remain voluntary.	Since receiving the report we have decided and announced our intention to make Restart Courses compulsory (by imposing a benefit sanction for non-attendance) for those people who have been unemployed for more than two years and who subsequently turn down offers of help. We intend to keep the situation under review and to consider further options later in the year if necessary and appropriate.	Restart Courses to become mandatory for the specified group by the end of 1990. Further options for compulsion to be kept under review Mr Normington	Additional cost found from within existing resources
4. The ED Group should strengthen its corporate planning system to take account of new developments, including TECs and integration of the Employment Service, which have the potential to lead to incompatibility between the objectives and actions of the Employment Service and the Training Agency.	We have set up an Employment Strategy Group under the Grade 2 head of manpower policy to advise the senior management of the ED Group and Ministers on the overall objectives of the Group, the compatibility of policies and objectives pursued by different parts of the Group and the allocation of resources. The Strategy Group contains representatives from all the constituent parts of the ED Group and is supported by a joint secretariat from the central policy and finance divisions of the Department. Apart from advising on the drawing up of the PES bid, the Strategy Group will carry out one-off studies of cross-Group issues. We believe these mechanisms will help to ensure that the Training Agency and Employment Service are pursuing objectives which are not only compatible but reflect the most cost-effective use of ED Group resources.	Already implemented	No additional cost
5. Support ES decision to set targets in terms of ET starts and numbers of claimants obtaining jobs rather than referrals, and we recommend that targets be set for individual advisers.	Accepted (but see response to recommendation 14)	Targets for starts introduced April 1990 Mrs Ammon	No additional cost

Recommendation	Response	Timetable/Responsibility	Cost/Saving
6. Support ES proposal to combine the roles of Restart Counsellors and Claimant Advisers, and to introduce caseloads	Accepted	"Multi-functioning" will be started in some areas from April 1990 and should be in placed across the whole country by March 1991 Mrs Ammon	One-off cost of £230,000 (estimated) to train and develop existing staff into multi-functioning advisers
7. ES should issue new guidance to advisers on pathways through interviews, placing more emphasis on action to check that claimants are fulfilling their obligation to seek work actively. Interviews should be structured so that review of job search leads to identification of any problems and, if appropriate, to an offer of help	Accepted	Remodelling interview structure technique is an integral part of the New Framework announced by the Secretary of State on 4 April. The revised interview structure and technique is being tested and will be introduced from October 1990 Mrs Ammon	One-off cost of £118,000 (estimated) for development workshops for existing advisers and managers on the revised structure and technique
8. Advisers should be open with clients about their duty to enforce the law. They should also be open about voluntary programmes: the alternative to participation is to actively seek work	Accepted	The revised interview structure addresses these points Mrs Ammon	No additional cost
9. In-work benefit calculations should be offered to all claimants	Accepted	Training workshops have been held in each region for Area Training Officers who will then train Claimant Advisers to carry out calculations. Additional hand-held Psion computers will be purchased if necessary Mrs Ammon	One-off cost of £12,000 for ATO training. Estimated one-off cost of £90,000 for additional Psion computers plus recurring costs of £20,000 per annum for maintenance
10. All claimants referred to programmes at Restart interviews should be followed up. Signing clerks should play an active part. Claimants who fail to attend programmes should be called in promptly to see the adviser who referred them	Accepted	This is a main objective of the New Framework. The mechanics of follow up and the involvement of signing clerks are being tested. They will be introduced from October 1990 Mrs Ammon	One-off cost of developing signing clerks for more active involvement: £130,000. Recurring costs of additional time allowances for signing and preparing claim units for 1.3 million claimants: £330,000
11. Outreach to clients should be developed. Volunteers should be organised to accompany nervous new entrants to their first appointment	ES will investigate the feasibility of this	ES will stocktake to find out what offices are at present using volunteers in this way. On this basis ES will consider how to develop outreach to clients. The stocktake will take place during Summer 1990 Mrs Ammon	Training may be needed for those staff who will brief volunteers on what is expected of them

Recommendation	Response	Timetable/Responsibility	Cost/Saving
12. There should be stronger links between advisers and fraud and adjudication officers. Area Managers should monitor success rates to ensure that high standards are met. Advisers should ask for a fraud investigation when they suspect a claimant of working and signing. Fraud officers should set aside a portion of their time to follow up referrals from advisers. Successes should be publicised	Accepted	ES is developing guidance for advisers on improving links. It will make clear responsibilities. This will be issued in July/August 1990. Guidance will also be issued to fraud officers on how they should respond to referrals and the time they should set aside. This will be done at about the same time. Successes will be publicised [Mrs Ammon]	No additional cost
13. Local managers should monitor advisers' performance: this will include sitting in on interviews regularly. They should help advisers plan the use of local liaison time to maximise their knowledge of local programmes and providers	Accepted	The guidance produced in April 1990 for managers of multi-functioning advisers recommended that they sit in on advisers and outlined the elements they should monitor. ES are developing guidance for managers on use of liaison time. This will be ready by October 1990 [Mrs Ammon]	One-off cost of £52,000 (estimated) for briefings for managers on how to manage multi-functioning advisers
14.Referral to start ratios will continue to be an important element in ES performance information. We recommend that they should be monitored for individual advisers, as well as for local and area offices. We propose a simple management information system which puts responsibility on advisers to keep track of their clients	ES believes it is for local office managers to decide whether to monitor individual advisers or teams	The New Framework stresses the importance of referral to start ratios. It also develops a "strategic case management" approach which will allow the progress of individuals to be tracked and for continuity of contact to be given to those who need it. Guidance on caseload management has already been issued; as the approach is developed further guidance will be issued, probably towards the end of the year [Mrs Ammon]	No additional cost
15. ES Claimant Advisers should initiate more contacts with programme providers. In particular, advisers should check with the providers when claimants say they have dropped out because of poor quality training, or because training was not available. They should also take the initiative to agree a consistent approach to the presentation of voluntary programmes. When they are unhappy with a provider's response they should ask line managers to take up the matter	Accepted	ES will develop guidance to advisers which makes the contact an integral part of the use of liaison time. This will be issued in October 1990. [Mrs Ammon]	No additional cost
16. ES Area Managers should provide local labour market information to TECs as part of the planning process. They should report on the outcome of talks to their Regional Directors, who should be consulted by TA RDs before annual contracts are signed	Accepted	ES are drawing up guidance on how to collect the information. We will issue further guidance on reporting outcomes to RDs. This will be done by Winter 1990. Issues arising will be taken up in the course of normal business discussions between ES and TA Directors [Mrs Ammon]	Collecting, aggregating, analysing and publishing the information will require additional recurring costs of £216,000 for staff and £30,000 for computer time. Workshops will also need to be run in each area to equip managers with the skills needed ltu/pap/39

Recommendation	Response	Timetable/Responsibility	Cost/Saving
17. TECs should develop mechanisms to communicate with ES, which will be the primary sales force for adult training. They should listen to what ES has to say about the quality and availability of training and the needs of their clients, and should let them know what action is being taken when their concerns prove well founded. They should aim to reach agreement annually with ES Area Managers on the broad mix of adult training to be delivered in their area	It is agreed that there is a need for close consultation between ES and TECs. To compile an effective business plan TECs will need to involve and consult many organisations and ES rightly will be near the top of the list. However, we believe it is inappropriate to require TECs to agree with ES a business plan. The contractual relationship is between the Secretary of State and the TEC. Day to day responsibility for managing the contract rests with officials of the Department's Training Agency. We believe this process sufficient to ensure that TEC plans are realistic and meet with Ministerial objectives. We shall draw TECs' attention to the recommendation when the scrutiny report is circulated to them The Employment Service will report to Ministers in cases where they consider that inadequate consultation by TECs is leading to failure to meet the needs of long-term unemployed people	Report circulated mid-July Mr Smith	--
18. TECs should arrange for ES to refer ET trainees direct to training wherever possible. They should ask ES to start simple action plans for ET trainees to avoid duplication of effort	We accept the recommendation. Indeed this is already happening to some extent. TECs will be able to determine locally what are the most effective methods of recruitment and referral. We should not seek to prescribe what process TECs should adopt. The funding regime for TECs, including those elements related to outputs and performance, mean it will be in TECs' interest to streamline processes and to cut out unnecessary stages. We shall draw this recommendation to the attention of TECs when the report is circulated	Report circulated mid-July Mr Smith	The additional work by ES will be carried out within existing resources. There should be some overall savings from reducing duplication on assessment/counselling, but it is not possible to quantify these at present

Recommendation	Response	Timetable/Responsibility	Cost/Saving
19. TECs should require Training Managers to provide success stories regularly for use in marketing and selling the programme. ES should put similar requirements on Jobclub and Restart Course providers	We strongly endorse the objective of this recommendation and will draw it to the attention of TECs when the report is circulated. It will be in their interests to do everything they can to develop a more effective, particularly more cost-effective programme	Report circulated mid-July Mr Smith	Not quantifiable, but should lead to improved cost-effectiveness in the delivery of ET
	The Employment Service has set in hand action in relation to Jobclub and Restart Course providers and will issue further guidance	October 1990 Mrs Ammon	No additional cost
20. Training Agency should give TECs a stronger incentive to provide quality training for long-term unemployed people by linking outcome related funding as well as performance related funding to positive outcomes for mainstream trainees	We do not accept that outcome related funding should be for mainstream trainees only. It is important to use ORF to ensure the effectiveness of the whole programme However, we will consider developing ideas for differential rates for particular groups of ET trainees for years 2 and 3 of TEC operations, when more actual performance data are available	September 1990 onwards Mr Taylor/ Mr Frankham	Not quantifiable at this stage
21. To link ET more firmly with the needs of long-term unemployed people, Training Agency should move progressively to a system of allocating TEC budgets for adult training which places equal weight on unemployment and on filled places, and takes positive outcomes into account	The recommendation is broadly acceptable. The intention is to link the level of provision more closely to need but the change will have to be gradual in order to avoid further disruption to the provider network, ie by taking away places from areas and providers where ET is well established and effective, and giving places to areas which, in the short term at least, might not be able to accommodate them	September 1990 onwards Mr Loveman/Mr Surr	Considerable benefits in targeting ET more effectively at its main client groups, but not quantifiable in money terms
22. Training Agency should draw TECs' attention to the scrutiny report	Accepted. Copies will be circulated to all TECs through the TA's Operational Directors. In addition both the main and subsidiary recommendations will be included, where appropriate, in the series of Developing Good Practice Guides which are currently being prepared for TECs	Mid-July Mr Smith	Negligible cost of circulating the report

ltu/pap/40

5june.tecs

R6/6

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Permanent Secretary
Sir Geoffrey Holland KCB

Caroline Slocock
10 Downing Street
LONDON SW1

5 June 1990

Dear Caroline.

Training and Enterprise Conference: 19/20 October 1990

I know October is a very difficult month for the Prime Minister, but I wonder if there is any possibility at all that she could address what will undoubtedly be the training event of the year some time on either 19 or 20 October. The venue would be Brighton, Metropole Hotel.

The occasion is a two day conference for all the Chairs of the Training and Enterprise Councils, all the Directors of Training and Enterprise Councils, all their Chief Executives and other invited guests. In total, the audience will be around 1,000 people. The TEC Directors and Chairs by themselves directly employ more than 30% of the workforce.

The purpose of the conference is to bring all these people together, make them aware of the latest and best developments in vocational education and training, both in this country and overseas, providing them with both plenary sessions and sessions in which they would break into individual workshops. Needless to say, were the Prime Minister to be able to attend, it would be the occasion for a plenary session.

In addition to the conference sessions themselves, there will be a major exhibition of all that is latest and best in vocational education and training, open and distance learning, inner city developments, small business, small business start ups and so forth.

Were the Prime Minister to be able to attend, we would build the conference programme for the day in question around her. Her

session could be as long or as short as she wished. It would, however, be an occasion for a major speech - that is to say one lasting at least some 20 minutes. It would, in my view, be just the occasion which we were all looking for as a follow up to the Seminar at Number 10.

Could I at this stage make a preliminary enquiry whether anything is at all likely to be possible? I am afraid that the dates of our event are not moveable. The programme on each day is. I do think it would be a first class opportunity and one not to be missed if it could possible be fitted into what I know will be a very demanding schedule that month.

I would welcome your preliminary reaction and advice.

Yours ever.

Chris

D.M.

Prime Minister 2

To note.

B+P

17/5

PRIME MINISTER

17 May 1990

TRAINING CREDITS

You were rightly disappointed by the poor coverage of the launch of the Training Credits initiative. This does not, however, seem to have dampened enthusiasm for the project amongst the Training and Enterprise Councils (TECs).

Initial bids to run the 10 pilots have now closed. The response from TECs has been far greater than expected. The quality and variety of the bids is such that the pilots should offer a real test of alternative approaches.

The following are the main points from the first stage of bidding:

- we are three times oversubscribed: 33 bids have been received in total;

- 20 of these bids are of good quality and are serious contenders to run the pilots;

- the geographical spread is good: there are three bids from Scotland (Malcolm Rifkind was sceptical whether there would be much interest in Scotland!), two from Wales and about half of all the bids come from north of the Wash - Bristol Channel line;

- the majority of the bids are to run variations of a "universal" pilot ie covering all 16 and 17 year old school-leavers in any given area (although as you have pointed out all credit schemes will be selective

in the sense that individuals can only "activate" their credit with the co-operation of TECs and employers);

- there are, however, a number of good quality selective schemes also. It looks as though the final selection will be of the order of 7 universal schemes and 3 selective. This seems about right.

- the bids include some innovative ideas on funding eg differential funding mechanisms to emphasise (a) particular skills in short supply or (b) training in small firms.

- the other main piece of good news is the attitude of local education authorities: they seem generally supportive of the initiative and intend to participate actively in those areas from which bids have been received.

All in all this is a very encouraging start.

ANDREW DUNLOP

A: RESTART

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

11 May 1990

MANDATORY RESTART COURSES

The Prime Minister has seen a copy of your Secretary of State's letter to the Social Services Secretary proposing that the Government should announce that regulations will be introduced later this year which will enable Employment Service staff to require attendance at a Restart course for those who have been unemployed for two years or more.

Subject to the views of the Social Sevices Secretary, she would be content to proceed as proposed by your Secretary of State.

I am sending copies of this letter to Helen Dudley (Department of Social Security) and Carys Evans (Chief Secretary's Office).

BARRY H. POTTER

Martyn Waring, Esq.,
Department of Employment.

cst.ps/lets/6nl11.5

cc PM.

CONFIDENTIAL

n. b. P.M.
BHP
11/5

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Michael Howard QC MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

11 May 1990

Dear Secretary of State,

MANDATORY RESTART COURSES

Thank you for sending me a copy of your letter of 9 May to Tony Newton. with BP?

Your officials have told mine that your proposal implies no increase in public expenditure provision in either this or subsequent years for Restart courses or for the programmes to which those who attend the courses may subsequently be directed. On this basis, I am content. Indeed, I hope that we will be able to secure some benefit savings.

I have no comments on the draft PQ or Press Notice.

I am copying this letter to the Prime Minister and to Tony Newton.

Yours sincerely

Kleen Campbell

NORMAN LAMONT
Approved by the Chief Secretary and signed in his absence.

Prime Minister

Policy was agreed on this earlier. Mr Howard wants to move quickly on this because:

a) unemployment is expected to rise

b) he is out of the country after tomorrow for one week.

Caxton Ho... SW1H 9NF

Telephone 071-273 ...
Telex 915564 Fax 071-... 5802

Secretary of State

The Rt Hon Antony Newton OBE MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NX

9 May 1990

Are you content with this proposal + announcement?

BHP 10/5

Dear Tony

Yes pr

MANDATORY RESTART COURSES

Thank you for your letter of 20 April. I am most grateful for your officials' prompt and constructive response.

I have considered the general outline of the regulations officials recommend and am content to proceed on that basis. I hope therefore that you are now content with the proposal in principle and happy to move ahead with the preparation of the detailed regulations making attendance at a Restart course mandatory, in most cases, for those claimants who have been unemployed for two years or more and who, at their next Restart interview, reject all offers of help.

I understand that because of the need to consult the Social Security Advisory Committee it may not be possible to introduce the regulations before October. Clearly there is little to be done about this. Nevertheless, as you will readily appreciate, I am concerned that the longer we delay the announcement of our plan, the greater thee risk that the unemployment figures may have started to move against us and that consequently our proposal will be attacked as a panic response. To minimise this risk and because I believe that announcing our intention will of itself have a salutary effect on the target group, I would like to announce this change before the next labour market statistics on 17 May. I enclose a draft PQ and press announcement. I would be grateful for an early indication of your views on these.

Employ... ncy
Heal...

I am copying this letter to the Prime Minister and Chief Secretary for information. In the meantime officials are continuing to look at the other issues raised by the Prime Minister and we shall need to consider the way forward in due course.

Yours ever

Michael

MICHAEL HOWARD

DRAFT PRESS NOTICE

LONG TERM UNEMPLOYED MUST GO ON JOBS COURSE SAYS MICHAEL HOWARD

A further measure to help long term unemployed people back to work was announced today by Employment Secretary Michael Howard.

Mr Howard told Parliament in a written answer that claimants who have been out of work for two years and who persistently refuse help to find work would be required to attend a Restart course. He warned that refusal could mean the loss of one week's benefit.

The week long Restart course has already helped 190,000 people, most of whom have gone on to apply for available jobs or for a place on an employment or training programme.

A study shows that half have either taken or are about to take up such an opportunity within four to six weeks of completing the course.

Mr Howard said: "In the last three years Britain has seen the longest and largest sustained fall in unemployment in history.

"Unemployment has fallen by more than 1.5 million and since 1983 more than 3.5 million new jobs have been created.

"At the same time there are still around 600,000 vacancies in the economy, so we must make sure that those who need help get it.

"Restart courses are an extension of the Restart interview and are designed to help those hardest hit by unemployment. They are normally full time lasting about a week and concentrate on building confidence and motivation by identifying strengths and skills. This way long term unemployed people can plan their way back into work either directly or through training.

"Given the proven track record of the Restart course it is entirely reasonable to ask those who most need help to invest one week of their time in attending this course."

The full text of Mr Howard's answer to the question from is attached.

DRAFT PARLIAMENTARY QUESTION:

TO ASK THE SECRETARY OF STATE FOR EMPLOYMENT IF HE PLANS TO MAKE ANY FURTHER CHANGES TO THE RESTART PROGRAMME; AND WHETHER HE WILL MAKE A STATEMENT?

ANSWER: My Right Hon Friend the Secretary of State for Social Security and I have been considering whether the current position whereby a claimant's failure to attend a Restart interview results in a disallowance for unemployment benefits should be extended to Restart courses.

Such courses are already a very successful extension of the interview process designed to help those hardest hit by unemployment to regain confidence, identify potential and plan a route back to work. We believe that the very long term unemployed, whose length of time without a job clearly shows that they have been unable or unwilling to take full advantage of the wide range of available opportunities, clearly have much to gain from such a course.

My Right Hon Friend therefore intends to introduce regulations later this year which will enable Employment Service staff to require the attendance at a Restart course of those who have been unemployed for two years or more and who at subsequent Restart interviews refused to participate in any of my Department's employment and training programmes.

dti

the department for Enterprise

CCPU

n.b. P.M.
BHP
25/4

The Hon. Douglas Hogg MP
Minister for Industry and Enterprise

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

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071-215 5000

Telex 8811074/5 DTHQ G
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Timothy Eggar Esq MP
Minister of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

Direct line 215 5147
Our ref
Your ref
Date 25 April 1990

Dear Tim

attached

Thank you for your letter of 28 March about the need to make contact with the Training and Enterprise Councils (TEC's) in my Godparent area. I am sorry not to have replied sooner.

I fully share your view of the need for close collaboration with the TEC. In the North East, the Tyne & Wear City Action Team (CAT), the Cleveland Co-ordination Team (CCT) and the two Task Forces are promoting training initiatives and have been in contact with the 3 Inner City Areas TEC's, discussing how they can work together. Both the CAT and the CCT also feature liaison with the TEC's prominently in their draft Action Plans for this year. On a personal note, I recently met the Deputy Chairman of the Tyneside TEC during a visit to Komatsu UK Ltd and a CAT supported training project at the Pinetree Centre. I hope to meet other TEC Board members in my forthcoming visits to the North East.

I would be happy to take up your offer of briefing material and would be grateful if this could be directed to the CAT and CCT secretaries.

Yours

DOUGLAS HOGG

ING2381

Recycled Paper

file

MDM

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 April 1990

Dear Martin,

DTI INVOLVEMENT IN EDUCATION AND TRAINING

Many thanks for my copy of your letter to Clive Norris.

I put these papers into the Prime Minister last night. She has noted without comment the proposed new arrangements for local partnerships and the teacher placement service. Accordingly, you will wish to go ahead with the written Parliamentary Question and Answer as set out in the minute attached to your letter.

I am copying this letter to Clive Norris (Department of Employment), Stephen Crowne (Department of Education and Science), Jim Gallagher (Scottish Office) and Stephen Williams (Welsh Office).

Yours ever,

Barry

BARRY H. POTTER

Martin Stanley, Esq.,
Department of Trade and Industry

BHP

cc PS/Ministers
PS/Secretary
Mr Dawe-TA
Mr Reid
Mr Johnston-TA
Mr Norrington
Mr Laveman-TA
Ms Bacon
Mr Tait-
Mr Baxter
Mr Suttieff
Mr Collins

19 April 1990

CONFIDENTIAL

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . . 5803
Telex 915564 Fax 01-273 5821

Secretary of State

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Dear Norman

As you may be aware, your officials and mine have been in discussion recently about allowing TECs a small additional flexibility with regard to the Young Volunteer Scheme which will be launched by the Prince's Trust next week. The Scheme is intended to provide volunteering opportunities lasting 12-18 weeks for young people aged 16-25 and is planned to be piloted over three years. The flexibility that we are seeking would allow those TECs that so wished to use some of the 15% of their ET resources set aside for non-priority groups to fund the participation in the Prince's Trust Scheme of 18-24 year olds who have been unemployed for less than six months and who would therefore not normally be eligible for ET.

I am writing to you at this stage because the proximity of next week's launch requires an early decision. The Prince's Trust argue that as they anticipate that some 2,000 people (or 20% of the total) who wish to participate in the Scheme will be short-term unemployed, and therefore under the current arrangements will not be able to do so as part of ET, the present position seriously affects that launch. It is highly likely that the Prince of Wales when speaking at the launch will make this point. In addition, The Sunday Telegraph will be carrying a major story on the proposals this weekend which is likely to focus on the apparent anomaly that those unemployed for more than six months can participate in the Volunteer Scheme as part of ET, while those unemployed for less cannot. This of course effectively prevents the short-term unemployed from participating in the Scheme.

(25/4/90)

Secretary of State
for Employment

CONFIDENTIAL

For these reasons I am keen that we should reach early agreement that this small additional flexibility should be available to TECs. There is of course no extra money involved. Young people who are eligible for YT and ET can already participate in the Volunteer Scheme if TECs judge that such participation will contribute cost-effectively to meeting their training objectives. I fully appreciate your concern that the numbers of those entering ET who are not in the priority longer-term unemployed group should be regulated; the arrangement that I propose here would in no way affect the current limits. It would simply be open to the TEC, where it so wished, to use the agreed 15% flexibility to include this group. TECs would need to judge the competing priorities between potential participants in the Prince's Trust initiative and other "non-mainstream" candidates such as labour market returners and skill shortage trainees. I can see no logical reason, nor any publicly defensible one, for maintaining a distinction between those unemployed for more and less than six months with regard to the Scheme.

I should add that I have no reason to believe that the numbers of short-term unemployed people who would choose to participate in the Scheme would be of the order of magnitude projected by the Prince's Trust. It is likely that many TECs would choose not to avail themselves of this sort of provision. It is important, though, that the TECs should have the ability to make that choice and that the pilot schemes should be given a fair chance to show their worth.

Yours ever

Michael

MICHAEL HOWARD

CCBI

dti

the department for Enterprise

Prime Minister 2

You may like to note. Essentially this is a tidying-up exercise which removes any responsibility for education & training from DTI.

BTHP
19/4

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

Clive Norris Esq
Principal Private Secretary
Department of Employment
Caxton House
LONDON
SW1H 9NF

Department of
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Our ref JW4AJJ
Your ref
Date 19 April 1990

Dear Clive

DTI INVOLVEMENT IN EDUCATION AND TRAINING

I am grateful to you and others for the arrangements you made to clear the draft press notice circulated under cover of my letter of 10 April about the future arrangements for Local Partnerships and the Teacher Placement Service. At that time it was planned that the announcement would be by press notice this afternoon.

However, since the House is now sitting, there seems no good reason why the announcement should not be made to Parliament. This is therefore to record that officials have agreed that the preferable route would be by written answer accompanied by a press notice from here, all timed for 3.30pm tomorrow, Friday 20 April. My Secretary of State is content with this. The press notice has therefore been slightly recast to refer to the terms of the written answer. It retains all the substance as cleared by the Secretaries of State except for the reference to finance, which the Treasury would prefer omitted.

I understand that the Secretary of State for Scotland intends to make a parallel announcement by written answer and press notice tomorrow and that the Secretary of State for Wales will follow shortly, after appropriate consultations have been made.

Our press office will be in touch with yours and others to co-ordinate lines to take.

Recycled Paper

01 215 5468

dti

the department for Enterprise

I am sending a copy of this letter to Barry Potter (No.10) for him to note the transfer of these activities from DTI to the Training Agency. I should be glad to hear from him that he is content that the question be tabled.

I am also sending a copy of this to Stephen Crowne (DES), and to Jim Gallacher (Scottish Office) and Stephen Williams (Welsh Office).

Yours ever

Martin Stanley

Recycled Paper

DRAFT DRAFT DRAFT

ISSUED IN ASSOCIATION WITH THE DEPARTMENT OF EDUCATION AND SCIENCE AND THE EMPLOYMENT DEPARTMENT TRAINING AGENCY

90/252 19 April 1990

SECRETARIES OF STATE ANNOUNCE PLANS FOR LOCAL EDUCATION AND BUSINESS PARTNERSHIPS AND THE TEACHER PLACEMENT SERVICE

The Secretaries of State for Trade and Industry, Education and Science and Employment today re-affirmed the Government's commitment to fostering greater co-operation between schools, colleges and business.

In a written answer to a Parliamentary Question from ---- MP for ----- Trade and Industry Secretary Nicholas Ridley said:

"I am pleased to announce on behalf of myself and my Rt Hon Friends, the Secretaries of State for Education and Science and for Employment, that the Government intends to support local education business partnerships across the country. The new partnerships will build on the work already done under the Enterprise and Education Initiative, TVEI and Compacts, and foster the development of the work-related aspects of the National Curriculum.

"~~Financial provision amounting to several million pounds will be announced in due course.~~ Partnerships involve local education and business interests in work that brings schools and other educational institutions, industry and commerce closer together for the benefit of young people and the economy.

"The Government also intends to build wherever possible on existing partnership work. Where they are in a position to make effective proposals, the new Training and Enterprise Councils will be offered the first opportunity to lead and co-ordinate the development of this activity; otherwise other local bodies and organisations will be invited to bid for this role.

MORE/...

"There will be a development phase over the next twelve months in which my colleagues and I will collaborate closely. The Foundation for Education Business Partnerships, which has been established by industrial and education interests to foster partnership activity will be kept closely in touch.

"Financial support will come initially from my Department. With the formation of partnerships from April 1991, the Employment Department's Training Agency will take the lead.

"My Rt Hon Friends the Secretaries of State for Wales and for Scotland will make separate announcements about their arrangements for partnerships.

"The Teacher Placement Service will continue. Arrangements for its future administration will be developed together with those for local partnerships."

NOTES FOR EDITORS

1. Today's announcements carry forward Government policies on education and business set out in the 1988 White Paper Command 278, taking advantage of subsequent developments, in particular the new Training and Enterprise Councils.

2. Plans for partnerships, which are legally constituted bodies incorporating roughly equal representation from local business and education interests, and whose employees actively pursue closer links between schools, colleges and businesses, build on existing work by the DTI, the DES, the Employment Department Training Agency, and other bodies.

3. The DTI has developed a network of 140 Enterprise and Education Advisers with the task of encouraging closer links between business and schools. They have been supported by project activity funded through the Department's Regional Organisation as part of the Enterprise and Education Initiative. Compacts similarly create close links between certain Inner City schools and businesses and the TVEI has wider responsibilities of this kind for older children. Work-related aspects of the National Curriculum seek to encourage understanding of technology, industry and the economic life of the country. Other organisations have developed effective links between businesses and schools up and down the country.

MORE/...

4. It is the Government's intention to build on this existing work in assisting the development of local partnerships. In the development phase Departments will collaborate to encourage the development of new and existing partnerships under the wing of Training and Enterprise Councils (or other bodies as appropriate locally). As from April 1991 the new local partnerships will ~~receive financial support from~~ be resourced by the Employment Department Training Agency through their parent bodies.

5. The Foundation for Education Business Partnerships was announced on 28 June last year by HRH the Prince of Wales. It has the full support of the CBI and Business in the Community in encouraging Partnership work.

6. The Teacher Placement Service, which has been closely associated with the Education and Enterprise Adviser network, will have similarly close links with the new Local Partnerships. The Government remains committed to the target set out in the 1988 White Paper of giving ten per cent of all teachers every year the opportunity to gain some personal experience of the world of business.

7. The Secretary of State for Scotland is expected to make his announcement today. The Secretary of State for Wales is expected to make his announcement shortly.

Press Enquiries:

DTI: 01-215-4465/5067

TA: 01-273-4983

DES: 01-934-9887/8/9

IDS: 041-248-5434

WOID: 0222-825-626 or
01-279-0565

(Out of Hours: 01-215-4657/8)
Public Enquiries: 01-215 5000

ENDS

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Department of Employment
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Secretary of State

N.B. p.m.
BHP
12/4

The Rt Hon Tony Newton OBE MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NS

12 April 1990

Dear Tony

ADVISING UNEMPLOYED CLAIMANTS: DEVELOPING RESTART

I am grateful for your very prompt response to my letter of 22 March. I particularly welcomed your support for the general package of measures that we have developed to improve the effectiveness of Restart. As you know, I announced these changes on 4 April. ~~flap~~

I note your reservations about my proposal that most people unemployed for two years who then reject all offers of help should have attendance at a Restart course made mandatory but I remain of the view that this would be an important additional tool for ES staff in dealing with those amongst the very long term unemployed who are particularly demotivated. You will also have seen the No. 10 minute of 4 April. I am considering the wider implications of this and will be in touch shortly. However, I think the Prime Minister's comments underline the need for our officials to press ahead quickly with their discussions.

Clearly the specific points you raised will be explored by officials. Nevertheless I would like to make a few comments now.

First, I fully agree with you that people who refuse a place on a Restart course or any other opportunity that Employment Service advisers can offer should be questioned very closely about their efforts to find a job in the context of meeting the actively seeking work condition for receipt of benefit. But although for some of the long term unemployed a more rigorous check of their

Employment Department · Training Agency
Health and Safety Executive · ACAS

activity in looking for work will remain the best solution, I am convinced that more is needed for others. My view is reinforced by the comments of our field staff. A new sanction would allow the actively seeking work provision to continue to be used in a reasonable (though firm) way whilst providing the Employment Service with a separate means of dealing with those for whom the provision could not be used other than with a harshness I suspect you did not intend. Certainly this would seem to be more in keeping with the concerns expressed by Social Security Ministers during the passage of last year's Bill that the actively seeking work provision should not be used to harass unemployed people.

Secondly, you make the point that the proposed sanction might have a limited effect particularly as it would result in the loss of a maximum of only £14.70 in income support for one week. I understand that that loss of 40% in income support broadly only applies if a claimant can prove hardship - otherwise it is 100%, a somewhat more daunting prospect. However, if you are suggesting that most very long-term unemployed people would be in a position to prove hardship then I would say that, at that level of income, losing 40% is not a trifling matter. In addition we intend that the full week's disallowance should apply for failure to attend even one day. As you know, simply requiring people to attend a Restart interview, which effectively involves only a morning or an afternoon, has had a considerable impact on claimants.

Finally, I understand your view that it would be necessary to build in a "good cause" provision to allow people a way to avoid the sanction in reasonable circumstances. I am not entirely convinced of the need but I agree that this is something our officials should consider.

Yours ever

Michael

MICHAEL HOWARD

MANPOWER: Sems Pt 24

cst.ps/dr/2nl4.4

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NDPM

BHP
4/4

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Michael Howard QC MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

4 April 1990

Dear Secretary of State

with pq/BP?

IMPROVING RESTART

Thank you for copying me your minute of 1 April to the Prime Minister. I too have been concerned for some time about the effectiveness of Restart, so I very much support your proposals for tightening up on the present system, particularly the follow-up procedures. I assume that when you say that no extra costs are involved, that includes no additional running costs and, on that basis, I am content. I am also content with the draft PQ attached to your letter. In considering your proposals I think it is perhaps worth reiterating that the ultimate objective of Restart is, of course, to place unemployed people into jobs, not simply onto Government programmes. I think the changes you intend to announce should go some way to improving performance in this area. There are however a number of comments I should like to make.

2. First, we have been concerned for some time about the poor role definition between different categories of staff working in unemployment benefit offices, and the inefficiencies that inevitably result from this. I note that you now intend to merge the roles of Restart counsellors and claimant advisers into a unified advisory service. You may also need to think further about the boundaries with other types of staff, particularly those working as new client advisors, and on fraud prevention.

3. Second, as you know, one of the main reasons for setting up the Employment Service (ESA) as an Executive Agency was to improve effectiveness by setting stretching performance targets, but then allowing ESA managers greater freedom to decide how best to go about achieving these targets. In taking central initiatives such

as the one you are now proposing, I think it is important that we don't overlook the need to build on this underlying "Next Steps" philosophy. We have just agreed aggregate performance targets for 1990-91 but, given concerns about the effectiveness of Restart, and perhaps other programmes as well, you may want to consider whether there are ways in which you could improve effectiveness by providing greater incentives for managers to improve performance at the local level. One approach might be to encourage greater competition between different areas, in order to help ratchet up the performance of the less efficient towards those of the best performers.

4. Third, I note that you will be following up systematically all those unemployed people who fail to take up places on your programmes. I support this move, and I think that you will need to consider extending it to those who, following referral, start on Government programmes but then drop out before completing them. This is of course something which the Prime Minister referred to specifically at the recent value for money seminar. For this follow-up work to be effective, I think there will also need to be closer links between the Employment Service and the Training Agency to ensure that the required information is transferred quickly and accurately between them.

5. Lastly, you are proposing that all those still unemployed after 2 years will receive additional, intensive counselling and follow-up work to encourage them into work or on to one of your programmes. I agree this may be helpful but we need to be careful not to simply recirculate the long-term unemployed through the same programmes, particularly ET. As I have already said, the ultimate objective of Restart, and indeed other ESA programmes, is to get unemployed people back into work and, as these programmes mature, there may be an increasing problem of the same people simply representing themselves, without any sign that their job prospects have been enhanced as a result.

6. I am copying this letter to the Prime Minister, Geoffrey Howe, Peter Walker, Malcolm Rifkind, Tony Newton, Richard Luce, and to Sir Robin Butler and Sir Angus Fraser.

Yours sincerely

Carys Evans

NORMAN LAMONT

approved by the Chief Secretary and signed on his behalf

CONFIDENTIAL

DAS

ABG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 April 1990

Dear Anne-Marie,

IMPROVING RESTART

The Prime Minister has seen your Secretary of State's minute of 1 April on improving RESTART. She is content with the draft Parliamentary Question and Answer.

I should be grateful if you would ensure that circulation of this minute is restricted on a strict need to know basis.

The Prime Minister has also commented that your Secretary of State, in consultation with the Secretary of State for Social Services and the Chief Secretary, should consider further whether conditions should be set for certain elements of the RESTART programme, including linking participation with benefits. This examination should also cover the possibility of making available properly supervised environmental clean-up jobs in every area so that the long-term unemployed will have work available which they can and should undertake.

I am copying this letter to Gillian Baxendine (Lord President's Office), Anna Coleman (Welsh Office), Uriel Jamieson (Scottish Office), Ross Hutchison (Department of Social Security), Carys Evans (Chief Secretary's Office), Nicholas Davidson (Cabinet Office) and Don Brereton (Efficiency Unit).

Yours,

Barry

BARRY H POTTER

Miss Anne-Marie Lawlor
Department of Employment

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PRIME MINISTER

IMPROVING RESTART

The Employment Secretary is proposing to announce a number of changes to the Restart process tomorrow. The measures are designed to put more pressure on the unemployed to take up training places or find work. They also involve combining the role of Restart Counsellors and Claimants' Advisers.

The measures are on a nil-cost basis and are set out in the draft oral PQ and Answer (attached at A). I understand the Chief Secretary is being advised to accept the proposals.

However, both the Treasury and the Policy Unit (and to a lesser extent the Employment Secretary) question whether the measures are sufficient to encourage the long term unemployed back into work. Mr Howard is exploring with the Social Services Secretary whether some elements of the Restart process could be made 'compulsory'. The means of compulsion are not set out.

However the Policy Unit (note attached at B) suggest compelling those who have been unemployed for more than two years to attend a course of re-motivation, or face reduction or loss of benefit. The Treasury are also attracted to stronger measures. Mr Newton may well oppose compulsion through loss of benefit.

There is also a recently completed Efficiency Scrutiny of the take up of employment measures: it may identify scope for further action to encourage the long term unemployed back into work.

Are you content:

a. with the draft PQ and Answer; and

b. to urge Mr Howard to consider ~~compulsion~~ selling Londoners for certain elements of the Restart programme (taking into account the outcome of the Efficiency Scrutiny), including the possibility of withdrawal/reduction in benefit?

BARRY POTTER
3 April 1990

CONFIDENTIAL

PAUL GRAY

2 April 1990

IMPROVING RESTART

The immediate proposals in Michael Howard's note are all sensible and to be welcomed.

He also raises the possibility of further action to deal with the very long term unemployed (ie those who have been out of work for two years or more).

This is an important group. They are the "hardest nuts to crack" and represent 23% of the register. All of this group will have had three RESTART interviews without producing any positive result. A lack of skills is the least of their problems; their main problem is a lack of motivation.

The new actively-seeking-work rules may help. But these will have the greatest impact on preventing the short term unemployed resting on the register. Something more is required for the very long term unemployed.

One option, which I have discussed with Michael Howard, is to compel all those who have been unemployed for two years or more to attend a course of remotivation. Refusal to attend would result in loss of benefit. This would certainly be controversial, but could be portrayed as a positive attempt to break the cycle of dependence of this group.

Tony Newton questions whether such action is necessary, given the relatively recent changes in the actively-seeking-work rules. And a change in the law would be required.

I certainly think this whole area is worth exploring further and **recommend** that the Prime Minister signal at this stage her

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support for the consideration of options which involve an element of compulsion for the very long term unemployed. This should help concentrate the discussions between D/E and DSS.

ANDREW DUNLOP

Secretary of State
for Employment

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PRIME MINISTER

IMPROVING RESTART

We discussed at our Value for Money Seminar on 21 February the need to improve the take-up of our employment and training programmes by unemployed people; and to follow up rigorously those who refuse offers of help at Restart interviews or accept offers and then drop out. As you may know, I have just received the report of the Scrutiny of take-up and I am at present considering its recommendations. In the meantime, I am proposing to make a number of immediate changes to the Restart process, which I hope to announce next Wednesday, to improve the present position at no extra cost. These changes are fully in line with the Scrutiny's recommendations.

Monday sees the launch of the Employment Service as a Next Steps Agency. This should greatly enhance its effectiveness. I have set demanding targets for the Chief Executive, particularly on placings of unemployed people into jobs and training, and will expect him to use his new management and financial freedoms to achieve these targets in the most cost-effective way.

One important way for him to do this is through the effective operation of the stricter benefit regime, recently improved by the provisions of last year's Social Security Act. The changes I am proposing will enable the Employment Service to implement the provisions more effectively and generally tighten the regime. They will be particularly effective against those who continually turn down offers of help on our programmes.

As you noted at our seminar, Employment Service advisers and the whole Restart process need to be given more teeth. I have therefore asked the Employment Service to make the following changes to the present arrangements:

- every advisory interview of an unemployed person by the Employment Service should end with an agreed and recorded outcome which will be followed up on a regular basis;

- a new interview will be introduced after only 13 weeks of unemployment to help make the actively seeking work and refusal of employment provisions really bite. This will be targeted on those who have not yet found work even though their skills are in demand in the local labour market;

- the roles of Restart counsellors and claimant advisers will be merged to create a unified advisory service. This will ensure that each unemployed person is, wherever possible, seen by the same adviser during any period of unemployment and followed up persistently. It should make it more difficult for those who want to play the system;

- all longer term unemployed people who reject offers of help outright at their Restart interviews or fail to take up places on our programmes will be followed up systematically; and there will be a careful check on the benefit entitlement of anyone who seems to be resisting our offers perversely;

- those still unemployed after two years will receive an intensive burst of counselling and follow-up activity to try to get them into work or onto one of our programmes.

I attach a copy of the PQ in which I intend to announce these changes. They should help to ensure that unemployed people take effective action to meet their legal obligations to look actively for work and also should improve the take-up of offers following Restart interviews. However, I believe we may need to do more for those long term unemployed people who persistently refuse our help. I am therefore exploring with Tony Newton whether more could be done to make further elements of the Restart process compulsory. I will write again when we have considered this further.

Secretary of State
for Employment

CONFIDENTIAL

I am copying this minute to Geoffrey Howe, Peter Walker, Malcolm Rifkind, Tony Newton, Norman Lamont, Sir Robin Butler and Sir Angus Fraser.

M. H.

M H
1 April 1990

Conqueror

Q. To ask the Secretary of State if he has any plans to improve the help and advice given to unemployed people by the Employment Service; and if he will make a statement?

A. I have [today] agreed with the Employment Service a number of changes which extend and improve the present system of offering counselling and advice to unemployed people. These changes will be of particular benefit to those who have been unemployed over 6 months.

The changes are aimed at those unemployed people who are prepared to get back to work but have not been able to do so. However, we also intend to pursue more rigorously the people who continually turn down offers of work and training opportunities and needlessly reject help.

The main points where improvements to the present system will be made are:

- a "Back to Work" plan agreed with the adviser which gives individual guidance for each unemployed person on how best to find work. This will be reviewed and revised at regular intervals. Accompanying it will be a new booklet emphasising that the need to look for work is a fundamental responsibility of everyone who expects to receive unemployment benefits and giving general guidance on how best to go about it.

- a new advisory interview after thirteen weeks of unemployment with a check on activity in looking for a job and subsequent help for those who have been unable to get work even though their skills are in demand in the local labour market.

- a unified advisory service which will abolish the increasingly artificial distinction between Restart counsellors and claimant advisers. The Employment Service will aim to ensure that each unemployed person after the fresh claims stage is seen by the same adviser duing any period of unemployment.

- a more systematic follow-up of those who do not take up places on Employment Training, in Jobclubs or on Restart courses even though they have agreed to do so. Advisers will be given a caseload of unemployed people whom they will re-interview if necessary and whose efforts to look for work will be checked carefully with the possibility of benefit sanctions if not enough has been done.

- extra intensive counselling and advice for those who have been unemployed for two years.

Taken together, these measures will improve the effectiveness of the help that the Employment Service is able to give to unemployed people who want to get back to work as quickly as possible. In addition the measures will reinforce the provisions of the Social Security Act 1989; in particular the provision which makes it a condition of receipt of benefits for unemployment that claimants seek work actively.

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 5804/5
Telex 915564 Fax 01-273 5821

With the compliments of the
Private Secretary to the
Minister of State

As requested.
A similar letter was sent to all Ministers responsible for CATs.
25.4.90.

Employment Service · Training Agency
Health and Safety Executive · ACAS

JW.a(1).TE

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 5804/5
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Minister of State
Tim Eggar MP

The Hon Douglas Hogg MP
Minister of Industry and Enterprise
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H OET

28 March 1990

Dear Douglas,

INNER CITIES AND TRAINING AND ENTERPRISE COUNCILS (TECs)

I am writing to you and fellow CAT Ministers, after discussion with David Hunt, to encourage you to make contact with your local Training and Enterprise Councils (TECs). As you know, TECs are responsible for planning and delivering training and enterprise in their areas. A national network of around 80 TECs should be operational by the Autumn of 1991. I am enclosing a copy of "TECs and the Inner Cities", which formed part of the recent 'Action for Cities' anniversary material.

The next phase of development within 'Action for Cities' must be one of partnership to get the best use from all available resources, both private and public. In this partnership TECs will be important catalysts to help stimulate action by others. The majority of their Board members are chief executives from private sector companies, and they also involve local authorities and educational and community interests.

Many of the CATs and Task Forces are already involved with training and enterprise initiatives in TEC areas. I personally will be looking to build on experience in the Leeds/Bradford area and asking TECs, the Task Forces and the CAT to consider setting challenging objectives for their work in inner cities. My officials will also be looking especially carefully at TEC plans from CAT/Task Force areas to see how resources are intended to be used collaboratively. I would like to encourage those working in your inner city areas to consider how the work of the CAT and/or the Task Forces could be linked with that of the TECs.

You may wish to meet the TEC Chairs in your area to explore these ... themes. I attach a list of TEC or ED Training Agency Regional Director contact points.

I will be looking to use the impetus from the 'Action for Cities' event to draw the attention of TEC Chairs and Boards to inner city and estate concerns and will be looking for opportunities, with you, to reinforce the messages during the year. It would be helpful if your officials could keep in touch with mine to share examples of good (or bad) experience.

If you would like any further briefing on TEC progress in general, or particular programme issues, please let me know. I would be happy to offer material for speeches, briefings, etc for visits to your CAT/Task Force areas, or for use more widely.

I am copying this letter to other members of MISC 116 and CAT/Task Force Ministers.

Inner City TEC Contacts

Minister	CAT/TF area	TEC
Douglas Hogg Minister for Industry and Enterprise	Tyne & Wear CAT	Dr R Iley Chairman Tyneside TEC ED Training Agency Moongate House Team Valley Trading Estate Gateshead Tel: 091 232 7575
		Mr J N Anderson Chairman Wearside TEC ED Training Agency Derwent House New Town Centre Washington Tyne & Wear NE38 7ST Tel: 091 416 6161
	Teeside CAT Hartlepool TF Middlesbrough TF	Mr D Ward Chairman Teeside TEC ED Training Agency Corporation House 73 Albert Road Middlesbrough Cleveland TS1 2RU Tel: 0642 231023

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Treasury Chambers, Parliament Street SW1P 3AG

Clive Norris Esq
Private Secretary to the
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

27 March 1990

Dear Clive

TRAINING CREDITS

This letter confirms the comments which we gave you on the draft statement attached to your letter of 23 March.

2. The third paragraph on the second page mentions payments to employers, but says nothing about the need for employers themselves to contribute. But the training credit proposals are in fact predicated on a very large increase in employer contributions. Accordingly, we would redraft the relevant part of this paragraph to read:

> "and it is open to employers and the body issuing the credit to supplement this as necessary".

3. The second sentence at the next paragraph should read "are likely to" rather than "could", since we must be careful not to prejudge the outcome of the pilots.

4. In the last paragraph on the same page, we would prefer the first sentence to read:

> "the aim is to select ten such schemes to operate from April next year, in areas covering up to ten per cent ...".

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This both corrects any impression in the previous paragraph that all TECs could expect to participate, and makes clear that it is the TECs areas, rather than the pilot schemes as such, which will cover up to ten per cent of young people. Selective schemes will, of course, give only partial coverage within their areas.

5. Your office separately circulated a "Plain Man's Guide" on training credits. Although dated 23 March, it only reached us yesterday. We had several comments, but when we tried to pass these on, we were told that the Guide had been printed on Sunday. I appreciate that this was produced to a very tight deadline but it would be helpful if you could ensure that we are given the opportunity to comment on any future material of this kind, with drafts shown to our officials when printing deadlines are genuinely extremely tight.

5. I am copying this letter to Paul Gray (No.10) and to Stephen Crowne (DES).

Yours

Carys Evans

MISS C EVANS
Private Secretary

MANPOWER.
SEMS Pt 24.

Training Credits

3.30 pm

The Secretary of State for Employment (Mr. Michael Howard): With permission, Mr. Speaker, I will make a statement about training credits for young people.

The initiative that I am announcing today marks an important new departure in our policies for training young people. Its aim is to excite young people about the benefits of continuing in training and further education after they have left school and to raise the amount and quality of training provided by employers. The initiative has the potential to revolutionise attitudes to training in this country. *[Interruption.]*

Mr. Speaker: Order. Will hon. Members who are not remaining for the statement please leave the Chamber quietly?

Mr. Brian Wilson (Cunninghame, North): On a point of order, Mr. Speaker. We are well aware that statements of this kind are a fiasco and are made for a specific purpose but the fiasco is contributed to when we cannot hear what is being said.

Mr. Speaker: I have just asked hon. Members who are not staying for the statement to leave quietly. Mr. Howard.

Mr. Howard: I was——

Mr. Stuart Bell (Middlesbrough): On a point of order, Mr. Speaker. Further to the point that was put to you by my hon. Friend the Member for Cunninghame, North (Mr. Wilson), may I seek your protection as a Back Bencher? We have witnessed, certainly since 1987, the way in which the Government of the day have manipulated the business of the House in the interest of the Executive against that of the legislature. You are in regular contact with the usual channels and the Leader of the House. Do you agree that it would be appropriate to let the Leader of the House know that this legislature will not tolerate for much longer the manipulation of the business of the House by a Government who are——

Mr. Speaker: Order. The hon. Gentleman knows that whether or not a statement should be made is not a matter for me but is arranged through the usual channels, of which I am not part. Mr. Howard.

Mr. Howard: If we are to continue effectively in the world economy of the 1990s, we need a skilled work force that is second to none——

Mr. Ian McCartney (Makerfield): On a point of order, Mr. Speaker.

Mr. Speaker: Order. Is it a point of order that I can answer? I hope that the hon. Gentleman's point is not questioning whether or not the statement should be made.

Mr. McCartney: Are you aware, Mr. Speaker, that the new hon. Member for Mid-Staffordshire is as much interested in the subject of the training of her young constituents as is any other hon. Member of the House? Are you further aware that she is deliberately being kept out of the Chamber——

Mr. Speaker: Order. That is not a point of order for me.

Mr. Howard: If we are to compete effectively in the world economy of the 1990s——

Mr. Andrew Faulds (Warley, East): On a point of order, Mr. Speaker.

Mr. Speaker: This is getting ridiculous.

Mr. Faulds: Mr. Speaker, is this not yet another outcome of the introduction of the television cameras? The whole purpose of the delay of the introduction of the new hon. Member for Mid-Staffordshire is so that it does not catch prime television time. The crowd on the Government Benches are manipulating things——

Mr. Speaker: Order. It is a fair bet that the introduction of the hon. Lady will catch the television cameras.

Mr. Howard: Surely there can be few things more important for the future of our country than the training of our young people.

If we are to compete effectively in the world economy of the 1990s, we need a skilled work force who are second to none. The basis for that must be effective and high-quaity education and training for young people. We are already well on the way to achieving this. In schools, the Education Reform Act 1988, the GCSE and the technical and vocational education initiative are raising levels of attainment and preparing young people for the world of work. The new arrangements for youth training will build on the achievements of the youth training scheme and lead both to higher levels of training and to training that is more relevant to the needs of employers. We are currently establishing training and enterprise councils throughout England and Wales, and local enterprise companies in Scotland. One of their key tasks will be to mobilise local employers to offer more and better training in the skills needed by industry to young people.

We must also motivate young people themselves to understand the importance to them of quality training and to come to expect training as a normal part of employment. There has been widespread interest in training credits as a means of achieving this. The Confederation of British Industry in particular has advocated credits in its report "Towards a Skills Revolution" and has proposed pilot schemes at local level to test them out.

Training credits represent an entitlement to train to approved standards. They would be issued to young people who would be able to present their credit either to an employer who makes training available or to a specialist provider of training if the young person is unable to find employment. Young people would be given quality careers advice and guidance to help them to put their credit to best use. A monetary value would be shown on the face of the credit, and it would be open to employers and the body issuing the credit to supplement this as necessary to secure higher-cost training or other priorities.

I and my right hon. Friend the Secretary of State for Education and Science, together with my right hon. and learned Friend the Secretary of State for Scotland, my right hon. Friend the Secretary of State for Wales and other Ministers concerned, have looked closely at the range of proposals for training credits. We agree that they are potentially an exciting means of motivating young people to train.

Credits are as yet untested. We have therefore decided to invite training and enterprise councils and local

to put the customer first, with fewer people, factories had to produce more goods with a smaller work force and even the professions had to learn that the world did not revolve around them, but for local authorities the party has gone merrily on? Is there any earthly reason why that should be so?

The Prime Minister: My hon. Friend makes the point effectively. Output has gone up in factories and offices, with fewer people, and by that means we have achieved a higher standard of living. Unfortunately, the numbers employed by local authorities have continued to rise, and we have reason to ask whether they could achieve greater administration with fewer people, which would bring down the community charge.

Q9. **Miss Hoey:** To ask the Prime Minister if she will list her official engagements for Tuesday 27 March.

The Prime Minister: I refer the hon. Lady to the reply that I gave some moments ago.

Miss Hoey: Does the Prime Minister agree with her supporter, the right hon. Member for Henley (Mr. Heseltine), who in a recent radio interview called for the police to sweep the homeless off the streets and close the cardboard cities? Where does she think he might like them to be swept to?

The Prime Minister: There are about 21,000 hostel places available in the London area, many more than there used to be, of which about 3,000 are available at short notice. They are not always filled and it would be better if people spent the night in the beds in those hostels than on the streets of London.

The hon. Lady will be aware that £250 million funding was recently announced to help the homeless, and recently £148 million of that—a considerable sum—was made available for London and the south-east, some to local authorities and some to housing associations, to help resolve the problem.

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enterprise companies in Scotland to run pilot credit schemes to come into operation from April 1991. To this end, I am today issuing a prospectus inviting them, in co-operation with local education authorities, to submit bids for my approval. The aim is to select 10 such schemes to operate from April next year in areas covering up to 10 per cent. of the national total of 16 and 17-year-olds leaving full-time education—that is, some 45,000 young people a year. Every pilot will provide young people with an entitlement to train. Under some pilots, the entitlement will be for all young people leaving full-time education. Others may take a more selective approach in focusing, for example, on improving training for particular occupations or skill levels, in small firms, or through inner-city compacts or other business-education partnerships.

In all cases, the training and enterprise councils will need to work closely with local education authorities, further education colleges and the careers service. My right hon. Friend the Secretary of State for Education and Science, together with my right hon. and learned Friend the Secretary of State for Scotland and my right hon. Friend the Secretary of State for Wales, will ensure that the authorities are properly involved. The training and enterprise councils will be expected to ensure that credits are used only for training that is relevant to the needs of employers and which meets approved standards. Their schemes will need to lead to more young people undertaking training and to the attainment of higher skill levels. There will be rigorous evaluation of the effectiveness of the schemes.

The councils will also have to make sure that all young people who are unable to find jobs will, as now, be guaranteed a suitable training place and that there is appropriate provision for young people who are disabled or who have other special training needs.

Overall funding for these pilot schemes will come in large part from planned provision for youth training. There will also be a contribution from the relevant element of local education authority provision for 16 to 18-year-olds undertaking part-time training and education. From their existing expenditure plans, the Government are making available a further £12 million in 1991-92, rising to £25 million in the following year. This will bring the total estimated resources available to the training and enterprise councils running pilot credit schemes to £115 million by 1992-93.

This is the first important step in an exciting new direction. Its purpose is to make a major impact on the motivation of young people to train after they have left school and so to increase the skills and productivity of our young work force. I am sure these proposals will be widely welcomed. I commend them to the House.

Mr. Tony Blair (Sedgefield): I must tell the Secretary of State that I am sure that the Government's appalling training record played a major part in their crushing defeat in the Mid-Staffordshire by-election last week. Surely the key question today is whether he will recognise that we have a massive and widening training gap with our competitor countries; that we are behind in every sector, whether manufacturing or services, and that we must know whether this initiative will amount to a genuine entitlement by young people to high-quality training backed up by the public sector support and cash necessary to make it a reality.

Will the right hon. and learned Gentleman therefore confirm that, while the training gap in Britain is so big that half our work force are receiving no in-work training and our young people are denied training to the standards of our competitors, all that he has made available is £12 million, not this year but next, and £25 million thereafter? Is this new money or is it, as we fear, simply taken from elsewhere in the employment budget? Even if it is new money, can the Secretary of State tell us, as he has repeatedly refused to say over the last few days, whether he is intending to cut £150 million from the training budget next year, £120 million the year after and £60 million the year after—£300 million off the youth training budget over three years? Does that still stand?

Is it the case—just to forestall the excuse that this is caused by the declining numbers of young people—that, as we have calculated today, the cost of training per trainee per week over the next three years is to be cut from £50 to under £30? Does that still apply to this new training credit scheme and, if it does, how will he answer the demands by the Confederation of British Industry and the Trades Union Congress that we use any money saved by a training credit scheme to upgrade the standards and qualifications of our young people, since we languish far behind our competitors in the quality as well as the quantity of training?

Will the right hon. and learned Gentleman provide, as the CBI an the TUC ask, for each young person to be provided with his or her own action plan record of achievement to plan for the future? Will he undertake, as those bodies say is a vital component of any such scheme, to boost the advice and counselling services necessary for young people to make a reality of their choice in the training market?

Will the Secretary of State confirm that he is proposing to cut careers advisory service spending next year and, perhaps as important as anything, whether the credit will meet the full cost of young person's training? Is it, in other words, a proper entitlement or will it be in strict terms a cash-limited voucher which trainees may be obliged to top up from their own resources? We need answers to those questions.

The right hon. and learned Gentleman says that these pilot schemes will start in 1991 and run until 1993. It will therefore be the mid-1990s before any full-blown training scheme can take off. When we examine the skills crisis that Britain faces, when, after 11 years of his Government, the Secretary of State is still talking about pilot schemes, when we confront the magnitude of our failure and the mountain that we have to climb, does he really believe that his announcement measures up to the scale of the revolution in skills that we say Britain needs?

Mr. Howard: That must rank as one of the most churlish receptions to an imaginative new training scheme that the House has heard. Of course I can confirm that the scheme will provide a genuine entitlement to high-quality training. That is what it is all about. To answer the question that I think the hon. Member for Sedgefield (Mr. Blair) said was the most important of those that he asked, I can confirm that there will be no question of the person receiving the training being asked to top it up from his or her own resources.

The value of the training will in the first instance be provided on the face of the credit. It will be topped up either by the training and enterprise council or by the

[Mr. Howard]

employer, or by both. The funds to achieve that will be made available. I indicated clearly in my statement that the additional resources will be made available to ensure that these schemes deliver their objectives and are a great success.

The hon. Gentleman complained, among other things, that the additional money would not be made available until next year. That is because the scheme cannot start until next year. It is typical of the level of criticisms which we get from the hon. Gentleman that he should make such a point. To answer another of his questions, it is true that we recognise the importance of the careers advisory service, and we will be discussing with it how it can best play its part in ensuring that young people make the best use of the credits that will be made available to them.

The hon. Gentleman returned again to the criticism which he made yesterday about resources. I tried to explain to him yesterday that the contribution made by employers to the training of young people has increased six times in the last four years and that we expect it to increase again. His response to that yesterday was that he would use sanctions against employers who did not do what he wanted them to do, and that he would deal with them. It says volumes for the innermost thinking of the hon. Gentleman and his party that they use the same language about British employers as they use about the foreign regime which they most deeply detest.

Several Hon. Members *rose*——

Mr. Speaker: Order. May I remind the House that this is a Back Benchers' day?

Mr. Dave Nellist (Coventry, South-East): These are statements.

Mr. Speaker: I know. But I am frequently asked if statements may be made; I am seldom asked if a statement may not be made. As I was saying, this is a Back Benchers' day and there should be plenty of opportunity on the Adjournment motion or on the Consolidated Fund Bill to outline a case. Therefore I ask hon. Members to put single questions to the Secretary of State so that we may get on more rapidly.

Mr. Andrew Rowe (Mid-Kent): Does my right hon. and learned Friend share my contempt for those on the Opposition Front Bench who, having clamoured for pilot studies in the Health Service, then come here to excoriate him for introducing an imaginative scheme as an experiment? Does he agree that colleges throughout the country are already responding to the possibility of being able to compete in the training market with enthusiasm and imagination?

Mr. Howard: My hon. Friend is absolutely right. The only place where enthusiasm for this initiative is lacking is on the Opposition Benches.

Mr. James Wallace (Orkney and Shetland): Given the training gap, it would be churlish not to welcome a scheme that will do something about it, albeit we wish to see other schemes too. Can the Secretary of State say what provision there will be for the maintenance of young people who are in receipt of training credits?

Mr. Howard: Those who are not in employment will have exactly the same entitlement as exists at the moment under the youth training scheme. I should emphasise that the guarantee which is currently available under youth training will continue and that all young people who cannot find jobs will continue to be guaranteed a training place. For young people in employment, obviously their income will be a matter of negotiation between them and their employers.

Mr. Colin Shepherd (Hereford): Does my right hon. and learned Friend agree that this will be seen by young people and employers alike as an incredibly valuable tool for the new training and enterprise councils? Can he confirm that the development of the TECs, which are so essential to his initiative, is running ahead of schedule? Does he not agree that it behoves young people to recognise where confidence is placed in them—that is, that they should stay with a Conservative Government who have their best interests in mind, in view of the coyness with which the Opposition state their position on the future of training and enterprise councils?

Mr. Howard: I am grateful to my hon. Friend for his welcome for the proposals. He is absolutely right. Training and enterprise councils are running two years ahead of schedule and 66 are now receiving development funding. They are proceeding with the development of training that is much more responsive to the needs of local circumstances. That in itself represents the most exciting training initiative that we have ever seen in this country.

Mr. Ron Leighton (Newham, North-East): In principle, the Secretary of State has the germ of a good idea that could empower people to have a right to training. However, does he agree that the scheme might wither in the hands of the Government if they underfund it? Will it be a further excuse to make further cuts in the training budget? The youth training scheme currently costs the Exchequer £50 per week per place. By 1992, that is scheduled to drop to £33 per week per place. Providing £50 per week amounts to a total of £2,500 per year. The Secretary of State has been to Germany and knows that Germany's apprenticeship places cost between £6,000 and £9,000 each. How much will the credits be worth? I have heard people talk in terms of £1,000, which is about £20 a week. We will not get much quality training for that.

Will the Secretary of State ensure that the payments are also made to children who stay on in school, because that is equally important? Will he ensure that employers give day release? Does he appreciate that, while welcoming the principle, the Select Committee on Employment will want to monitor its practice closely?

Mr. Howard: I am grateful to the Chairman of the Select Committee for his welcome for the scheme. I also welcome the fact that he has said that the Select Committee will monitor the operation of the scheme. We shall all need to do that. I am confident that it will succeed. Far from withering in the Government's hands, as the hon. Gentleman suggested, I am confident that the scheme will flower and that we shall all regard it in a welcoming spirit when we have seen the extent to which it delivers results.

On the point about resources, I refer the hon. Gentleman to my earlier reply to his hon. Friend the Member for Sedgefield (Mr. Blair) and to what I said in the Budget debate yesterday. Employers' contributions for

training are improving fast, and we expect them to continue to improve. One objective of the scheme is to encourage employers to contribute more to the cost of the training that we need.

Mr. David Madel (Bedfordshire, South-West): Once the schemes are under way, they will be very helpful to young people, but does my right hon. and learned Friend agree that it is important that we continue to expand the technical and vocational education initiative courses in schools? To that end, may we have an assurance that the Government will ensure that the equipment for TVEI courses is modern and in good working condition, which will require finance?

Mr. Howard: I agree with my hon. Friend—TVEI is one of the Government's greatest successes. We intend that it should grow and increase and continue to play an important part in strengthening the relationships between schools and the world of work. I can give my hon. Friend the assurance that he seeks.

Mr. James Molyneaux (Lagan Valley): The Secretary of State has said that he will implement the scheme with the assistance of three Cabinet colleagues, representing England, Scotland and Wales. Why has the Secretary of State for Northern Ireland been omitted?

Mr. Howard: There are no present plans to extend the scheme to Northern Ireland, but I am sure that my right hon. Friend the Secretary of State for Northern Ireland will have listened carefully to the right hon. Gentleman's observations.

Sir Philip Goodhart (Beckenham): While appreciating that young people must be given priority in this imaginative scheme, may I draw my right hon. and learned Friend's attention to the recent recommendations of the Select Committee on Employment, that training credits should be extended to older workers who may be contemplating a change of career?

Mr. Howard: I pay tribute to my hon. Friend who, in a pamphlet written some time ago, of which he was the co-author, pioneered an idea that is not very different from that which I have announced today. I have listened carefully to what he said about extending the proposal to older employees. We want to do all we can to encourage an increase in the amount of training that is provided for people of all ages in work. We shall be in a better position to evaluate whether the scheme represents the best way forward when the pilot schemes have been in operation for some time.

Mr. Jack Thompson (Wansbeck): Does the Minister recognise that his statement is an admission and confession that the youth opportunities programme and YTS have been an absolute and utter failure during the past 10 years? Although the changes suggested today are a slight step in the right direction, they do not compare with some of the schemes which have been running in Europe during the past 10 years—for instance, in Germany, France, Belgium and Holland. Compared to them, we have lost out for three generations. Is it not time to give the matter more urgency and priority?

Mr. Howard: I shall pay the hon. Gentleman this tribute. His attitude is at least consistent with that of his party, which has consistently opposed every training initiative introduced by the Government during the past 10 years. That is the limit of the extent to which his remarks were accurate. It is wrong to suggest that the youth training scheme has been anything but a considerable success. We have made rapid strides in training during the past 10 or 11 years. Of course, there is more to be done. The statement represents an important step forward.

Mr. Spencer Batiste (Elmet): Does my right hon. and learned Friend agree that his announcement will be a particular boost to open learning of the type conducted by the Open college? Will he tell those who would like to make constructive bids for pilot projects what criteria he will use to assess them?

Mr. Howard: As my hon. Friend suggests, there will be a place for open learning within the framework of the scheme. In assessing the bids that come forward, we shall consider proposals to increase the numbers of young people receiving training, the levels of training they receive and the qualifications they are expected to obtain, and proposals made by training and enterprise councils to increase employers' contributions and to avoid dead-weight—that is, to avoid duplicating training which is already provided and paid for by employers. A copy of the prospectus—indeed many copies—will be available in the Vote Office shortly after I sit down.

Mr. Frank Field (Birkenhead): As the Government, rightly, emphasise the importance of consumer choice, may I welcome the first statement from his Department in 11 years that promotes that objective? May I also take him back to the points made by his hon. Friend the Member for Elmet (Mr. Batiste)? Surely, if the best way to test the scheme is by pilot studies, should he not announce in the near future the extension of such a scheme to the long-term unemployed, and equally importantly, to the low-paid in work?

Mr. Howard: I am grateful to the hon. Gentleman for his welcome for the scheme, however qualified. I understand the force of the points he makes but it is important that we should proceed a step at a time. The statement is an important step. We want to make sure that it is carefully prepared and evaluated. We shall decide how to take the matter forward in the light of the lessons that we learn from the pilots.

Mr. Henry Bellingham (Norfolk, North-West): Does my right hon. and learned Friend agree that safety on construction sites is extremely important? Will he pay tribute to the construction industry training board for the excellent work that it has done in raising standards throughout the country? Will he ensure that it is given a full role to play in this new and exciting initiative?

Mr. Howard: I am aware of my hon. Friend's close interest in these matters. I am happy to pay tribute to the role of the construction industry training board on safety. We shall have to consider its precise role in this initiative.

Mrs. Margaret Ewing (Moray): In his statement the Secretary of State spoke of ensuring that there would be appropriate provision for the disabled and those needing special training. Will the Government give direction to LECs and TECs on that matter? Will he ensure that groups representing the disabled are consulted and that additional funding is made available for the special needs of that group of people?

Mr. Howard: The important matters referred to by the hon. Lady will be among those taken into account when considering the bids that we receive from the TECs and LECs in Scotland. Such matters will be taken into account in that way.

Mr. Teddy Taylor (Southend East): As some of the Government's excellent training initiatives in the past have been treated badly because of unfair political attacks on them, will the Secretary of State say briefly what extra entitlements or rights to opportunities will be available to young people through this latest initiative? Will he give some guidance on where the £12 million will go?

Mr. Howard: The essence of the scheme is that the young person receives the credit in his hands. That represents an entitlement to training with a significant monetary sum on the face of the credit to motivate that young person and make him or her much more aware of the value that should be attached to training. We want to encourage and excite young people about the importance of receiving training—that is the essence of the proposal.

The additional resources are designed to encourage more people to receive training; obviously, the greater the numbers who receive training, the more that will cost. We want to encourage and to achieve more people in training. I have tried to explain the way in which we are confident that the pilots will achieve that end.

Mr. Dave Nellist (Coventry South-East): In the past 10 years, the successive freezing, and therefore erosion, of the allowances paid to school leavers on such schemes mean that the present generation of school leavers are £30 worse off than their counterparts were 10 years ago under the youth opportunities programme. Why and how does the proposed training scheme differ in terms of giving a decent allowance instead of the slave-labour rates of previous schemes? Given the Secretary of State's previous answer and his precise description, does he agree that training is far too important to be treated like luncheon vouchers?

Mr. Howard: When the hon. Gentleman got up to make a comparison of expenditure with that of 10 years ago, I thought that he was going to point out that the Government spend six times as much on training as did the previous Labour Government—three times more in real terms. That is the real comparison to be made between records when it comes to judging spending now with that of 10 years ago. We believe that the proposal represents a substantial step forward in exciting young people about the opportunities that are available to them on training. In due course, I hope that even the hon. Gentleman will recognise the importance of the proposal and the success it has achieved.

Mr. Roger Knapman (Stroud): Is my right hon. and learned Friend aware that I was privileged to open a £1 million extension to Stroud college in my constituency? Two thirds of that money came from local employers. Surely my right hon. and learned Friend's excellent announcement is tailor-made for areas such as Stroud.

Mr. Howard: My hon. Friend is absolutely right. I am sure that the college—the extension to which he opened last week—will be anxious to take advantage of the increased opportunities that will be made available to it under the proposal to play its full part in providing training and education responsive to the needs of local employers in his area.

Mr. Gerald Bermingham (St. Helens, South): The Secretary of State will appreciate that I have little faith in what he says, as he recently sold the skill centre in my constituency to a consortium, about which his office will not give me details. Does he agree that the best way in which to train the engineers, the lathe operators and the skilled technicians of tomorrow is to encourage industry to do it, instead of discouraging it as the Government have done in the past 11 years?

Mr. Howard: I cannot think what lies behind the last part of the hon. Gentleman's question, because we have been encouraging industry and employers to train. We have not only encouraged them to do so, but all the evidence suggests that they have responded to that encouragement to an unprecedented extent. Between 1984 and 1989, the number of people in work receiving training increased by 70 per cent.; that demonstrates the progress we are making. Of course there is more to be done, and the proposal I have announced will help us in that.

Mrs. Teresa Gorman (Billericay): I welcome the proposal that I have long advocated, particularly as an employer in a small firm and as chairman of the Alliance of Small Firms and Self Employed People. Will my right hon. and learned Friend assure us that small businesses, which provide the majority of jobs where training can take place, will not be precluded from the schemes by making the terms on which money can be spent too difficult for those businesses to qualify? My right hon. and learned Friend and I know that small firms will train their young people, but the trouble is that, these days, the cost of an apprenticeship is so high that they need some input of money. The proposal will give that input. I am sure my right hon. and learned Friend agrees that we must be careful not to make the conditions so difficult that small firms cannot participate.

Mr. Howard: I am grateful to my hon. Friend for her welcome for the proposal. She will recall that I specifically identified small businesses as one of the criteria on which selective schemes could be put forward by the training and enterprise councils. We will be looking with interest at the bids that we receive to examine the extent to which they reflect the concerns of my hon. Friend and many others about this issue. *[Interruption.]*

Mrs. Gorman: On a point of order, Mr. Speaker. The hon. Member for Hackney, South and Shoreditch (Mr. Sedgemore) has accused me of not being here for the statement, but I was.

Mr. Speaker: I know. I saw the hon. Lady or I would not have given her such a high place in the questions put to the Secretary of State.

Mr. Bob Cryer (Bradford, South): Is not this a paltry sum of money compared to £300 million of cuts in youth training? Will this money be directed at local education authorities or towards the sleazy sell-off to Astra Training Services Ltd. of a number of skill centres? It is designed to give the little cabal inside the civil service extra money or is it genuinely aimed at training?

[Mr. Howard]

Member for Sedgefield reaffirmed the Labour party's commitment to a jobs tax, to a compulsory payroll tax and to the sanctions which he said that the labour party would apply to employers. How can that be said while at the same time the hon. Gentleman suggests that the only thing that matters is the money which the taxpayer is contributing towards the cost of training?

I said yesterday—I have repeated it today—that employers are making an increasing contribution towards the cost of youth training. The only difference is that, under this Government, they are doing it rapidly and voluntarily, while under the Labour party's proposals they would be obliged to do it as part of a payroll tax. There will be ample, and more than adequate recourses available to ensure the success of these proposals. We are content to see them judged by the monitoring to which the hon. Member for Newham, North-East (Mr. Leighton), the Chairman of the Select Committee on Employment, referred and by the monitoring to which the Department will subject them. They represent an exciting new step forward. They will be warmly welcomed everywhere except on the Opposition Benches.

Mr. Nellist: On a point of order, Mr. Speaker.

Mr. Speaker: I call Mr. Secretary Parkinson to make another statement. I shall take the hon. Gentleman's point of order afterwards.

Mr. Nellist: My point of order is on the first statement.

Mr. Speaker: I shall take it after the next statement.

London (Traffic)

4.13 pm

The Secretary of State for Transport (Mr. Cecil Parkinson): With permission, Mr. Speaker, I should like to make a statement about transport in London.

On 14 December I published a discussion document, "Traffic in London", on traffic management and parking control, together with consultation papers on the four London assessment studies. I asked for comments by 28 February and I am now ready to announce my conclusions. I want to tackle the problems urgently and end the uncertainty as quickly as possible.

We already have in hand a major programme of transport investment in London. In the next three years substantial sums are to be spent on improving the capital's public transport. I have already approved a programme of investment of £2·2 billion over the next three years by London Regional Transport. It includes extending the Jubilee line to south London and docklands, completely upgrading the Central line, increasing the capacity and appearance of the most congested underground stations, modernising underground rolling stock, increasing the capacity of the Docklands light railway and extending it to Bank and to Beckton. Network SouthEast plans to spend £1·2 billion over the next three years. There will be 1,200 new coaches coming into use, giving the growing number of passengers a better service. Stations will be improved and some of them lengthened to provide more capacity. Work is in hand to improve rail links to London's principal airports.

I am pressing ahead with my £1·9 billion programme to improve London's trunk roads. Priority is being given to the north circular road and better access to east London. In addition, the boroughs have 41 major schemes worth some £445 million and the London Docklands development corporation plans to spend over £550 million on new highway developments inside docklands.

The consultants' studies were intended to establish what more could be done in four particular areas. The response to consultation has been very full. I shall be publishing an analysis shortly. The main points are clear. First, there was strong support for improvements to public transport. Secondly, there was widespread opposition to most of the major new road schemes suggested by the consultants. Thirdly, there was support for proposals to slow traffic in residential areas, both to improve safety and to deter rat-running. Fourthly, there was general recognition of the need for better traffic management but concern about the level of traffic and a wish to see higher priority given to buses, cyclists and pedestrians.

A number of the most important public transport schemes identified in the assessment studies are now under active examination. We are evaluating urgently with LRT and BR the proposed Chelsea-Hackney underground line and east-west cross-rail. Subject to the satisfactory outcome of the work, I expect to authorise the introduction of a Bill for one of these lines in November 1990. LRT is appraising the extensions of the Docklands light railway to Lewisham and of the east London line northwards to Dalston and Highbury and southward to east Dulwich. It is taking forward studies of the Croydon light rail system with the borough and BR. Funds to begin upgrading the northern line are already in LRT's investment programme.

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Secretary of State

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1

23 March 1990

Dear Paul,

TRAINING CREDITS

As was agreed at yesterday's meeting of E(A), my Secretary of State plans to make a statement to the House about training credits on Tuesday, 27 March. I enclose a copy of his draft statement, and would be grateful if you and copy recipients would provide any comments by noon on Monday, 26 March.

I am copying this letter to the Private Secretaries to members of E(A), the Secretaries of State for Education and Science and for Social Security, and the Parliamentary Secretary to the Treasury, and to Sir Robin Butler.

Yours sincerely,

Clive Norris

CLIVE NORRIS
Principal Private Secretary

Draft.HK

DRAFT PARLIAMENTARY STATEMENT

Training Credits for Young People

With permission, Mr Speaker, I should like to make a statement about training credits for young people.

The initiative I am announcing today marks an important new departure in our policies for training young people. Its aim is to excite young people about the benefits of continuing to train after they have left school and to raise the amount and quality of training provided by employers. The initiative has the potential to revolutionise attitudes to training in this country.

If we are to compete effectively in the world economy of the 1990s, we need a skilled workforce which is second to none. The basis for that must be effective and high quality education and training for young people. We are already well on the way to achieving this. In schools our education reforms, and measures like the Technical and Vocational Education Initiative, are raising levels of attainment and preparing young people for the world of work. The new arrangements for Youth Training will build on the achievements of YTS and achieve higher levels of skills and achieve training that is more relevant to the needs of employers. We are currently establishing Training and Enterprise Councils throughout England and Wales and local enterprise companies in Scotland. One of their key tasks will be to mobilise local employers to offer more and better training to young people in the skills needed by industry.

But we must also motivate young people themselves to understand the importance to them of quality training and to come to expect training as a normal part of employment.

There has been widespread interest in training credits as a means of achieving this. The CBI in particular has advocated credits in its report "Towards a Skills Revolution" and has proposed pilot schemes at local level to test them out.

Training credits represent an entitlement to train to approved standards. They are issued to young people who may use their credit to secure training with their employer, or through a specialist provider of training if the young person is unable to find employment.

A monetary value is shown on the face of the credit, and it is open to the body issuing the credit to make further payments to employers and training providers if necessary, to secure higher cost training or other priorities.

I and my Right Honourable Friend the Secretary of State for Education and Science have looked closely at the range of proposals for training credits. We agree that credits are likely to provide an exciting means of motivating young people to train.

Credits are, however, as yet untested. We have therefore decided to invite Training and Enterprise Councils and local enterprise companies to run pilot credit schemes, to come into operation from April 1991. To this end, I am today issuing a prospectus inviting them, in co-operation with Local Education Authorities, to submit bids for my approval.

The aim is for ten such schemes to operate from April next year, covering up to 10% of the national total of 16 and 17 year olds leaving full-time education - that is, some 45,000 young people per year. Every pilot will provide young people with an entitlement to train. Under some pilots, the entitlement will be for all young people leaving full-time education. Others may take a more selective approach, focusing for example on improving training for particular occupations or skill levels, in small firms, or through inner city Compacts or other business-education partnerships.

In all cases, the Training and Enterprise Councils will need to work closely with Local Education Authorities and other relevant interests such as the Careers Service. The Secretary of State for Education and Science, together with the Secretaries of State for Scotland and Wales, will ensure that the authorities are properly involved.

The Training and Enterprise Councils will be expected to ensure that credits are only used for training which is relevant to the needs of employers and which meets approved standards. Their schemes will need to lead to larger numbers of young people undertaking training and to the attainment of higher skill levels.

The Councils will also have to make sure that all young people who are unable to find jobs will, as now, be guaranteed a suitable training place and that there is appropriate provision for young people who are disabled or who have other special training needs.

Overall funding for these pilot schemes will come in large part from planned provision for Youth Training; and also from the relevant Local Education Authority provision for 16-18 year olds undertaking part-time training and education. From its existing expenditure plans, the Government is making available a further £12 million in 1991-92 rising to £25 million in the following year. This will bring the total resources for credit schemes available to the Training and Enterprise Councils to £115 million by 1992-93.

Mr Speaker, this is the first important step in an exciting new direction. Its purpose is to make a major impact on the motivation of young people to train after they have left school and so to increase the skills and productivity of our young workforce. I am sure these proposals will be widely welcomed in the country. I commend them to the House.

RA

PRIME MINISTER

MG

TRAINING CREDITS

Yesterday's meeting of E(A) endorsed the package on training credits and agreed that, if satisfactory arrangements could be completed in time, Messrs. Howard and MacGregor should launch the new initiative next Tuesday, 27 March.

You may like to glance over the weekend at two aspects of the proposed presentation:

- at Flag A, the draft Parliamentary Statement;

- at Flag B, a draft of the text of the "Plain Man's Guide" which you requested. Have seen MG

Given printing deadlines, D/E need reactions on the Plain Man's Guide by Sunday. If you are content, Andrew Dunlop could have a word with you at Chequers about this on Sunday, and he could then 'phone through to the Department with any textual comments you have. D/E are working separately on the graphics to go with the Plain Man's Guide.

Have approved with comments
this. Andrew passed on
MG

PR CG.

PAUL GRAY

23 March 1990

Now

Andrew Dunlop agreed a note of minor textual changes with DE.

PR CG
26/3

A

cc: DW/A
Press
P.U.

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Secretary of State

Paul Gray Esq
Private Secretary
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LONDON
SW1

23 March 1990

Dear Paul,

TRAINING CREDITS

I now enclose a draft of the "plain man's guide" to credits for any comments. I understand that Mr Dunlop asked for this to be taken in to him during his meeting with the Prime Minister. He will then telephone any comments through to us. I should say that, because of his absence on a regional visit, the Secretary of State has not yet seen this version.

As agreed at E(A) yesterday, I am also circulating the draft to E(A), but I am doing so under separate cover and not seeking their comments!

Yours,

AnneMarie

ANNE-MARIE LAWLOR
Private Secretary

The text fits with the leaflet as follows: "Introduction" will be on the right-hand flap, and the numbered points will run between the images.

Employment Department · Training Agency
Health and Safety Executive · ACAS

INTRODUCTION

The Government has decided to test a revolutionary idea for the training of young people. It is called the Training Credit, and for the first time it puts real buying power into the hands of 16 and 17 year olds who wish to train for their careers.

A Training Credit entitles a young person to an approved training course relevant to the needs of local employers. It carries a real cash value. In some of the pilots Credits will be given to all young people entering the labour market, and in others they will be targeted on particular key occupations and levels of skills. The results of these schemes could form the basis of an entirely new way of meeting the country's training needs in the 1990's and beyond.

Training Credits will be run by Training and Enterprise Councils, which are local organisations charged with stimulating enterprise and training in their own areas. They will bid to run the pilots.

The potential benefits are immense. Employers will find there are more young people with high level skills. Providers of training will have a bigger, more efficient marketplace for their services. The country will benefit from a better-motivated and more skilled workforce.

But most important of all, young people will have greater choice and a far greater opportunity to achieve the skills they need for a productive and rewarding career.

HOW DO TRAINING CREDITS WORK?

1. Leaving school or college. Young people discuss job prospects and training with their careers adviser, and receive their Training Credit from the local Training and Enterprise Council.

2. Looking for a job. One of three things can happen next. Either .....

3. ..... they find a job which offers the training they want. In some pilots, Credits will be targeted on certain kinds of businesses. Or .....

4. ..... if the job doesn't offer quality training, they can use their Credit for training which they do in their own time, eg evening college or distance learning. Or .....

5. ..... if they can't find a job at all, the Careers Service will find them a guaranteed training place.

6. During training, employers pay the young people and record their progress. All training courses must be approved by the local TEC, which works closely with the Education Service and local employers to assess training needs and set quality standards.

The Role of TECs

- working with employers
- working with Education Service
- assessing training needs
- setting quality standards

(Note: the above bullet points will appear as an inset on an illustration of a computer screen which accompanies paragraph 6)

7. Training completed. The young people get a record of their skills and qualifications which employers will welcome and respect. Well-trained and confident, they are ready to show the world what they can do.

PRIME MINISTER

MEETING OF E(A): TRAINING CREDITS: 22 MARCH

You saw last night the joint Howard/MacGregor paper and Cabinet Office brief, summarised in my note below.

The one further paper is a brief from Andrew Dunlop at flag C. He supports the latest proposals, but suggests you should ensure that work is in hand to produce a plain man's guide to credits.

PAUL GRAY
21 March 1990

cBaker

PRIME MINISTER

21 March 1990

TRAINING CREDITS

The joint DE/DES paper differs very little from the paper presented at last week's meeting of Ministers.

In general the proposals are fine, but you will want to make sure you are happy with the detail. This note deals with some of the more detailed issues which are not spelt out explicity in the paper.

First, the balance of pilots (Paragraph 4). As the paper makes clear the intention is to test a range of universal and selective credit schemes.

DE do not intend achieving this by prescribing arbitrary quotas for universal and selective schemes. This seems right: there needs to be a degree of flexibility to take account of the quality of the bids received. Quality not quotas should determine the final balance.

There are, however, a number of safeguards to ensure that selective schemes do not get squeezed out:

- the wording of the draft prospectus (which I have seen) is careful not to indicate a preference between universal and selective schemes;

- the funding of universal and selective pilots will be equitable. Both types will be designed to increase the participation in training by young people. As such both will have access to the additional resources available, on a broadly pro-rata basis;

Second, careers advice (Paragraph 5). The paper promises improved advice. This is vital. At present careers advice across the country is very patchy. Some 16 or 17 year old school leavers never receive a proper careers interview, others receive several. The improvement required is that every 16 or 17 year old school leaver should - at the very least - be guaranteed one in-depth counselling session.

One of the criteria on which TEC bids will be judged is how the TEC intends to work with schools and the Careers Service to achieve this necessary improvement in careers advice.

A more fundamental review of the Careers Service is also underway. This will encompass:

- who should have responsibility for administering careers advice;

- sources and methods of funding;

- what the statutory duties of the Careers Service should be (eg aptitude testing etc).

The results of this review are expected in the Autumn.

Third, the link with apprenticeships (Paragraph 8.v). Time-serving apprenticeships have been declining in significance. In 1970 there were 200,000 male apprentices in manufacturing industry. This number had fallen to 50,000 by 1988. Although this fall can be explained partly by the fact that less training is being done, it also reflects the fact that there is already a general trend towards shorter apprenticeships (reducing the number of apprentices in training at any one time).

The credit scheme should hasten the decline in time-serving in two ways:

- even the old YTS contained an element of time-serving (albeit shorter than the traditional 4 year apprenticeship). The credits will be related entirely to results: standards of skills achieved will replace length of time served;

- TEC bids will be assessed on how successfully time-serving is avoided and how skills and qualifications will be secured in the most cost effective manner.

Ultimately the extent to which a credit scheme "finishes off" time-serving apprenticeships, will depend on how successfully TECs are able to sign up local companies to participate in the scheme. This will be one of their principal challenges.

Fourth, timetable (Paragraph 10). There is no doubt that the timetable is a tight one. TECs are being asked to submit outline bids five weeks after Michael Howard's announcement, and detailed bids two months later.

It is essential to stick to this timetable if we are to have pilots up and running by Spring 1991. For political reasons it is imperative that they are. DE have had previous experience of operating to this sort of timescale. The pilots for Compacts and TVEI both required bids within a five-week period. So although the timetable is tight, its manageable.

Fifth, presentation. Michael Howard has set in train plans to brief a number of "allies" on the day of the announcement. These would include some of those who were at the Training Seminar (eg Sir Bryan Nicholson, Brian Wolfson and Bob Reid), members of the CBI Training Task Force (who have promoted the idea of vouchers), suitable TEC Chairmen and Conservative MPs who have advocated vouchers in the past.

The paper, however, does not mention the suggestion made at the last Ministers' meeting that, in addition to the detailed prospectus, there should also be a "plain man's guide" to credits. This is an excellent idea. The prospectus will be technical and for the "cognoscenti". A 'pop' edition would be very useful for explaining credits to the press and to schools etc.

You will want to make certain that Michael Howard has this in hand.

Recommendation

- agree to Michael Howard's and John McGregor's proposals;

- ask whether work is in hand to produce a plain man's guide to credits to accompany the launch of the pilot project.

ANDREW DUNLOP

PRIME MINISTER

MEETING OF E(A): TRAINING CREDITS: 22 MARCH

E(A) is meeting on Thursday morning to consider the training credits proposals broadly agreed at your last ad hoc ministerial meeting.

As you will have a heavy night tomorrow with the Havel dinner and preparations for Questions on Thursday you may like to take a quick glance this evening at the E(A) papers. These are:

Flag A - the joint Howard/MacGregor paper which summaries the main features of the package and incorporates developments since the last meeting.

Flag B - a Cabinet Office brief which picks out the key points since the last meeting.

You will see that Michael Howard is working to an announcement on Tuesday 27 March. I have been encouraging planning on this basis so that the credits announcement has been made in advance of your Central Council speech on 31 March when you want to include material on training.

Paul Gray
20 March 1990

c: training (MJ)

D B

PRIME MINISTER P 03653

TRAINING CREDITS FOR YOUNG PEOPLE: PROPOSED PILOT APPROACH
E(A)(90)3

DECISIONS

1. Mr MacGregor and Mr Howard seek E(A)'s formal endorsement of their proposal for local pilot schemes of training credits which Mr Howard wishes to announce on 27 March.

2. You will want to check that you are satisfied with the proposals as amended since the meeting of 13 March. In particular -

i. selectivity. The prospectus would make clear the need for a balance between bids based on an entitlement for all 16 and 17 year-olds, and selective schemes.

ii. timetable You may want to check that the timetable in annex A is realistic.

iii. apprenticeship and trainees' wages. The paper does not mention the points which you raised at the last meeting.

iv. funding and costs. The Chief Secretary has agreed to additional provision of £5 million in 1991-92 and £10 million in 1992-93, the balance being found from savings in the Secretary of State for Employment's programmes.

v. presentation. Presentation of the new scheme will require care. You may wish to check the arrangements.

BACKGROUND

3. This paper is essentially the same as was considered at your meeting on 13 March, but with some amendments to reflect the

discussions which took place.

MAIN ISSUES

Selectivity

4. The new proposals accept the idea of selectively targeted schemes. The aim will be to ensure a reasonable balance between selective and universal schemes in the pilots. You may wish to ask Mr Howard and Mr MacGregor if they have any views on how pilots will be divided between the two types of schemes.

Improved careers advice

5. In paragraph 5 it is said that there will be improved advice on jobs and training through the Careers Service and careers teachers, presumably to ensure that individuals make better decisions about how to use their credits. You may wish to ask whether there are any specific measures which are to be taken to achieve this.

Apprenticeship

6. At the meeting on 13 March you asked for further thought to be given to the effect of the new arrangements on apprenticeship. You pointed out that it would be to the good if apprenticeship was weakened. The paper does not mention this aspect, and you might like to ask Mr Howard and Mr MacGregor about the outcome of their further consideration.

Pay rates

7. At the 13 March meeting you also expressed concern about the lack of proper pay differentials to reward young people who complete their training, and about the unions' insistence that trainees should receive a fixed proportion of an adults' wages. Mr Howard and Mr MacGregor thought that it would be too ambitious to tackle this abuse at the same time as introducing the credits, but you could ask if they have given the matter any further consideration.

Timing

8. Concern was expressed at an earlier meeting that the timetable for the proposed scheme might prove unrealistic. It will be important to ensure that the experiment is not jeopardised by the Government expecting other participants to meet over-ambitious deadlines, especially where their goodwill is important to the success of the venture. You may want to ask if the proposed timetable in Annex A avoids these risks.

Funding and costs

9. At the last meeting you felt that it should be possible for the necessary money to be found within current provision. However the current paper says the Chief Secretary has agreed to additional provision of £5m and £10m in 1991-92 and 1992-93. You may wish to check that you are content with extra provision.

10. You may wish to ask what monetary value Mr MacGregor is now proposing for individual training credits. In the last paper he gave an illustrative figure of £1500 compared with average training costs of £5000.

Employer costs

11. At the meeting on 13 March Mr Howard accepted that failure by employers to increase their contributions substantially would be an argument again extending the pilots into arrangements applying across the country. You may wish to ask him to ensure that this point is made clear in any announcement of the scheme.

Next Steps

12. Subject to E(A)'s agreement, Mr Howard wants to make an announcement on 27 March. At the last meeting you said the presentation would need care, and that it would be wise to arrange for support of employers and outside interests likely to be sympathetic. You may wish to ask what preparations are being made to this end. You could ask Mr Howard to circulate the draft of his proposed announcement to colleagues.

HANDLING

13. The Secretaries of State for Education and Science and Employment will wish to introduce their joint paper, and to outline the proposals for the benefit of colleagues not at the earlier meetings. The Chief Secretary, Treasury may wish to comment on the public expenditure aspects. Most interested Ministers were at your earlier meetings; an exception was the Secretary of State for Wales, although he has since written in support of the pilots proposal.

RTJW.

R T J WILSON
Cabinet Office
March 20, 1990

CONFIDENTIAL

PRIME MINISTER

TRAINING CREDITS FOR YOUNG PEOPLE: PROPOSED PILOT APPROACH

I have seen the minutes dated 9 March from John MacGregor and Michael Howard and from Norman Lamont proposing arrangements for piloting training credit schemes for 16 and 17 year olds entering the labour market.

If we are to be able to assess fully the effectiveness of credit arrangements I agree that the pilot schemes must offer credits to all 16 and 17 year olds leaving full-time education. A selective scheme targeted at specific groups or occupations will not achieve our objective of motivating those young people who leave full-time education wanting to opt out of all further formal training.

I should very much like to see a pilot scheme in Wales and I will be asking Michael Howard to consult me before approving any bids.

I am copying this minute to Nicholas Ridley, John MacGregor, Malcolm Rifkind, Tom King, Michael Howard, Kenneth Baker, Norman Lamont and Sir Robin Butler.

14 March 1990

PW

MANPOWER-SEMS pt 24

SRW

cPW

MR. WHITTINGDALE

cc: Mr. Harris
Mr. Dunlop

PRIME MINISTER'S SPEECH ON TRAINING

I attach a self-explanatory letter I have sent to Geoffrey Holland together with the background papers - in particular the Prime Minister's comments on my minute of 13 March. You will see that she wants to include a substantial passage on training in her Central Council speech; you will presumably want to be in touch with Department of Employment for some draft material.

As Andrew Dunlop will recall, there was no firm decision at yesterday's Ministerial meeting on training credits about when an announcement will be made. But, since that meeting, I had already arranged an E(A) discussion for Thursday 22 March which would facilitate Michael Howard making a statement on Tuesday 27 March. In the light of the Prime Minister's speech decision I have now told Howard's office that this reinforces the case for planning his statement on 27 March; the Prime Minister will then be able to follow this up in the Central Council speech just a few days later.

(PAUL GRAY)
14 March 1990
a:\economic\Whittingdale (srw)

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 March 1990

Dear Geoffrey,

PRIME MINISTER'S MAJOR SPEECH ON TRAINING

In the light of the outcome of yesterday's Ministerial meeting on training we have consulted the Prime Minister about the proposal in your letter to Caroline Slocock of 12 March.

As I mentioned to your office this morning, the Prime Minister has decided that she does not feel able to take on a further separate major speech on training in the run-up to the summer break. She is, however, keen to use one of the other speeches already in her programme to focus on training. Her current intention is therefore to use her speech to the Conservative Party Central Council on 31 March to cover training as part of her forward look. John Whittingdale, the Political Secretary here at No.10, will be in touch with your Minister's special adviser to discuss possible material for this purpose.

The implication of all this is I am afraid that if you want to proceed with a major conference of the Training and Enterprise Councils in late May-June you will need to identify an alterative key-note speaker.

I am sending a copy of this letter to Anne-Marie Lawlor in your Secretary of State's office.

Yours,
Paul

(PAUL GRAY)

Sir Geoffrey Holland, K.C.B.,
Department of Employment.

PRIME MINISTER

POSSIBLE SPEECH ON TRAINING

You saw in the papers for this morning's meeting on training the latest Department of Employment ideas for your possible major speech on training later this year (attached).

We are now on course for an announcement about training credits by the end of this month. I do not foresee there being any other major policy announcements over the coming months; Michael Howard's credits announcement will effectively be the follow-up to the training seminar.

Following that seminar you were, however, minded to make a major speech on training. But, as you will recall from yesterday's diary meeting, it is proving very difficult to fit in further major speech commitments this year. You will therefore want to consider whether to keep to the earlier plan of a major training speech in say May/June.

i) Do you want us to pursue further with Department of Employment the sort of idea set out in Geoffrey Holland's letter attached?

or

ii) Prefer now to drop this idea?

It can be included in the Central Council speech as part of the forward look - and a continuation of the Passport to Opportunity speech to the Party Conference not

PAUL.

Paul Gray

13 March 1990

c: training (MJ)

CONFIDENTIAL

Cole MEM

ccPM

SUBJECT CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 March 1990

Dear Clive,

The Prime Minister this morning held a meeting to discuss training policy. The meeting had before it a joint paper dated 9 March by the Secretaries of State for Employment and for Education and Science, and a minute dated 9 March from the Chief Secretary to the Treasury. Those present were the Secretaries of State for Education and Science, Scotland and Employment, the Chancellor of the Duchy of Lancaster, the Chief Secretary to the Treasury, the Minister of State, Department of Employment, the Parliamentary Under-Secretary of State, Department of Education and Science (Mr Jackson), the Parliamentary Under-Secretary of State, Department of Trade and Industry (Mr Redwood), Sir Robin Butler, Mr Wilson and Mr Monger (Cabinet Office) and Mr Dunlop (Policy Unit).

The Secretary of State for Employment said that, with the Secretary of State for Education and Science, he had reconsidered his proposals on training in the light of the previous discussion on 20 February. Their recommendation, as set out in the joint minute of 9 March, was that the Government should set up a modest number of local pilot schemes of training credits. They would be directed by individual Training and Enterprise Councils (TECs), or local enterprise companies in Scotland, in close collaboration with Local Education Authorities (LEAs). They would offer a mixture of universal and selective schemes. The TECs would bid to run such schemes against a prospectus which he would issue, and the first schemes would come into effect in April 1991. As to the points raised by the Chief Secretary, he would be prepared to make a contribution to the extra resources required, in addition to planned provision for Youth Training and Local Education Authorities, of £15m in 1991-2 and £30m in subsequent years. The concern about deadweight and the importance of increasing the level of employers' contributions would be reflected in the prospectus, and to be successful in their bids TECs would have to make satisfactory proposals on both points. He also accepted that failure by employers to increase their contributions substantially would be an argument against extending the pilots into arrangements applying across the country.

The Secretary of State for Education and Science said that he agreed with the Secretary of State for Employment. He thought it important that the pilot schemes to be chosen should include some which were universal. This would be necessary to test the

CONFIDENTIAL

practicality of universal schemes, and there was a risk that without some such element the Government's response to the public interest in credit schemes would appear inadequate. The financing of the pilots required the transfer of funds from the LEAs. He would need therefore to ensure that the LEAs cooperated fully in the project, and that he intended to do. Where the pilots were selective, there would be difficult questions about how LEAs' provision should be divided, since they would need to keep some to cover the needs which the selective pilot would not meet.

In discussion the following were the main points made:

a. There was no need for a final decision now between universal and selective schemes. It would be right for the pilot schemes to include both types, without steering TECs towards one or the other, and an informed view could then be taken about their relative merits in the light of evidence of how they worked in practice.

b. The description of some schemes as universal was in any case misleading. Young people issued with credits under such schemes would not be able to use them for any training they chose. The credits would pay only a proportion of the cost of training: the paper gave an illustrative figure of £1,500 compared with average training costs for an individual of around £5,000. The employer would have to meet the remainder of the costs, and his approval would therefore be required for the training. Indeed, this showed the advantage of the approach, since it meant that the training provided would have to reflect more closely the needs of the market.

c. Training credits could have a big impact on the system of apprenticeship. The training could provide after two years qualifications for the equivalent of which apprentices had to serve for four years. The time-serving nature of apprenticeship was an undesirable rigidity in the market and imposed substantial costs on employers. It would be desirable if possible to use the new training system to weaken it. This aspect required further consideration.

d. Another rigidity in the market was the low pay differential for those who completed training, reflecting the unions' insistence that those undergoing training should be paid a fixed proportion of the adult wage. This also increased the costs falling on employers and was one reason for the small number of apprentices. It would be desirable to weaken this restriction also as a consequence of introducing the new arrangements. On the other hand, there was a risk that attempts to do this would complicate and make more contentious the introduction of training credits. Pay was the responsibility of employers. It was not at present proposed to make any change in the arrangements for paying young people being trained, but the point should be considered.

e. Where further education colleges offered courses which were taken up by holders of credits, they would be paid, like other training providers, through the credits topped up by contributions from employers. This was to be welcomed, since it would put the colleges under pressure to justify their courses in the market place, in competition with private sector providers. It could also have important long-term implications for the financing of the colleges and was a major change.

The Prime Minister, summing up the discussion, said that the group broadly endorsed the proposals by the Secretaries of State for Employment and for Education and Science. They agreed that there should be a mixture of pilot schemes, some of which would be selective. Financing should be further discussed between the Secretaries of State and the Chief Secretary, but the group considered that it should be possible for the necessary money to be found within current provision. The group also believed that further consideration should be given to the relationship between the new arrangements and the apprenticeship system, any weakening of which would have advantages. The group noted that the Secretary of State for Employment had it in mind to make an early announcement of the scheme. The presentation would need care, and it would be wise to arrange for the support of employers and outside interests which were likely to be sympathetic. The Secretary of State for Employment might arrange meetings with them shortly before the Statement. The Secretary of State for Education and Science would also wish to ensure that the Government carried the LEAs and colleges with them. The timing of the announcement required further thought. As a next step, the proposals should be put to E(A), and an early meeting would be arranged for that purpose.

I am sending copies of this letter to the Private Secretaries of the Ministers at the meeting, and to the others present.

Yours,
Paul

PAUL GRAY

Clive Norris, Esq.,
Department of Employment

SCANNED

TRAINING

1. MR WILSON
2. MR GRAY
___ G.W.MONGER
March 13, 1990

Draft letter for Mr Gray to send to the Principal Private Secretary, Department of Employment.

Training and Education

The Prime Minister this morning held a meeting to discuss training policy. The meeting had before it a joint paper dated 9 March by the Secretaries of State for Employment and for Education and Science, and a minute dated 9 March from the Chief Secretary to the Prime Minister. Those present were the Secretaries of State for Employment, the Chancellor of the Duchy of Lancaster, the Secretary of State for Education and Science, the Secretary of State for Scotland, the Chief Secretary to the Treasury, the Minister of State, Department of Employment, the Parliamentary Under-Secretary of State, Department of Education and Science (Mr Jackson), the Parliamentary Under-Secretary of State, Department of Trade and Industry (Mr Redwood), Sir Robin Butler, Mr Wilson and Mr Monger (Cabinet Office) and Mr Dunlop (Policy Unit).

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The Secretary of State for Education and Science said that he agreed with the Secretary of State for Employment. He thought it important that the pilot schemes to be chosen should include some which were universal. This would be necessary to test the practicality of universal schemes, and there was a risk that without some such element the Government's response to the public interest in ~~voucher~~ credits schemes would appear inadequate. The financing of the pilots required the transfer of funds from the LEAs. He would need therefore to ensure that the LEAs cooperated fully in the project, and that he intended to do. Where the pilots were selective, there would be difficult questions about how LEAs' provision should be divided, since they would need to keep some to cover the needs which the selective pilot would not meet.

In discussion the following were the main points made:

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could then be taken about their relative merits in the light of evidence of how they worked in practice.

b. The description of some schemes as universal was misleading. Young people issued with ~~vouchers~~ credits under such schemes would not be able to use them for any training they chose. The ~~vouchers~~ credits would pay only a proportion of the cost of training: the paper gave an illustrative figure of £1,500 compared with average training costs for an individual of around £5,000. The employer would have to meet the remainder of the costs, and his approval would therefore be required for the training. Indeed, this showed the advantage of the approach, since it meant that the training provided would have to reflect more closely the needs of the market.

c. Training ~~vouchers~~ credits could have a big impact on the system of apprenticeship. The training could provide after two years qualifications for the equivalent of which apprentices had to serve for four years. The time-serving nature of apprenticeship was an undesirable rigidity in the market and imposed substantial costs on employers. It would be desirable if possible to use the new training system to weaken it. This aspect required further consideration.

d. Another rigidity in the market was the unions' insistence that those undergoing training should be paid a fixed proportion of the adult wage. This also increased the costs falling on employers and was one reason for the small number of apprentices. It would be desirable to weaken this restriction also as a consequence of introducing the new arrangements. On the other hand, there was a risk that attempts to do this would complicate and make more contentious the introduction of ~~the voucher scheme~~ training credits. It was not ~~therefore~~ at present proposed to make any change in the arrangements for paying young people being trained, but the point should be considered.

e. Where further education colleges offered courses which were taken up by ~~voucher~~ holders of credits, they would be paid, like other training providers, through the ~~vouchers~~ credits topped up by contributions from employers. This was to be welcomed, since it would put the colleges under pressure to justify their courses in the market place, in competition with private sector providers. It could also have important long-term implications for the financing of the colleges and was a major change.

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I am sending ~~a copy~~ copies of this letter to the Private Secretaries of the Ministers at the meeting, and to the others present.

SCANNED
before amendment

1. MR WILSON
2. MR GRAY
___ G.W.MONGER
March 13, 1990

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I am sending a copy of this letter to the Private Secretaries of the Ministers at the meeting, and to the others present.

12march.tecs

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 3000/01-273 5826
Telex 915564 Fax 01-273 5821

Permanent Secretary
Sir Geoffrey Holland KCB

Ms C Slocock
Number 10 Downing Street
LONDON SW1

12 March 1990

Dear Caroline.

Prime Minister's Major Speech on Training

You and I spoke today about an event which would be an ideal occasion for the major speech on training which the Prime Minister would like to make some time around late May or June.

This event is a conference we intend calling at which there would be present all the Chairmen of the Training and Enterprise Councils - both those which are fully operational and those which would not yet be so - together with all the Directors of the Councils (two thirds of these are, of course, Chairmen and Chief Executives of companies large and small throughout England and Wales). In total, there could be as many as 1,000 Chairmen and Chief Executives of Companies present. An ideal audience.

We have it in mind that this event would take place either at the QEII Conference Centre or at Wembley. Much will depend upon the date and, of course, the availability of the venue. We would suggest that the Prime Minister might speak very early in the day's proceedings. Hers would be, in every sense, the keynote address. That would suggest we might be looking at a timing of around 10.00 a.m. in the morning.

If we were now able to determine a date that would be convenient to the Prime Minister, we here would set to work and organise the conference accordingly. We will be very happy to fit in with any date that might be convenient to the Prime Minister. Obviously, the sooner we know what possibilities there are, the better.

I cannot think of a better occasion or a better audience for the major speech we have in mind. I do hope it will be possible to pull it off.

Yours ever.
Geoffrey

MANPOWER: SEMS

PRIME MINISTER

TRAINING CREDITS

You saw over the weekend some of the papers for tomorrow's meeting of the small Ministerial Group on Training Credits. These were summarised in my note immediately below.

Policy Unit and Cabinet Office briefing is now also available. A full list of the papers is:

Flag A - minutes of last meeting;
Flag B - joint paper by Messrs Howard and MacGregor;
Flag C - note by Chief Secretary;
Flag D - Cabinet Office brief;
Flag E - Policy Unit brief.

The Policy Unit are broadly supportive of the Howard/MacGregor approach, although they suggest some modifications. They reject the Chief Secretary's ideas, and are also strongly critical of Mr Ridley's idea for putting more power in the hands of employers rather than trainees. Mr Ridley has not put in a paper, but his views will be represented at tomorrow's meeting by John Redwood (Mr Ridley is in Poland and Russia).

The Cabinet Office brief sets out the key issues to cover: public expenditure aspects, selectivity, role of employers, timetable and handling. On the last point, you may want to refer the issues to E(A) before any final decision.

One other point to have in mind is your earlier plan to make a major speech on training in late Spring/early Summer. The kind of issues under discussion at tomorrow's meeting would be one important element in such a speech. You may like to glance at the letter from Geoffrey Holland (Flag F) which sets out the latest D/Employment ideas on the forum for such a speech.

As you know from this morning's diary meeting, finding a slot in May/June will be very hard; but do you still want us to plan on this basis?

PAUL GRAY

12 March 1990 PREG.

C:\ECONOMIC\TRAINING.DAS

PRIME MINISTER

12 March 1990

TRAINING CREDITS

DE, DES, Treasury and DTI continue to disagree about whether or not a credit scheme covering all 16 and 17 year old school leavers (universal) can work effectively. This debate will not be decided conclusively in discussion. A programme of local pilots is necessary to provide the answer. The key issue to be settled is to what extent alternative designs of credit scheme should be piloted. John McGregor and Michael Howard are right to focus on universal schemes which give individuals some choice. But (as with the TVEI pilots) it is important that the prospectus inviting bids from TECs is not too prescriptive.

The DE/DES Proposal

Following the last Ministers' meeting two broad approaches have been considered: (a) a national selective scheme from April 1991, with the use of credits limited to either specific occupations, small firms or to higher level training (b) a programme of local pilots. Michael Howard and John MacGregor propose to proceed with Option (b).

Their proposal envisages that:

1. There will be 10 pilots from April 1991;

2. TECs will be invited to tender bids against specific criteria set out in a prospectus;

3. The criteria would include:
   - an increase in participation rates;
   - the relevance of the training to the labour market;
   - the attainment of more skills and at higher levels;

- overall cost-effectiveness: TECs would have to demonstrate that deadweight would be kept to a minimum and employer contributions to the cost of training increased.

4. The prospectus would not prescribe specific scheme designs. The onus would be on TECs to provide solutions. But the prospectus would indicate, as examples only, a range of possible alternative designs including both universal and selective schemes.

5. The prospectus would, however, make clear that in evaluating bids the Government would give preference to schemes with credits issued to all 16 and 17 year old school leavers in the TEC area, and carrying a significant face value (This is essential if individuals are to exercise a degree of choice and to have some real purchasing power).).

6. Funding would comprise the successful TEC's Youth Training allocation, LEA college provision for 16-18 year old "part-timers" and a share of a new central "kitty";

7. The kitty would be £15m in 1991/92 and £30m in 1992/93.

THE ISSUES

Pilots versus a National selective scheme

Given the concerns raised at the last Ministers' meeting, it is right not to pursue a national selective scheme from April 1991. It carries similar risks to starting up a universal scheme in that timescale. Morever, none of the interested Departments is likely to argue for it.

DTI, however, favour phasing-in a national selective scheme as and when each TEC become fully operational. In effect DTI envisage two schemes:

- non-employed young people would continue to receive Youth Training (YT);

- employed young people would receive training from their employer, using a voucher given to the employer by the TEC;

- available funds would be limited to a percentage of TEC area school leavers;

- within that amount, credits would target skills shortages, multi-skilled craft/technician and equivalent level training and give priority to small firms.

This proposal is very unattractive.

First, by giving the credit to employers, this scheme would fail to offer direct motivation of young people. It would be a straight subsidy to employers.

Second, by eliminating completely any individual choice it would do little to create a market in training. TEC officials would be in the business of "spotting winners". The net effect might be to distort the supply of training in an artificial way.

Third, by having separate arrangements for the non-employed, it would be more obvious to employers that the state would meet the income support costs of the non-employed. This would have the perverse effect of discouraging some employers from giving young people employed status.

Nicholas Ridley has however, written to Michael Howard. It appears he might be prepared to agree to an individual based voucher system, provided that the voucher could only be cashed

with the explicit endorsement of both the employer taking the young person on, and the TEC approving the training. He believes this would satisfy the need to make the training relevant.

Such involvement by TECs and employers is, of course, an integral part of what DE and DES envisage already. Paragraph 2 of Annex I of the joint DE/DES paper makes this clear.

Conclusion

It is right to reject a national selective scheme in favour of a programme of local pilots.

Selective versus Universal Pilots

The Treasury - as the Chief Secretary's minute makes clear - would like to restrict the pilots to selective credit schemes. They are:

- concerned that the costings of the pilots are unrealistic, and in particular that the assumptions about the level of employer contributions are optimistic;

- sceptical whether - even if the pilots succeed within the costs proposed - the extra cost implied by national universal arrangements is a price worth paying.

The Treasury view should be rejected on the following grounds:

First, it is wrong to see credits merely as a means of improving performance in specific industrial sectors. For the same reason that education is compulsory up to 16, there is also a strong case for encouraging all 16 and 17 year old school leavers to continue some form of part-time vocational education and training. This case goes above and beyond the immediate needs of specific job-related training. It is concerned with raising

the general level of skills in Britain and improving the overall flexibility of the workforce.

Second, it is important politically for the Government to be seen to be placing particular emphasis on testing the effectiveness of universal credit schemes. Universal credits - by increasing the skills of individuals that can be used in the market-place - are an extension of popular capitalism. They - not selective schemes have caught the public imagination. To run a series of pilots which did not include universal schemes would be like staging Hamlet without the ghost. Such an exercise would be widely seen as derisory.

Third, the Treasury's concerns about costings are not well-founded:

- the value of pilots is that one can test whether cost assumptions are realistic;

- there is little danger that the pilots will lead to cost overruns. The TEC bids will be evaluated on how effectively deadweight is to be minimised and employer contributions raised. Moreover the successful TECs will be required to run the pilots within a strictly cash limited budget;

- if the pilots succeed then an extra £300 million for nationwide arrangements which raise participation rates and increase skills, is good value for money.

Fourth, TECs have already the necessary discretions to operate selective credit schemes of the sort suggested by the Treasury. In that sense there is no need to pilot such schemes. The rationale for piloting a universal scheme is that (a) it goes beyond what TECs are able to do at present, and (b) If it worked we would want to apply it nationwide.

Conclusion

If we are to pilot credits then it is essential that the main emphasis is on universal credit schemes.

The Way Forward

I believe the Treasury will agree to piloting universal credit schemes, provided some selective schemes are tested also.

The existing proposals offer scope for TECs to bid to run pilots for selective schemes. But they may not do so:

- if the prospectus makes clear that bids for universal schemes will be given preference;

- unless the funding and evaluation of different types of pilot scheme are on the same footing and offer a fair basis of comparison.

In practice there should be no difficulty in accommodating some selective schemes within the programme of pilots. But it would be a mistake to achieve this by means of an explicit quota set out in the prospectus. This would give the impression that the Government was grudging in its willingness to test the Effectiveness of universal credit schemes. We would fail to gain maximum political credit for this initiative.

Recommendations

The programme of pilots should, therefore, be developed on the following basis:

1. The Government's internal working assumption should be that most of the pilots - say 7 or 8 - should test universal

credits with a minimum monetary face value; the other 2 or 3 would be available for selective schemes of one sort or another.

2. The prospectus should be worded in such a way as to convey the political message that the Government's main interest is in universal credits, and that if these succeed against publicly stated criteria (which must include value for money) then the intention would be to move towards a nationwide scheme.

3. But the prospectus should also make clear that bids for other, more selective, schemes would be welcomed. It should be left up to the National Training Task Force to stimulate a sufficient range of different types of bid; explicit quotas should be avoided.

4. The funding and evaluation of different types of credit scheme must be on a basis which allows them to operate on a level playing field.

5. The additional cost of the pilots should be met partly from within existing resources and partly from new money. DE would, say, meet all of the first year cost (£15m) from within existing resources and half (£15m) of the second year costs.

ANDREW DUNLOP

PRIME MINISTER

P 03643

TRAINING AND EDUCATION

Joint paper of 9 March by Secretaries
of State for Employment and Education and Science;
and minute of 9 March from Chief Secretary

DECISIONS

1. Mr Howard and Mr MacGregor propose to issue prospectuses early next month, inviting Training and Enterprise Councils (TECs) to bid to run 10 pilot schemes of training credits. Councils would be able, if they wished, to propose selective schemes but the two Ministers consider that a selective approach is not the best way forward. The Chief Secretary however is still concerned about the costs and believes that any pilot schemes should be selective. Mr Ridley (represented by Mr Redwood) agrees and also thinks that credits should be in the hands of employers, not individuals.

2. You will wish to decide whether pilot schemes should go ahead early next month and, if so, on what basis, bearing in mind the points discussed at your last meeting. In particular:

i. public expenditure. The paper asks for extra resources to launch the pilots: £15 million in 1991-92 and £30 million per annum thereafter. The Chief Secretary points out that these figures are derived from the same costings as he opposed last time. You will wish to decide whether there should be extra resources for any pilots.

ii. selectivity. The paper argues against introducing credits on a selective basis (eg. aimed at small firms, particular occupations or skills or inner city "compacts"). But the Chief Secretary and Mr Ridley favour selectivity. You will wish to decide whether pilots should be selective or available to all.

iii. role of employers. The paper proposes that credits should be issued to school-leavers but that the training would need to be agreed between the individual and the employer before the credit could be used (annex 1, para 2). Mr Ridley would go further and thinks that the credit should be in the hands of the employer. You will wish to decide whether Mr Ridley's approach should be pursued.

iv. timetable. There was concern at the last meeting that the timetable was too ambitious, since TECs were still only being developed and there had been no consultations. The latest timetable in annex 3 envisages prospectuses being issued on 1 April, TECs putting in outline bids on 1 May, careers guidance beginning in September and the first credits being used next April. You will wish to be satisfied that this timetable is realistic.

3. If you decide that the pilot schemes should go ahead, you may wish to invite Mr Howard and Mr MacGregor to circulate their proposals in final form to members of E(A) for approval.

BACKGROUND

4. At your meeting on 20 February the group saw attraction in training credits for young people but considered that there were far too many uncertainties about whether they would work satisfactorily and effectively. You commissioned further work on pilot or selective schemes. On funding, the group were inclined to the view that the money should be found from within existing departmental resources. But you said that if the pilot proposals were particularly attractive it was for consideration whether a small element of additional funding could be found.

MAIN ISSUES

Public Expenditure

5. Mr Howard and Mr MacGregor want extra resources to launch

the new approach since they think it will otherwise not seem credible, nor likely to stimulate enthusiasm from TECs and local education authorities. They say that ten pilot schemes, covering ten per cent of the national total of 16 and 17 year olds coming on to the labour market would require an additional £15 million in 1991/92 and £13 million in 1991/93 and subsequent years.

6. The Chief Secretary points out that these figures are based on the same costings as the figures which he opposed at the last meeting and would require an extra £300 million on a national basis. He still considers that they are based on very optimistic assumptions, including a four-fold increase in the contribution from employers as compared with YTS; and that if these proved unfounded, the extra cost of a national scheme could be more than £800 million a year. You will wish to explore the case for extra resources:

i. scope for savings from departmental programmes. At the last meeting you urged the departments to find the money for pilot schemes from within their existing resources. The paper says, however, that the money could not be found from within planned YTS expenditure and that it "would be very difficult to find a proportion from other training programmes". You will wish to decide whether to press the departments to try again.

ii. momentum. Mr Lamont is concerned that if pilots were carried out on the basis proposed it would be difficult to scale them down later on the grounds that they had proved to be too expensive. You will wish to decide whether the Government should explicitly say that if adequate contributions from employers are not forthcoming in the pilots, the scheme will not proceed on a national basis.

iii. selectivity. The Chief Secretary says that pilots on a selective basis should cost a lot less than the £30

million in a full year envisaged for pilots based on universal availability; but he gives no figures. You may wish to ask whether selective credits could be funded from within departmental resources.

Selective credits

7. Mr Howard and Mr MacGregor acknowledge that selective schemes offer potential benefits (Annex 1, paragraph 9), but they argue that a selective approach does not offer the best way forward. They want the prospectus to make clear the importance attached to bids based on an entitlement for all 16- and 17-year-olds leaving full-time education. Their reasons are as follows:

i. operation of the market. They argue that selective credits would restrict the operation of the market since there would be greater emphasis on planning, perhaps involving extensive central manpower planning by occupation and sector. Mr Lamont disagrees. He believes that selective credits would not impose choices on TECs but would be an instrument for them to use in support of local plans.

ii. incentive to young people to train. Mr Howard and Mr MacGregor attach importance to the way in which universal credits would motivate young people. Mr Lamont argues that selective credits would lead to better motivation because they would not be issued to everyone; and indeed that there might be competition to get them.

iii. political difficulties. Mr Howard and Mr MacGregor say that selective schemes are likely to encourage criticism from Opposition parties and quite probably from the CBI and others (Annex 1, paragraph 11). They also hint at problems with the European Commission. Mr Lamont emphasises that selectivity would enable Government to target resources on key training problems and skill needs, at lower overall cost, rather than spreading them thinly.

You will wish to decide whether pilot schemes, if introduced, should be on a selective basis, or on a universal basis, or whether the decision should perhaps be left to TECs to decide from within their resources in the light of local needs.

Role of employers

8. One key issue in discussion so far has been how to ensure that young people use their training credits in a way which matches the real needs of employers for particular skills; and also that the training which young people receive is good training, not just a paper qualification.

9. Mr Ridley's approach would solve both problems by placing the credit in the hands of employers, not young people. The employer would then be able to ensure that the training was relevant to the needs of the job and justified the individual's absence from work; and would claim reimbursement of the credit from TECs. Mr Howard and Mr MacGregor, however, are opposed to this because it would remove a key feature of the scheme which they see as being the motivation of young people. They agree, however, that training credits should only be used by agreement with an individual's employer. You will wish to decide whether Mr Ridley's approach should be pursued.

TIMETABLE

10. If you decide to proceed you will wish to be satisfied that the timetable in annex 3 is realistic:

i. TECs. There was concern at the last meeting that the timetable was too ambitious, since TECs were still only being developed and there had been no consultation with local authorities or other interested parties. You may wish to check that TECs will be able to submit bids by 1 May and run them from April 1991.

ii. Scotland. Mr Rifkind was particularly critical of the timetable at the last meeting. You may wish to ask whether he is content with the implications for Scotland. (The paper proposes that central responsibility for the pilots would rest with the Secretary of State for Employment.)

iii. local authorities. The paper refers to adjustments which would have to be made to the Revenue Support Grant by the end of May. You may wish to ask whether the Secretary of State for the Environment is content.

NEXT STEP

11. Finally, if you decide that there should be pilot schemes, you will wish to invite Mr Howard and Mr MacGregor to circulate their proposals in final form to E(A). The Sub-Committee saw proposals before Christmas but the meeting to discuss them was cancelled. Several members not recently involved have an interest: for instance, the Secretary of State for the Environment on the revenue support grant and the Secretary of State for Wales. If there is general agreement, the proposals could be cleared in correspondence. If not, they might be discussed in a meeting of E(A) (none is fixed) or in Cabinet.

Waldegrave was invited, but is unable to attend. RRG 12/3

HANDLING

12. You will wish to invite the Secretary of State for Education and Science and the Secretary of State for Employment to introduce their proposals. The Chief Secretary will wish to explain his concern about costs and the case for selective credits. The Parliamentary Under-Secretary, DTI (Mr Redwood) will wish to set out Mr Ridley's position. The Secretary of State for Scotland and others will wish to comment.

RTJW

R T J WILSON
12 March 1990

PRIME MINISTER

TRAINING CREDITS

You are having a further meeting with the Ministerial group on Tuesday to take forward work on training credits.

At the last meeting on 20 February you commissioned further work to consider the possibility of pilot or selective schemes. If you want to refresh your memory of the discussion, my note is at flag A.

Michael Howard and John MacGregor have now prepared a further joint paper (flag B). They now argue that the right approach is to go for a series of local pilots. Their very strong preference is for these local pilots to operate within the relevant areas on a universal rather than a selective basis. But, grudgingly, they concede that TECs might be allowed to operate selective arrangements. They also argue that extra funding is required even at the pilot stage.

The Chief Secretary (flag C) has also sent in a minute. He continues to have worries and argues that it is wrong to be going for universal schemes in the pilot areas. He would much prefer to operate the pilots on a selective basis. And, not surprisingly, he opposes the bids for extra funds.

I understand that the DTI also remain unpersuaded by the Howard/MacGregor approach. In Nick Ridley's absence abroad, John Redwood will be coming to Tuesday's meeting.

The papers were late in coming round today and briefing is not yet available. But I will let you have notes from the Policy Unit and Cabinet Office on Monday night.

PLCG.

PAUL GRAY

9 March 1990

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CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 9 March 1990

PRIME MINISTER

TRAINING CREDITS

I understand that John MacGregor and Michael Howard are minuting you today on training credits. They now propose that a range of training credit arrangements should be piloted by TECs, including selective schemes, but with the emphasis on universal credit schemes.

2. It seems clear that the type of universal scheme which would be given preference in the pilots would be no different from that in the earlier proposal which was considered at your meeting on 20 February, and which we decided not to pursue. Indeed the costings set out in paragraph 14 of the minute are derived directly from the costings, which I did not feel able to endorse, attached to those earlier proposals. It follows that those reservations still apply to the present proposals.

3. The key reservation is that the costings are very optimistic in assuming a fourfold increase in the contribution from employers, as compared with YTS. Even if that enhanced contribution were to materialise, a national scheme funded at the level of the proposed pilots would cost some £300 million a year in excess of existing provision. If it did not materialise, such a national scheme could mean an increase in expenditure of over £800 million a year if it was to achieve the kind of impact suggested.

4. Of course it could be argued that, with piloting, it would be possible to abandon or modify the universal credits approach if it proved to be too expensive. But once we have given currency to the idea of universal credits, even through pilots, it will tend

to acquire a momentum of its own. This certainly has been the experience with previous pilots of Training Agency schemes. Moreover there is no explicit recognition that if the necessary additional employer contribution was not forthcoming in the pilots, that would represent a very powerful argument against proceeding to a national scheme. Of course even the £300 million national cost implied by the costings in the paper would represent a major addition to public expenditure, well in excess of anything which was envisaged at your meeting.

5. No one is in fact suggesting that a universal scheme could be undertaken without substantial additional expenditure. The only way in which this could be avoided would be either by sticking to our proposals for Youth Training, or by means of a selective credit scheme. On the former, it is worth recalling that Youth Training itself represents a major improvement on YTS, and has moreover been designed to maximise the role of the TECs. It still therefore represents a perfectly viable option for improving on existing arrangements.

6. If however we do decide to pilot credits, I think that we should do so on a selective basis. By this I do not mean the kind of national selective arrangements described in Annex 2 to the paper. I think that credits should definitely be seen as a means rather than an end, and that it should be up to the TECs to decide both whether to have credits in their areas, and if so what type of scheme to have, although they might be expected to select from a range of schemes which had been successfully piloted. It is therefore important that a range of schemes is piloted, and that there is certainly no preference for universal arrangements. Possible variants include selectivity by occupation; by skill level; by aptitude, perhaps demonstrated through success in pre-vocational or vocational studies at school; through links with school/industry compacts; or by size of firm. We would need to structure the pilots in such a way that they provided a fair comparative test of those variants which we decided to include. These selective pilots should cost a lot less than the £30 million in a full year envisaged for universal pilots.

7. I do not accept that selective credits suffer from the disadvantages which have been suggested. On the contrary I would argue that they offer a number of advantages over universal arrangements:

(a) greater motivation of the young people concerned, because the credits are not just issued to everyone, and there may indeed be competition for them;

(b) much greater compatibility with the concept of TECs, who will retain full scope to use their discretion according to local needs, rather than simply helping to run a national scheme;

(c) targeting resources on key training problems and skill needs, rather than spreading them thinly;

(d) lower overall cost.

Selective credits on this basis are no more a question of manpower planning than are the TECs themselves. They would not impose any choices on the TECs, but would be an instrument for them to use as appropriate in support of their local plans. Nor do I think that a universal scheme has any great superiority as a market based approach. It would not create a market in the full sense, and insofar as it did, selective credits would share some of the same advantages.

8. I therefore hope that we can give serious consideration to this alternative approach at your meeting on 13 March.

9. I am copying this minute to Nicholas Ridley, John MacGregor, Malcolm Rifkind, Peter Walker, Tom King, Michael Howard, Kenneth Baker and Sir Robin Butler.

NORMAN LAMONT

Secretary of State
for Employment

CONFIDENTIAL

PRIME MINISTER

TRAINING CREDITS FOR YOUNG PEOPLE: PROPOSED PILOT APPROACH

On 20 February, you chaired a meeting of colleagues to discuss training policy and training credits for young people. In our paper on credits for that meeting, we pointed to the major benefits which credit arrangements would bring through increasing the interest and motivation of young people in their own training, stepping up their participation, and raising the level of their skills.

In summing up the meeting, you said that there was considerable attraction in the development of a system of training credits for young people. But there remained uncertainties about whether national credit arrangements applying to all young people entering the labour market would work satisfactorily or effectively. We were asked to develop proposals and you said that it would be for consideration whether an element of additional funding could be found for suitable pilot proposals.

Our Recommendation

We have reconsidered our proposals in the light of the discussion on 20 February, and this minute draws on subsequent discussions with the other Government Departments with a direct interest. We recommend that there should be local pilot schemes of training credits, operated by individual Training and Enterprise Councils

(and local enterprise companies in Scotland), working in close collaboration with Local Education Authorities. The Councils would bid to run such schemes against a prospectus which the Secretary of State for Employment would issue. The first schemes would come into effect in April 1991.

We believe that pilot schemes should have as their major emphasis credits issued to all 16 and 17 year olds leaving full-time education, with the credit specifying a significant minimum value. This is essential if we are to test the full effects of credits on creating a genuine market in training. The key is to put effective purchasing power in the hands of the individual, with the decision to train taken by individual employers and young people. The role of the Training and Enterprise Councils will be to ensure that the training provided meets the needs of the labour market. Employers will have to bear a major part of the training costs and this too will lead to training which is directly relevant to their needs. We believe that arrangements which lack these key characteristics are, in essence, not credits at all. Furthermore, they would represent continuation of a manpower planning approach with, in effect, subsidies to particular groups of employers. These points are set out more fully in Annex 1.

We understand the arguments put forward by colleagues who see merit in testing selective arrangements. We think therefore that the prospectus should leave scope for individual Training and Enterprise Councils to propose selective schemes of different types, including those aimed at small firms, particular occupations, or at strengthening business-education partnerships and inner city Compacts.

We have looked also at the possibility of introducing selective arrangements aimed at small firms or specific occupations across

the whole country. As explained in Annex 1, we do not consider that a selective approach offers the best way forward. Early introduction of selective arrangements on a national basis would give rise to the risks and uncertainties identified at the 20 February meeting. Annex 2 sets out in more detail the arguments concerning national selective schemes.

Key Features of the Proposed Pilots

This section outlines our proposals for pilot credit schemes.

The aim of each pilot should be that a significantly higher proportion of young people than at present secure skills which are relevant to the labour market, and at higher levels of attainment. Each pilot should bring about a substantial improvement in the cost-effectiveness and quality of training and vocational education, taking public and private provision together, with more employers offering jobs with training. Overall, the improvements to be achieved should be better than those which Youth Training (YT) is planned to deliver.

The Secretary of State for Employment would issue a prospectus setting out the framework against which Training and Enterprise Councils would bid. The Councils would have to work closely with the Local Education Authorities and the training provided would have to be to approved standards. The prospectus would make clear the importance attached to bids based on an entitlement for all 16 and 17 year olds leaving full-time education, with the credit bearing a specified minimum value. The prospectus would not, however, be rigidly prescriptive and would also make clear that the Councils were free to make bids for other credit arrangements including those directed at small firms, certain occupations, and business-education partnerships.

Other major features would be:

i the credit could only be used where the Training and Enterprise Council was satisfied that the provision of both on-the-job and off-the-job training was of the appropriate standard and quality and was relevant to the needs of employers in the area;

ii individual Training and Enterprise Councils would be responsible for planning and operating the pilot schemes, working closely with other relevant interests and securing the necessary participation of the education service. Central responsibility for the pilots would rest with the Secretary of State for Employment, in close co-operation with the Secretary of State for Education and Science. Other Ministerial colleagues concerned would, of course, also be consulted. Arrangements for Scotland would reflect the particular circumstances there;

iii when submitting bids, the Training and Enterprise Councils would have to demonstrate how they would minimise deadweight. This would be based in particular on an analysis of employers in the area who trained young people entirely at their own expense and on actual costs of training set against current levels of funding under YTS and through the local Further Education Colleges. The Councils would also need to show that their credit scheme would lead to training that was genuinely additional and would secure higher levels of financial contributions from employers;

iv the Training and Enterprise Councils would plan their pilot schemes on the basis that they would be effectively cash-limited and that any cost over-runs would be made good from other blocks of expenditure at the disposal of the Council;

v at least 10% of the funding of the Training and Enterprise Council would depend upon its achieving the planned results in terms of skills and qualifications. The Council would remain obliged to meet the Government's Guarantee of a training place for all young people unable to find a job, and to improve youth training more generally.

The aim would be to have 10 pilot schemes operating from April 1991. This would allow major progress to be made in increasing the commitment of individual young people to training, while at the same time testing a range of possible credit arrangements as the Training and Enterprise Councils and local enterprise companies come into operation. We would provide colleagues with periodic reports about progress and the lessons learned about the effects of credit arrangements on improving training for young people.

Timing

Given the importance of the issue and of the need to test the effectiveness of credit arrangements, the first set of pilot schemes should be in operation for young people leaving school at Easter 1991. In order to achieve this, we would have to make an announcement and issue the prospectus by the beginning of this April. The Training and Enterprise Councils will need at least four full working weeks to put together satisfactory outline bids to secure approval in principle (with detailed plans to follow within two months); the necessary adjustments to the Revenue Support Grant for the areas selected have to be made by the end of May; and careers guidance for 1991 school-leavers would begin in September this year. Annex 3 provides further details of the timetable.

Funding and Costs

The main sources of funding would be the planned Youth Training (YT) allocation and Local Education Authority provision for 16-18 year olds undertaking part-time training and education. However, we need to add some extra resources to launch the new approach. Otherwise the initiative, which is aimed at a major increase in training young people, will not seem credible generally nor are we likely to stimulate sufficient enthusiasm on the part of the Training and Enterprise Councils and Local Education Authorities.

A set of 10 pilot schemes, covering 10% of the national total of 16 and 17 year olds coming on to the labour market (some 45,000 per year), would enable effective testing of credit arrangements. This would require, in addition to planned YT and LEA provision, further resources at current prices of £15 million in 1991-92 and £30 million in 1992-93 and in subsequent years. None of these extra resources could be found from planned YT expenditure. It would also be very difficult to find even a portion from other training programmes, which are already operating on extremely tight unit cost regimes which are attracting a good deal of criticism from our political opponents and elsewhere.

But they could be found for ET! ✓ PRCG

Conclusion

We believe that our proposals would make a major impact on the motivation of young people to train, which is the key to increasing the skills and productivity of our young workforce. They would represent an effective response to the current interest in training credits. At the same time, the proposed local pilot schemes through Training and Enterprise Councils would enable lessons to be learned about the most effective form of credits and

would avoid the risks associated with immediate introduction of credit arrangements across the country, as identified at our meeting on 20 February.

We are copying this minute to the Secretaries of State for Wales and Trade and Industry, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland and Northern Ireland, the Chief Secretary, and to Sir Robin Butler.

M. H.

J M
M H
9 March 1990

ANNEX 1

ARGUMENTS FOR AND AGAINST UNIVERSAL AND SELECTIVE CREDITS

Introduction

1. Paragraph 4 of the main minute indicates our preference that pilot schemes should have as their major emphasis credits with an entitlement for all 16 and 17 year-olds leaving full-time education, and a significant fixed value. Paragraph 5 makes clear that, nonetheless, the prospectus for pilots would not rule out proposals from individual Training and Enterprise Councils to mount selective pilots of different types. This Annex sets out in more detail the considerations which underlie this proposed emphasis on schemes with entitlement for all young people. It covers all types of selective schemes, irrespective of their specific focus or the timescale on which they might be introduced.

Universal Credits

2. The key benefit of issuing credits to all 16 and 17 year-old leavers is that it would put the initiative in the hands of individual young people and employers. Using this approach, training would need to be agreed between the young person and employer before the credit could be used. Employers would incur significant costs in agreeing to provide training. For example, a fixed value credit of (say) £1,500 would compare with average training costs for an individual of around £5,000. Employers are unlikely to incur costs of this size unless the training provided is relevant to their needs; they will not train for training's sake. The Training and Enterprise Council will provide the essential element of quality control required to ensure that training is to recognised standards.

3. Using this approach, the supply of trained young people by sector and skill level would be determined mainly through the market. There would be selection, but this would be exercised through the initiative of individual young people and employers acting together to determine their needs. However Training and Enterprise Councils would have a key role in offering selective support to employers and stimulating training in particular areas.

4. The CBI believe that a key benefit of this approach is that it creates a direct relationship between employers providing training and individual young people. Young people will perceive training as something directly relevant to their jobs, rather than being associated with a national scheme.

Deadweight

5. A key objection to any approach with entitlement for all young people is that it involves too much deadweight. But the evidence is that the amount of good quality training for 16-18 year-olds provided by employers with no public support is small. It will be important to secure maximum value for money by reducing or removing this deadweight element under a scheme of this type.

6. In principle, there is no inconsistency between issuing credits to all 16 and 17 year-olds leaving full-time education, and excluding the minority of employers who already train at their own expense from access to credit funding. Training and Enterprise Councils would be expected in their bids for pilot schemes to propose ways of achieving this, and to have gathered adequate information on the training currently carried out by employers in their area at their own expense. This should enable the deadweight element in a scheme with entitlement for all young people to be substantially reduced.

Selective Credits

7. There are a number of possible types of selective scheme. The types of selectivity which might be exercised could include issuing credits to young people in specific occupations; for training at technician and multi-skilled craft level, for young people who showed sufficient aptitude; and to those employed in small firms. The criteria for selectivity could either be set nationally or by individual Training and Enterprise Councils.

8. Proponents of selective schemes have argued that they offer the prospect of greater flexibility than schemes with entitlement for all young people, with benefits in terms of reduced deadweight and increased value for money. One possible approach, aimed at giving to Training and Enterprise Councils maximum flexibility under selective arrangements, would be to have no fixed national criteria about the form of selectivity to be applied in each area. A corollary of this approach would be that, if the Councils wished to issue credits to all leavers in their areas, they would be free to do so; conversely, they would be free not to make use of credits at all.

9. Selective schemes offer potential benefits, and the minute therefore makes clear that proposals from individual Training and Enterprise Councils to pilot such approaches would receive consideration. But selective credits would have the key drawback of restricting the operation of the market, and reducing the incentive to individual young people to train. For these reasons, our preference is for an entitlement for all 16 and 17 year-old leavers.

Conclusions

10. The key issue in deciding whether a universal or a selective approach is preferable is which will make the training market work more effectively. We believe that for a genuine market to be created, it is essential to give a direct incentive to individual young people and employers to train. Within a universal scheme, TECs would have a key role in quality control and in using discretionary funds to stimulate training in particular areas, including specific occupations or small firms. We believe that this strikes the right balance between giving the initiative to individual young people and employers, and intervention in the training market by Training and Enterprise Councils. By contrast, under a selective scheme the incentive to individuals is reduced and the operation of the market substantially restricted through greater emphasis on planning. For this reason, we believe that priority should be given to universal pilots.

11. In addition, selective schemes may involve political difficulties. They are likely to encourage criticisms from the Opposition parties, and quite probably from the CBI and others, on the grounds that selectivity is an inadequate response to the growing need for a better-trained workforce as a whole. Moreover, it would be difficult to argue that LEAs should give up funds to support a selective approach which have hitherto been used to support part-time 16-18 year old provision generally.

ANNEX 2

OPTIONS FOR SELECTIVE NATIONAL CREDIT ARRANGEMENTS

Introduction

1. The previous Annex sets out the relative merits in principle of selective credits and of credits on a universal basis. This Annex looks at the practical issues and significant difficulties that would be involved in implementing selective credits on a national basis from April 1991.

2. At the 20 February meeting, a number of difficulties were identified in connection with national arrangements for issuing all young people with training credits from April 1991. The effect of credit arrangements on young people and employers is difficult to predict in the absence of relevant experience, and public expenditure implications are unclear. Potential deadweight was identified as a major problem to be addressed. Without testing a variety of models, it is hard to judge whether credits offer the most effective way forward.

3. Practical difficulties were also identified in getting systems in place by April 1991 to support effective national arrangements, given in particular the progressive introduction of Training and Enterprise Councils and local enterprise companies, which will not be completed until 1992.

Specific Options

4. Two types of possible selective, national arrangements were identified at the 20 February meeting:

i. arrangements designed to stimulate training of young people in small companies;

ii. arrangements limited to training in certain types of occupations.

5. These two specific types are discussed below. But each also carries a number of the difficulties connected with any type of national arrangement. Selective national arrangements of both types would be more expensive than the proposed series of local pilot schemes, because more young people would be eligible to use the credits.

National Arrangements Aimed at Small Firms

6. Under such arrangements, credits would be issued to all school leavers. The credit would only be honoured by the Training and Enterprise Council in respect of young people trained in small firms (eg those employing less than 200 people). The young people would take their credit with them when seeking employment. If the young person was employed within an enterprise of the prescribed size, the employer would turn to the Training and Enterprise Council for redemption of the credit against the provision of approved training.

7. The main attraction of this approach is as a means of remedying the lower levels of training within small firms relative to larger companies. Smaller firms find it harder to bear the overheads associated with organising training, and also the release costs when the trainee is at the local college or in other off-the-job training. Government legislation and other provision is already in a number of cases geared specifically to meeting the needs of small firms.

8. On the other hand, there are strong arguments against such arrangements. They would in effect be a major shift away from empowering the individual and towards a training subsidy for a group of employers. If confined to small companies, the credit could not be presented as entitling young people to training,

and might distort career choices. The unit cost to the Exchequer of a small firms scheme would be higher than universal arrangements, given the greater prevalence in small firms of non-employed YTS trainees compared with the larger companies, and the greater difficulty of securing financial contributions from them.

9. There are doubts as to the extent to which small companies would make use of the credits, given their lack of tradition and expertise in training matters, and their need for support and organisation carried out by a third party (at present managing agents) rather than a subsidy. More fundamentally there is also evidence from the published report on "Training in Britain" and from experience of YTS that size of the establishment within an enterprise can be an important determinant of training, and that the size of the enterprise alone is not the only size-related factor at work in influencing training. Where training is done by small firms, it is often to high standards. Two-tier arrangements (ie with a lower credit value for larger companies) would give rise to the problems connected with a national scheme for all young people, as well as some of the particular drawbacks of arrangements directed at small firms alone.

Arrangements Aimed at Particular Occupations and Skills Levels

10. Under these arrangements, training credits would be issued to all school leavers stating that the credit could be used for training at craft, technician and higher levels (and possibly also limited to certain key industrial sectors as identified by the Government or Training and Enterprise Council). Where the credit carried a fixed value, there might be various bands according to the level of skill and occupation in question. It would be for employers to decide which of their young employees were capable of this higher level training and so who could use their credit. Young people without a job would be able to use the credits if they passed appropriate aptitude tests.

11. International comparisons have shown the relatively low volume of training at multi-skilled, technician and higher levels in the UK compared with major competitor countries. The 1989 inter-departmental report on the YTS Review stressed the importance of increasing skills and qualifications gained at these levels (in effect the third and higher levels of National Vocational Qualifications). It has also been argued that to increase training in certain industrial sectors, for example precision engineering and electronics, would have a relatively greater beneficial effect on economic growth than expansion in other sectors. Technological change points to a growing need for intellectual, diagnostic and "problem-solving" abilities in the workforce.

12. However, the drawbacks are considerable. Most of the training of young employees conducted outside YTS and outside LEA college-based provision currently comprises apprenticeships and other long duration training funded at the employer's expense. There are substantial geographical variations in the need for these skills, depending for example on the incidence of companies involved in engineering, information technology etc.

13. National credit arrangements which were tied to centrally identified priority industrial sectors could therefore cut across local needs. Moreover, this would require extensive, central manpower planning by occupation and sector. Higher level skills training may be inhibited for a number of reasons other than its direct costs to the employer, in particular a lack of pay differentials which would make a career in the occupation attractive. A selective scheme aimed at particular occupations could pose difficulties in securing clearance from the European Commission. It might be seen as providing public subsidy to particular sectors to the disadvantage of others, and run counter to community legislation on state aids.

ANNEX 3

KEY STEPS IN IMPLEMENTING PILOT CREDIT SCHEMES BY APRIL 1991

1990

1 April	- Government announcement to be made and prospectus issued
1 May	- Outline bids to be received from Training and Enterprise Councils
8 May	Estimated necessary adjustment to RSG for 1991-92 to have been notified to the Department of the Environment.
31 May	- Decisions to be announced on bids which have been accepted
	- Adjustments to have been made to the Revenue Support Grant for 1991-92
6 July	- Detailed plans to have been submitted by the Training and Enterprise Councils for approval.
Mid Sept.	- Careers guidance begins for young people likely to leave school in 1991.

1991

1 Jan	- The selected Training and Enterprise Councils to have the necessary systems and procedures in place in their areas
Feb	- Local information and promotion concerning the credit arrangements, conducted by the Training and Enterprise Council in collaboration with the Education Service

April - Easter school leavers begin to use their credits.

MANPOWER: SERIES PT24

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 March 1990

Dear Nicholas,

Further to my telephone call this morning I am writing to confirm that the next meeting of Ministers on Training will be held on Tuesday 13 March at 0930. The meeting should last one and a half hours.

I am copying this letter to the diary secretaries to the Secretary of State for Education, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry (for onward transmission to relevant junior Ministers), Secretaries of State for Scotland and Northern Ireland, Mr. Jackson, Minister of Education, Mr. Eggar, Minister of Employment and to Sonia Phippard and Richard Wilson (Cabinet Office).

Yours sincerely

Amanda Ponsonby

MRS. AMANDA PONSONBY

Nicholas Drane, Esq.,
Department of Employment

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FILE MJ

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 March 1990

Dear Liz,

FULLEMPLOY GROUP

Thank you for your letter of 27 February which the Prime Minister has seen and noted. I have also now had Andrew McCully's further letter of 28 February which provided a helpful update on the position; I should be grateful if you could keep me in touch with further developments.

I am copying this letter to Colin Walters (Home Office), Stephen Williams (Welsh Office), Simon Webb (Ministry of Defence), Ben Slocock (Department of Trade and Industry), Stephen Crowne (Department of Education and Science), Jim Gallagher (Scottish Office), Roger Bright (Department of the Environment), Carys Evans (Chief Secretary's Office) and Sonia Phippard (Cabinet Office).

Yours,
Paul

Paul Gray

Mrs Liz Smith
Department of Employment

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PART 24 begins:-

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