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Ref. A03221

PRIME MINISTER

Industrial Training
(E(80) 111 and E(80) 117)

BACKGROUND

In E(80) 111 the Secretary of State for Employment puts forward an interim report and invites the Committee to endorse his broad approach. He will then report further in November with firm proposals which will take account of the Committee's discussion and of the outcome of the consultations, still in progress, on the Manpower Services Commission's report in August on the Employment and Training Act 1973 (the RETA Report).

2. In E(80) 117 the CPRS agree in general with the proposals in E(80) 111 but raise some further questions.

3. The Secretary of State's proposals do not call for additional public expenditure. Present plans already assume that the Department of Employment will save £40 million a year by withdrawing funding of the operating costs of the Industrial Training Boards. Other training measures will be accommodated within their present programme, apart from the increases in the Youth Opportunities Programme and the Unified Vocational Preparation programme which are discussed in the paper on special employment measures, E(80) 110.

4. The Secretary of State wishes to announce his proposals in the Debate on the Address. Once they have been approved he can get ahead with his training Bill which will have to be enacted by next spring if the full savings on ITB costs are to be realised in 1981-82. He will also issue a further consultative document setting out the Government's views on the development of industrial training.

5. His broad approach is summarised in paragraph 3 of his paper. He argues that it is primarily for the employers to finance and provide industrial training and to remedy the present deficiencies in the apprentice system. He sees however a continuing role for Government in helping to secure improvements,

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and in spending some money to that end. Much of the discussion centres on the role of the ITBs - this is summarised in section (vi) on pages 7 and 8 of the report by officials annexed to E(80) 111, and in paragraph 3 of E(80) 117.

6. The report by officials discusses four approaches:-

- (i) to strengthen the MSC and the ITBs, as recommended in the RETA report;
- (ii) to abolish the ITBs and confine public expenditure to vocational education and training for the disadvantaged. The Secretary of State and the CPRS (their paragraph 7) both reject this as excessively disruptive in the short term.
- (iii) To abolish the ITBs but to maintain public expenditure at planned levels. Rejected as inviting pressure for additional public expenditure to make up for the ITBs.
- (iv) To keep a few ITBs and to maintain other public expenditure on training. This is the course which the Secretary of State recommends and which the CPRS endorse subject to a reservation, in their paragraph 6, on the method of imposing sanctions on ITBs which do not co-operate in implementing training policies.

HANDLING

7. After the Secretary of State for Employment has introduced his paper the Chancellor of the Exchequer and the Secretaries of State for Industry, Trade, Education, Scotland and Wales and Mr. Ibbs will each wish to comment.

8. In discussion you will wish to establish whether the Committee accepts the broad objectives proposed by the Secretary of State for Employment, and whether they agree to the adoption of the fourth option in the report by officials.

9. In looking at the options you will wish to consider in particular the question of sanctions on those ITBs which fail to contribute to national training objectives. The Secretary of State for Employment proposes that the Government should withhold approval of levy proposals by any such ITBs. The CPRS suggest, in their paragraph 6, that it would be more effective for the MSC or the Department to take over the levy raising power in the event of non-co-operation.

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10. You will then wish to turn to the three other proposals in the CPRS's paper, namely:-

- (i) that priority should be given to public expenditure on the training targets summarised in their paragraph 8.
- (ii) That officials should examine ways of improving information on local labour market opportunities and on the updating of skills - their paragraphs 10 and 11.
- (iii) That there should be a public campaign on the need for more flexibility in training and in particular on the apprenticeship arrangements.

CONCLUSIONS

11. In the light of the discussion you will wish to record conclusions:-
 1. On the general approach recommended by the Secretary of State for Employment in E(80) 111 and in particular whether the fourth option should be adopted and how any system of sanctions on ITBs should operate.
 2. On the three further proposals by the CPRS summarised in paragraph 13 (ii)-(iv) of E(80) 117.
 3. Inviting the Secretary of State for Employment to report further in November with firm proposals.

REA

(Robert Armstrong)

13th October, 1980