

Mr. Duguid
Mr. Walter



It is a real news
deal for employers and

PRIME MINISTER I would expect

them to explain!

EMPLOYMENT AND TRAINING BILL - PROPOSED GOVERNMENT AMENDMENTS

As we foresaw in our discussion at E last November the Employment and Training Bill has given rise to some difficult political and industrial issues. We are operating in a very difficult and uncomfortable industrial climate. There have already been talks at official level with the Confederation of British Industry and the Engineering Employers' Federation, and I am planning to see Brian Rigby, the Deputy Director-General of the CBI, as soon as possible this week to discuss the issues involved. However the Bill is likely to start its Committee stage next week, and I am minuting now to seek the agreement of my colleagues, subject to the outcome of my talks with Brian Rigby, to the line which I propose to take, and to the tabling of the necessary amendments to the Bill, probably by means of handing them to a Government backbencher.

At present an industrial training board consists of a Chairman, and an equal number of people appointed after consultation with organisations of employers and workers in the industry respectively, and educational representatives appointed after consultation with the Education Ministers. In practice the number of education members is always less than that of either employer or worker members. The Chairman and the educational members may not vote on any matter relating to the imposition of a levy, but they may vote on how money raised from levy is spent, and on levy exemption criteria and policy. The employers want in future that 50% of a board's membership should be appointed after consultation with employers, and that the Chairman should also be required to come from the employers' side.

Ann Muntz Marpower 1

Other Departments are generally content with these proposals, though Sir Keith has suggested that the proposed changes should be less overtly favourable to the CBI. (Plan A). Are you content, subject to any changes the Prime may

make in response

to Sir Keith's comments?

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The case for a change of this kind is that he who pays the piper calls the tune. Although I have a good deal of sympathy with the employers' view, I think it would be going too far. It would be very controversial with the trade union side and with educational interests. We shall be keeping statutory industrial training boards where it is clear that satisfactory voluntary arrangements cannot be devised, and in such a situation there would be severe criticism of putting the board under such complete employer domination. Moreover doing so might make it more difficult for us to get a board to adopt the policies that we might want, for example in the context of the proposed new training initiative.

On the other hand I think that some move towards the employers' position would be desirable. I therefore propose that the legislation should say that the decision of a board on any matter relating to the imposition of a levy should require the agreement of a majority of the employer members. A provision on these lines would ensure that the employers could in practice be sure of determining a board's proposal on the size of levy, but not how it should be spent.

The employers also want a much longer transitional period for phasing out Exchequer support of the operating costs of industrial training boards, and are strongly opposed to paying, by means of a terminal levy, the winding-up costs of those boards which we may decide should be abolished. I have said that I would be prepared to consider the timing of the cessation of Exchequer support in the light of the outcome of the current review of industrial training boards, and I shall be considering whether we can make any concessions on either of these points. But they do not affect the text of the Bill.

The employers also want to retain the present requirement that the criterion for exemption from levy is whether a particular establishment is meeting its own training needs. It is, however, not



practicable to retain the present absolute right to such exemption on these grounds because there must be some reasonable way of empowering a board to levy employers to pay for its operating costs. All proposals by a board which concern levy and levy exemption are subject to the approval of the Manpower Services Commission and myself. Subject to that, our current policy on this is that a board should be able to obtain from levy money to pay its operating costs in one or more of three ways. L ?

Firstly, it could require that exemption from levy could be granted only if an employer trains more people than he needs to carry on the activities of his own establishment. Secondly, a board could require that exemption certificates should not confer exemption from part of its levy (in fact the Bill at present permits anything up to (but not including) 100% of levy to be made non-exemptible in this way). Thirdly, there is what is known as the consensus procedure under which a board can impose non-exemptible levy if more than half of the employers who would pay levy, and employers who would pay more than half of the levy, both agree that such a levy is necessary to encourage adequate training in the industry. It should in future be possible for an industrial training board to pay for its operating costs through a consensus levy, if such a consensus can be obtained.

I do not think that we should agree to retain the present requirement that the criterion for exemption must be related to the needs of a particular establishment. In practice it tends to happen that if exemption is granted on this basis, one ends up with a net shortage of trained people. On the other hand I now feel that the discretion conferred by a Bill is too wide, and that there should be some restriction on the amount of levy that can be non-exemptible without a consensus of employers. I propose therefore that it should not be possible to impose non-exemptible levy of more than 0.2% of the emoluments paid by an employer unless a

This is very harsh on employers. There is no point in training if you are going to have to pay the levy as well.



consensus as described above is obtained, or an affirmative resolution is carried in each House of Parliament. The figure of 0.2% should enable boards to meet their operating costs - in some cases with a little to spare which they could use to make grants to support training.

I also propose to amend the Bill so that the purpose for which a consensus levy can be imposed includes payment of a board's operating expenses.

As Committee stage is likely to be starting next week I should be grateful if any comments on what I propose could reach me at the latest by Noon on Thursday.

I am copying this minute to the other members of E Committee, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland, for Wales and for Education and Science, the Chief Whip, Sir Robert Armstrong and Mr Robin Ibbs.

JP

3 March 1981