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cc Mr Mount 5
Mr Letwin

10 DOWNING STREET

From the Private Secretary

2 November, 1983

B/F

Dear Elizabeth

NATIONAL TRAINING COMMISSION

The Prime Minister held a meeting yesterday to discuss the proposal for a National Training Commission. Also present were the Secretaries of State for Trade and Industry and Employment, Mr. David Young, and Sir Robert Armstrong.

Under the proposal there would be a transfer of a substantial proportion of £450 million at present available for non-advanced further education (NAFE) in the RSG to the MSC. The MSC could divest itself of the employment services to become an NTC and use these funds to finance training mainly in the colleges of further education, but also in the private sector.

This proposal was argued to have a number of advantages. The customer/contractor principle would be introduced, providing an extra discipline on LEAs which was currently lacking; the NTC would be more responsive to national and local training needs; and would improve co-ordination with other sources of training such as skill centres.

Against this it was argued that a large part of NAFE was not relevant to the MSC e.g. the 25% or so devoted to re-sits of 'O' and 'A' levels. Much of the rest of NAFE was represented by vocational training in hairdressing, catering, bakery etc., where the present arrangements were working satisfactorily and where employers were taking up the full output of the colleges. The NTC idea was most relevant in areas such as engineering, electronics and construction but these were a relatively small part of the total of NAFE. A more limited proposal, embodying the customer/contractor principle, could be devised in those areas which would avoid disturbing the arrangements which were satisfactory and which would avoid dispute with the local authorities.

/In further

In further discussion, it was argued that even in those areas where the output of the colleges was being taken up in full there would be benefits from an external stimulus to reduce costs. As the Audit Commission was likely to show, there was substantial inefficiency and poor working practice in the FE sector.

The meeting then discussed the need to revise the structure of the MSC in order to reduce its tripartite nature. This could be achieved not by cutting down CBI and TUC representation but by increasing the number of independent members.

It was argued that there would be advantages in incorporating the announcement of an NTC in the White Paper which was anyway required on the future of the YTS. This was due to appear around the turn of the year. Another possibility was to link the announcement with the Audit Commission disclosures on inefficiency in the FE colleges.

The meeting then considered whether legislation was required. It was argued that the NTC proposal could be largely achieved within existing legislation, the exceptions being changes in MSC structure and in its name. If legislation were introduced, it would delay implementation. It would not be feasible to introduce legislation in say the autumn of 1984 with Royal Assent in the spring of 1985 and then launch the scheme immediately. It would be impossible to conduct the RSG negotiations on the basis of a proposal still going through Parliament. If a start were to be made in April 1985 the proposal would need to be announced in the spring of 1984 before RSG negotiations started.

The discussion then turned to the reporting arrangements. It was argued that the NTC should not report exclusively to an enlarged Department of Education and Training as this would weaken emphasis on training and remove the positive element of the work of the Department of Employment.

Summing up, the Prime Minister said that there was a strong case for the establishment of a National Training Commission. More work was needed to refine the proposal; to determine how extensive the transfer of resources to the NTC should be; and to clarify the reporting arrangements. It was also necessary to establish how much could be achieved within existing legislation. Sir Robert Armstrong agreed to take on co-ordination of this work.

I am copying this letter to Callum McCarthy (Department of Trade and Industry), Barnaby Shaw (Department of Employment) and to David Vere (Manpower Services Commission) and Richard Hatfield (Cabinet Office). This letter should be shown only to those officials most closely concerned with development of those proposals.

*Yours sincerely
Andrew Turnbull*

(A. Turnbull)

Miss C.E. Hodkinson,
Department of Education and Science

SECRET AND PERSONAL



10 DOWNING STREET

File

*Amendment suggested
by DEmp but not
sent AT 7/11 6*

From the Private Secretary

3 November 1983

NATIONAL TRAINING COMMISSION

I would be grateful if you could amend the fifth paragraph on the second page of my letter of 2 November to read:-

doubted whether
"The meeting ~~took~~ the view that the idea of an enlarged Department of Education and Training should ~~not~~ be pursued. *It was argued that* The NTC should, like the MSC, report to the Secretary of State for Employment but the Secretary of State for Education would need to be involved appropriately in the education aspects".

I am copying this letter to Callum McCarthy (Department of Trade and Industry), Barnaby Shaw (Department of Employment), David Vere (Manpower Services Commission) and Richard Hatfield (Cabinet Office) for the same limited distribution.

ANDREW TURNBULL

Miss Elizabeth Hodkinson
Department of Education and Science.

SECRET AND PERSONAL