

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(81)100
23 October 1981

COPY NO. 65

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

FUTURE OF INDUSTRIAL TRAINING BOARDS

Memorandum by the Secretary of State for Employment

My predecessor announced last November our aim to confine statutory Industrial Training Boards (ITBs) to a few key sectors and to phase out Exchequer funding of their operating costs. He asked the Manpower Services Commission (MSC) for a sector-by-sector review, which they published in July. (E(80)40th meeting).

2 The MSC review recommended retention of 7 Boards and deferment of decisions on the other 16 (and the autonomous Foundry Committee) pending fuller development of employers' proposals for alternative arrangements. To minimise uncertainty, my predecessor called on the employers' organisations and others concerned to put forward any further proposals by the end of September (rather than October as suggested by the MSC) so that he could announce decisions "early in the new Session".

3 Representatives of all the ITBs and of the leading employers' organisations have since been seen by my Parliamentary Under-Secretary of State (Mr Peter Morrison). A number of other representations have been received. The TUC have protested at the decision to override the the MSC's proposed procedure and urged retention of

1

CONFIDENTIAL

73

statutory arrangements wherever Boards now exist. The CBI have urged that wherever possible voluntary arrangements be given the benefit of any doubt, consonant with the maintenance of training standards.

4 I will report to my colleagues any further views that may be expressed by the MSC at their meeting on 26 October. Subject to that, I propose to retain ITBs in 6 of the 7 cases recommended by the MSC, viz Clothing, Construction, Engineering, Hotel and Catering, Rubber and Plastics, and Road Transport (but not the Ceramics, Glass and Mineral Products Board) and one other case viz the offshore sector of the petroleum industry.

5 This would reduce the number of ITBs from 23 (plus the Foundry Committee) to 7 (or 8 if Road Transport were split as the MSC recommend). I also propose various changes in scope (details in Annex 2). The coverage of ITBs would fall from just over 50% of all employees to just under 30%.

6 The proposed abolitions will be strongly attacked by the Opposition, by the TUC and unions concerned and the professional training lobby, on the ground that we are destroying, after insufficient consultation, the instruments for the very training reforms we are seeking, and relying on untried voluntary arrangements which are inadequate by our own criteria (see Annex 1). The judgement of the relative effectiveness of proposed voluntary arrangements compared to a statutory Board must, however, in the end be largely subjective.

7 Employers' support where Boards are being abolished, and acquiescence where they are retained, will depend very much on our decisions about operating costs. There is no current provision beyond 31 December 1981 but my predecessor indicated, with colleagues' agreement, that the timing would be considered again in the light of the outcome of the review. Employers, notably the EEF, have urged phasing over 5 years and the MSC has recommended 3. The original date is now so near that in my view some extension must be given. For Boards that are continuing, however, I propose extension only for the 3 months to 31 March 1982.

8 Where Boards are being abolished, requiring industry to meet their residual operating and wind up costs would mean Boards setting up new administrative procedures to raise levies on firms which have hitherto been exempt, at the very time when they are being asked to contribute to the establishment of the alternative voluntary arrangements. I therefore propose that these costs should be met from the Exchequer. These two proposals would require £10.5 million from the Contingency Reserve in 1981/82. An early estimate put the additional provision needed in 1982/83 at £26 million, but I now believe that it will be necessary to provide £30 million for this purpose.

9 ITB staff (not civil servants) would be reduced by about 2,000. Most of the 30 MSC liaison staff (civil servants) will still be needed to ensure that both statutory and voluntary bodies take account of Government training objectives.

10 The switch to voluntary arrangements loses some potential European Social Fund assistance (£0.5 million in 1981) but some of this potential might be made good through MSC schemes.

11. Subject to consideration of further MSC views (para 4), I invite my colleagues to agree that

- a) the 7 ITBs referred to in para 4 should be retained, with the changes in scope detailed in Annex 2.
- b) the other 16 ITBs and separate Foundry Committee should be abolished.
- c) Exchequer funding of operating costs for ITBs being retained should be transferred to the industries concerned with effect from 31 March 1982.
- d) interim operating costs and terminal costs of ITBs being abolished should be met by the Exchequer.
- e) these decisions should be announced as soon as possible in the new Session.

Department of Employment
23 October 1981

NT

PUBLISHED GOVERNMENT CRITERIA FOR DECISIONS ON TRAINING ARRANGEMENTS
 (as quoted in MSC Review entitled "Framework for the Future")

1.3 In the same letter of 26 November the Secretary of State indicated that the criteria which would determine his final decisions on the future training

arrangements in each sector would include:

- a. the likelihood of shortages of trained manpower in the economic upturn;
- b. the emerging demand for trained manpower in new technologies;
- c. the need for adequate quality of training (including agreed standards);
- d. opportunities for vocational training for young people at all levels;
- e. wide opportunities for craft apprentices;
- f. wide opportunities for adult training.

He also indicated the Government's preference for voluntary arrangements where he could be satisfied about the willingness and ability of a sector to meet these training needs without recourse to statutory boards.

1.4 More recently in a speech in Plymouth on 13 April 1981, the Parliamentary Under Secretary of State for Employment, Mr Peter Morrison, emphasised the need for voluntary arrangements to be able to monitor skill shortages and other training needs and to arrange action to alleviate them; keep up-to-date and publicise training standards appropriate to the industry; and to work as appropriate with trades unions and educational institutions. He also stated that in the government's view, the voluntary arrangements required to achieve these objectives would vary with the circumstances of each sector.

1.5 The most recent development which has influenced the Commission's approach to the sector review has been the publication on 21 May by the Commission, with the Government's support, of the consultative document on "A New Training Initiative". Three key training objectives for the 1980s are identified in this document. They are:

- a. to develop skill training including apprenticeship in such a way as to

enable young people entering at different ages and with different educational attainments to acquire agreed standards of skill appropriate to the jobs available and to provide them with a basis for progression through further learning;

- b. to move towards a position where all young people under the age of 18 have the opportunity either of continuing in full time education or of entering training or a period of planned work-experience combining work-related training and education;
- c. to open up widespread opportunities for adults, whether employed, unemployed or returning to work, to acquire, increase or update their skills and knowledge during the course of their working lives.

PROPOSALS ON INDIVIDUAL INDUSTRIAL TRAINING BOARDS

The MSC recommended keeping 7 Boards (in some cases possibly with reduced scope). Six of these are recommended for retention. The exception is the Ceramics Board. The MSC recommended that this Board should definitely be kept for the mineral product industries, but that voluntary proposals could be considered for the glass, pottery and china clay industries; I recommend abolishing it. In addition, I recommend keeping a Board for offshore oil, which the MSC did not firmly recommend for retention. There is also an Agricultural Training Board, which is the responsibility of the Agricultural Departments, and is not affected by the MSC Review of this paper.

A - BOARDS WHICH SHOULD BE KEPTClothing (252,000 employees)

The main employer organisation considers that voluntary arrangements would not work, and wants to continue with the statutory board. The Board plans to slim its operations, and finance them with a low (non-exemptible) rate of levy.

Construction (959,000 employees)

The main employer organisations want to keep the Board. With a highly mobile skilled workforce, not enough training would be done without a statutory levy. Further consideration is needed on minor scope changes (e.g. addition of staff of consultants, and removal of shop fitters (9% of employees covered by the Board). If the Ceramics Board is abolished, bricks and precast concrete should be added to this Board.

Engineering (2,974,000 employees)

This is a key sector for output, exports and employment. It is heavily dependent on craftsmen, technicians and professional engineers whose training is costly and whose skills are transferable. Though a majority of members of the Engineering Employers Federation want the ITB abolished, the EEF sees no possibility of a voluntary body being established which would adequately deal with the industry's training needs.

Hotel and Catering (1,510,000 employees)

Voluntary arrangements have been proposed by some of the largest chains (mainly inspired by Trust Houses Forte). However, they do not have the support of the majority of firms covering a majority of the workforce in the industry, and could not be expected to promote the changes that are needed in this fragmented industry.

The Scottish pub trade and certain other parts of the pub trade want to stay with a statutory board. Voluntary arrangements have however been proposed by the Brewers' Society for training of pub staff. These cover about 20% of pub staff directly, but will be available to all. The proposals could provide an adequate basis for taking pub staff out of scope, if strengthened, but I will give fuller consideration to this.

Petroleum (95,000 employees)

The onshore sector will organise itself adequately on a voluntary basis, and can be taken out of scope. The offshore operators want to keep the statutory board, because they do not believe that voluntary arrangements would be adequate. Skill shortages in this sector could be damaging. A small Board should be kept for this sector.

Road Transport (731,000 employees)

The employers' organisations in the two main sectors - road haulage and garages - do not consider the voluntary arrangements will work. Some sectors (notably buses but also agricultural machinery, security transport, driving schools and warehouses, together amounting to 30% of the employees covered by the Board), can be taken out of scope.

The MSC recommended creating separate Boards for the garage and road haulage sectors with the support of the employers in both sectors. There could be some extra cost to the industry in doing so, particularly some large individual redundancy payments. I will consider this further.

Rubber and Plastics (273,000 employees)

The plastics industry is unable to propose adequate voluntary arrangements. Since it has a considerable and growing skill requirements, and has some way to go to raise training standards, the Board should be kept for this industry.

There are fairly weak voluntary proposals for the rubber industry covering 56% of employees. But this sector has high standards of training, and subject to satisfactory assurances, I would propose to include in my announcement that they will be taken out of scope.

B - BOARDS WHICH SHOULD BE ABOLISHEDAir Transport and Travel (109,000 employees)

In the air transport sector the Civil Aviation Authority (CAA) prescribes standards to be attained to qualify for various licences, and the airlines are proposing adequate voluntary training arrangements. The local authority airports and CAA (70% of employees in scope to the Board) are proposing no new arrangements for their staff, but can be expected to maintain their current training programmes. The travel agents are developing proposals for voluntary arrangements which will be satisfactory.

Carpet (38,000 employees)

A small and declining industry with slight training needs which can mainly be met in-company with the support of existing joint bodies. The employers want the Board abolished and are discussing proposals for voluntary arrangements with the Board. If they can obtain the financial support they claim their proposals will be adequate, but in any case the Board is not worth keeping.

Ceramics, Glass and Mineral Products (289,000 employees)

The MSC recommended that the glass, pottery and china clay industries should be invited to develop voluntary training proposals, but that other sectors should definitely be kept under a statutory board. The proposals made ^{the}by former sectors are adequate and cover about 75% of their industries. In the other sectors, the cement industry has made adequate proposals. The arrangements proposed by the heavy clay, sand and gravel industries are not strong, but are probably adequate to meet their fairly slight training needs. The brick and precast concrete industries (which have about 16% of the workforce covered by the Board) want to stay under a statutory board. I propose to include them in the scope of the Construction Board.

Cotton (161,000 employees)

Employers' voluntary proposals in the traditional cotton sector (about 50% of the industry) are weak, and there is a risk that group training schemes will not survive. The other sectors are small, and their training needs are not thought to be significant. No voluntary proposals have been made here. This is a declining industry which no longer has difficult training needs.

Therefore I propose to abolish the Board.

Distribution (2,250,000 employees)

Proposals for voluntary arrangements have been received from organisations covering firms employing less than half the workforce covered by the Board. These proposals are vague in terms of input of finance and manpower but will probably be as effective as the Board for larger firms. There are effectively no voluntary training arrangements for smaller firms but the industry does not employ many skilled people and its most common training needs (such as those involved in selling) are typically met by short courses of on-the-job training. This sector should offer wide opportunities for vocational preparation. The Board has organised courses for some 15,000 young people, which is a relatively large contribution to the present scheme. Vocational preparation may falter ^{in this sector} if the Board is abolished but alternative delivery arrangements can probably be developed in the longer term through the MSC.

Food, Drink and Tobacco (1,200,000 employees)

The industry has diverse training needs and relatively few high level skills. In most sectors proposals for voluntary training arrangements have been put forward on which I am confident I can rely. But in some, particularly meat, fish and wines and spirits there are no proposals for collective arrangements. Larger firms in these sectors train well and smaller firms within the Board's scope have not been influenced by the Board's work. As there are no serious training problems I do not consider it worthwhile keeping the Board even with reduced scope.

Footwear, Leather and Fur Skin (114,000 employees)

The training needs of these industries are not difficult to meet. The main footwear and leather producing sectors have proposed arrangements with satisfactory content and very full coverage. Smaller sectors (about 20% of the industry) do not have adequate alternative proposals, but these are not key sectors covering about 10% of the industry and I do not propose to keep a Board for them.

Foundry Industry Training Committee (123,000 employees)

The Foundry industry has an autonomous committee under the Engineering ITB which has a separate organisation and levy arrangements. The industry is a key supplying industry in which skill shortages are endemic. The voluntary proposals depend on raising a substantial levy on a voluntary basis and do not have firm support from enough companies to give assurance that they will work. The industry should be kept under statutory arrangements, but I propose to suggest to the Engineering ITB that they take the Foundry industry directly under their control.

Furniture and Timber (212,000 employees)

The furniture and imported timber industries have a history of skill shortages which could re-emerge in an economic upturn. The employers here have proposed voluntary arrangements with fairly strong structure and good coverage. The home timber trade has yet to develop their proposals, but they probably will be adequate. Employers organisations in the smaller sectors (covering about 10% of the Board's scope) have not produced detailed proposals, but, these are specialised industries with few cross-sector skills, and commercial pressures are likely to be sufficient to ensure a satisfactory training effort is maintained.

Iron and Steel (258,000 employees)

The British Steel Corporation, which employs 72% of the industry's workforce, has produced strong training arrangements. The private sector has proposed collective arrangements based on regional associations which directly cover about half the rest of the workforce. Other firms will either not be covered or will be loosely linked with regional associations. There is some risk of poaching of skilled labour by the private sector, but it is not substantial.

Knitting, Lace and Net (135,000 employees)

The sector has limited skill requirements. Employers' proposals for voluntary arrangements are detailed and cover about 80% of the employees in scope to the Board. There is some doubt whether sufficient finance can be raised, subject to assurances on that, I propose to abolish the Board.

Manmade Fibres Producing (37,000 employees)

Satisfactory voluntary arrangements have been proposed, which will cover all the firms in scope. They will maintain the work of the ITB at slightly less cost.

Paper and Paper Products (195,000 employees)

The paper and board manufacturers (35% of the industry) have proposed satisfactory voluntary arrangements. The MSC recommended joining the paper converting industries with the printing industry. This does not make sense for most of the industries, which strongly oppose such a link, except for those paper firms in membership of the British Printing Industry Federation which has adequate proposals. There are weak proposals from the fibreboard manufacturers, the paper box, bag and sack manufacturers, paper merchants and waste paper processors, and there are some smaller sectors which have not proposed voluntary arrangements; in all about 30% of the workforce in scope to this Board are not covered by any voluntary arrangements. However the training needs of these sectors are not substantial, and I do not propose to keep a Board for them.

Printing and Publishing (341,000 employees)

There are adequate proposals for the regional newspapers (19% of Board's coverage) and book publishers (6% of Board's coverage). There are fairly strong proposals for general printing (50%) though they would leave up to half the sector uncovered. The national newspapers (11%) which do little training now, propose nothing new. There are no proposals from the Scottish printers (8% of Board's coverage) or from periodical publishers (6% of Board's scope). Both these groups want to keep the Board.

Training in this industry is in need of reform. Abolishing the Board would annoy the unions and so might lead them to abandon negotiations on apprenticeship. However the Board is not essential to reform, and I propose to abolish it.

Shipbuilding (110,000 employees)

British Shipbuilders, which cover 70% of employment, has proposed adequate voluntary arrangements. The independent shipbuilders propose voluntary arrangements which are sound in design. They cover a minority of their sector but they are seeking the support of most non-member companies. The boatbuilders have put forward adequate voluntary proposals.

Wool, Jute and Flax (102,000 employees)

This sector is in decline and the number of skilled operators is falling. Employers in the wool sector have produced detailed proposals which is claimed to cover 90% of the industry. The jute industry is confined to Dundee, and is already more or less independent of the Board. Employers in the smaller cordage and net, and flax sectors have not produced detailed proposals for voluntary arrangements, but it is likely that a reasonable amount of training will be done with or without a statutory board.

23 October 1981