



● PART 23 ends:-

D.EMP to PR 28/2/90

PART 24 begins:-

PR to D.EMP 1/3/90





Department of Employment  
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Secretary of State

Paul Gray Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

28 February 1990

Dear Paul

Liz Smith wrote to you on 27 February about the position of the Fullemploy Group. This letter is to keep you abreast of developments, as promised.

Mr Nicholls met Mr Stephen O'Brien (Chairman) and Mr Linbert Spencer (Chief Executive) of Fullemploy on 27 February with Sir Geoffrey Holland and Steve Loveman from the Department's Training Agency.

In response to questions to Mr O'Brien and Mr Spencer the following emerged:

- Mr O'Brien accepted the broad thrust of the Peat Marwick McLintock (PMM) report on Fullemploy's financial position, which among other things predicted a shortfall of £640,000 in 1989/90;
- the latest report (1 February) from Fullemploy's internal accountants suggested that the Group was still solvent (though the impression given by Mr O'Brien was that it might be touch and go). A further report is due early in March;
- the Fullemploy Board had agreed an ambitious strategy for 1989/90 intended to make the Group less dependent on the cash-flow of its training company. This involved a new consultancy which had taken longer to reach break-even than expected (it now appeared to be breaking even month on month). Some parts of the training company had made losses during the year. The Group had hoped for further development funding from the Employment Department which they did not get;



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Secretary of State  
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- during the latter part of the year the financial management of the Group had been strengthened by key appointments. This would give the Board earlier warning of future financial crises;
- crises were however likely to recur since the Group could only finance development through cash-flow, an inherently risky process. To that extent a forward Business Plan as proposed by Peat Marwick McLintock would be difficult to produce;
- Fullemploy's immediate next steps would be to ensure that the consultancy broke even or was cut and that the training company was substantially restructured to cut its costs and make its local managers accountable for profit and loss;
- Mr O'Brien believed Fullemploy should continue to move towards a role which enabled it to influence hearts and minds and was less based around relatively low level skills training.

Mr Nicholls said that the Employment Department's interest lay in the particular field of training. He could not find £640,000 and in any case could not commit any money in the absence of a Business Plan. The Home Office would have a wider interest in Fullemploy's activities but would no doubt equally have difficulty in finding money (Mr Spencer indicated that Fullemploy were not necessarily looking to the Government for the whole of the shortfall). Mr Nicholls commented that the steps taken by Fullemploy to establish financial control, get the consultancy on a sound footing and cut the training company's costs would make a good package on which to approach private sponsors for additional funding.

Mr Nicholls asked Fullemploy to produce a note setting out these positive steps. He undertook to write quickly to them giving the Department's position.

I am copying this letter to Private Secretaries in the Departments of Education and Science, Environment, Home Office, Ministry of Defence, Scottish and Welsh office, and to Sonia Phippard in Sir Robin Butler's office.

*Yours*

*Andrew*

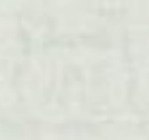
ANDREW McCULLY  
Private Secretary



MAWŁOWA : SEM PRZ



CONCEPT





ELIZABETH HOUSE  
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01-934 9000

*ccfy*  
*Already sent in  
in fax version.*

Paul Gray Esq  
10 Downing Street  
LONDON  
SW1A 2AA

*Rec 6  
2/1*

*Paul Gray*

28 FEB 1990

CORRESPONDENCE WITH PROFESSOR PETER TOYNE

*Ple with 14*  
I am replying to your letter of 9 February, attaching a letter from Professor Toyne to the Prime Minister dated 7 February.

We have been in touch with Professor Toyne, and established that he is advocating the use of distance learning and interactive video as a means of delivering initial teacher training. He believes that these media will enable a wider range of people to become teachers, and that the media themselves will inspire trainees to become better teachers.

We agree with Professor Toyne that distance learning and interactive video offer very promising means of delivering components of teacher training. Indeed, we have commissioned the development of in-service training materials from the Open University, Yorkshire Television and others.

Nevertheless, Professor Toyne's approach may turn out to be something of an embarrassment. Liverpool Polytechnic have no initial teacher training capability in the sciences; and although there are a number of television companies which have built up impressive track records in educational television, and in-service training in particular, Mersey Television is not one of them. Mr Redmond's chief claim to fame is as the originator of Brookside and Grange Hill. Nevertheless, in accordance with the Prime Minister's wish to send a substantive reply, the draft proposes that the Department should make contact with him to discuss his ideas further.

I attach a draft reply for the Prime Minister to send, which builds on these points.

*Yours sincerely*  
*John Ratcliff*

JOHN RATCLIFF  
Assistant Private Secretary



#### IMPROVING TEACHER SUPPLY IN SCIENCE AND MATHEMATICS

Thank you for your letter of 7 February following our seminar on training. I too found this a stimulating and worthwhile day.

I very much agree that training techniques which are used in commerce and industry might be equally appropriate in education. The use of distance learning in education is, of course, well established; and indeed I understand that a number of initial teacher training courses make use of distance learning in precisely the way you have in mind - to widen the range of people becoming teachers, and to enable people who might not otherwise have been able to do so to undergo initial teacher training.

I am interested by your suggestion that the use of interactive video and distance learning might of themselves inspire people to become better teachers. Certainly, there are indications that the use of IT in the classroom can prove motivating and stimulating, and I see no reason why this should not extend to initial teacher training.

I suggest that the best way of taking your ideas further would be for you to speak to the Department of Education and Science, and I shall arrange for the appropriate official responsible for initial teacher training to make contact with you shortly.



The Rt Hon Mrs Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
LONDON  
SW1A 0AA

Professor Peter Toyne BA FRSA FRIM  
Rector  
Rodney House, 70 Mount Pleasant, Liverpool L3 5UX  
Telephone 051-207 3581 ext 2525  
FAX 051-709 0172

PT/SPW/1.57

7th February 1990

*Dear Prime Minister*

Thank you very much indeed for inviting me to participate in last Friday's seminar on training. I am sure we all felt that it was a most productive day and that it will lead to some real action in this vitally important area.

You will remember the brief discussion we had in the final session about the possible use of distance learning and interactive video in the specific context of trying to train inspiring teachers in science and mathematics. I am sure there are real possibilities here and I have had some initial discussions with Phil Redmond (Chairman and Chief Executive of Mersey Television) who would be very keen to join with me in trying to develop something appropriate. I should be only too happy to discuss the possibilities with you should you feel you would like to take the idea forward.

Once again, may I thank you for a stimulating and thoroughly exciting day.

Yours sincerely

Peter Toyne  
Rector



Manpower: Sem 1  
P 23



w.a.mh



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Secretary of State

Paul Gray Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

Dear Paul

*Prime Minister*  
*You will wish to be*  
*aware of this before the*  
*budget visit. In view*

*of these developments you should*  
*perhaps avoid any reference*  
*to Fullemploy*

27 February 1990  
*RCCG*  
*27/2 MS*

## FULLEMPLOY GROUP

I am writing to alert you to a difficulty with regard to the Fullemploy Group. As you may know, the Fullemploy Group has evolved from Project Fullemploy which started in the early seventies as a City of London response to high levels of unemployment within the ethnic minority community. The Group's main activity is the provision of training principally through this Department's Employment Training programme in inner city areas. Its Chief Executive is Linbert Spencer who is a member of the National Training Task Force as well as the Home Secretary's Advisory Council on Race Relations.

The Training Agency of the Employment Department commissioned the consultants Peat, Marwick, McLintock last December to review the financial position and prospects of the Fullemploy Group. The consultancy was agreed with Fullemploy after they requested funding of £1 million to make them self-sufficient within 18 months. The consultants have now reported that there are insufficient grounds for accepting this as a complete estimate of Fullemploy's financial need and that it would not of itself produce progress towards self-sufficiency. Indeed, Fullemploy themselves told the consultants that they would need more money over a longer period to achieve this goal while furnishing no evidence that the goal could in fact be achieved.

The consultants have recommended that Fullemploy should be invited to submit a business plan giving more details of their future prospects with particular reference to the training activities which are the main part of their business. Ministers in this Department have invited Fullemploy to produce such a report without commitment to any further funding being on offer.



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Having received the report and the invitation, Fullemplay have asked for an immediate injection of £400,000 to keep the Group afloat for the rest of the current financial year. Our Ministers have repeated their request for a business plan and suggested that they meet the Chairman of the Fullemplay Board, Stephen O'Brien, with the Chief Executive, Linbert Spencer. Ministers are very conscious of the high personal profile of Mr Spencer and the sensitive nature of his organisation but consider it essential that they receive the further information recommended by the consultant before considering any additional commitment.

... I attach a note giving the background to the current difficulties with Fullemplay and an outline of the Training Agency's position. We will keep you and colleagues in other interested Departments in close touch with developments. Meanwhile, it would clearly be helpful if this Department could be consulted about any enquiries addressed to colleagues in other Departments.

I am copying this letter to Colin Walters (Home Office), Stephen Williams (Welsh Office), Simon Webb (MOD), Ben Slocock (DTI), Stephen Crowne (DES), Jim Gallagher (Scottish Office) and Roger Bright (DOE) and to Carys Evans (Chief Secretary's Office).

*Yours sincerely*

*Liz Smith*

LIZ SMITH  
Private Secretary

## FULLEMPLOY GROUP

### BRIEFING NOTE

#### Background

1. Mr Nicholls met Mr Spencer, Chief Executive of Fullemploy, on 28.9.89. At the meeting Mr Spencer indicated that Fullemploy was seeking £1m funding for his organisation over 18 months to enable Fullemploy to become financially self-supporting. With Fullemploy's agreement, Peat, Marwick, McLintock (P, M, M) were commissioned to prepare a report on the financial position and prospects of the Group, focusing on the likelihood of Fullemploy's becoming self-financing within 18 months. The consultants began work on 12.12.89 and the report was received by Ministers at ED and Home Office on 7.2.90.

#### Fullemploy's expressed position

2. At the outset of the consultancy, Mr Spencer indicated to P, M, M that Fullemploy's funding requirement was actually £2.5m over 4 years.

1989/90	£ 400k
1990/91	£1,000k
1991/92	£ 700k
1992/93	<u>£ 400k</u>
	£2.5 million

From 1993/94 Mr Spencer believed that Fullemploy would be self-supporting. No evidence or forecasts were given to support this view. The financial forecast for 1990/91 was not available during the period of the consultancy.

#### Consultants' findings

3. P, M, M estimated that the trading deficit for 1989/90 was likely to be nearer £640k than the £400k suggested by Mr Spencer. Cash flow difficulties could be experienced early in



the 1990/91 year despite an accumulated cash surplus of £490k from 1988/89. The training company (one of 6 within the Group and representing over 70% of the total operation) was expected to break even in 1989/90 taking into account its trading revenue and including £250k from the Home Office for Regional Office management. The remaining 4 operational companies (consultancy, publications, enterprise encouragement and Wales) had a projected total deficit of around £240k. The Group HO was likely to record a deficit of £400k in 1989/90.

For 1990/91, P, M, M conclude that Fullemploy will need additional funding of £800k (assuming a continuation of the existing £250k funding from the Home Office); ie a total of around £1m. This would be dependent on no further expansion plans.

4. P, M, M found inadequate management, budgeting and control in Fullemploy. There was no evidence that the Group could become self-financing in the medium or longer term. If Fullemploy was to continue as at present, permanent core-funding seemed to be necessary.

#### Consultants' Recommendations

5. P, M, M recommended that:

- i) Fullemploy be requested to prepare a detailed business plan to support their projected need of £2.5m towards self-sufficiency;
- ii) Fullemploy be asked to review the relatively high cost base of their training activity with a view to retaining or increasing competitiveness for contracting directly with Training and Enterprise Councils.

#### Ministers' Action

6. Mr Nicholls wrote to Mr Spencer on 14.2.90 enclosing a copy of the report. He said its findings provided no basis on which the Government could agree to provide further funding and that

to consider the matter further he would need to see a suitable Business Plan for Fullemploy. Mr Spencer spoke and wrote to Mr Nicholls requesting urgently £400k to keep Fullemploy going for the rest of 1989/90. Mr Nicholls repeated his request for the business plan and, in particular, his interest in the training aspects of any proposals therein. Mr Patten (Home Office) was consulted and agreed with the line taken. Mr Nicholls has also suggested to Mr Spencer that he should meet urgently with him and his Board chairman, Stephen O'Brien.

#### Training Agency position

7. Fullemploy is a large provider for Employment Training (ET) with 900 contracted places for 1989/90. The maximum value of the ET contract is £2,556,580, although estimated expenditure is £2m. (This reflects occupancy levels). The contract renewal date is 25 August 1990, though there may be a general renegotiation of ET contracts before then.

8. On YTS the position is rather different. Fullemploy's involvement is limited, and negotiated through local contracts.

9. With the establishment of Training and Enterprise Councils, the emphasis will be increasingly on local negotiation and delivery of training and help for small businesses. Following the last PES round, ET unit costs need to be reduced. From the end of May YT will replace YTS and a more flexible pattern of youth training will need to be available from providers. Within this highly delegated system of contracting any core funding for Fullemploy, and/or support at a preferential level, would be very difficult to arrange and to finance. It would produce strongly adverse reactions from TECs and other training providers.

10. TA want Fullemploy to consider the consultants' report carefully with their Board, review the structure, systems and management of the Group and offer a business plan that takes particular account of their training activities in the new environment. No commitment has been or could be given to



further financial support in advance of seeing the plan and discussing it with the Chairman of the Board.



SH

Des  
DM

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

26 February 1990

Dear Mr. Reid.

Thank you for your letter of 5 February about the contributions to education which Shell might be able to make. It is most gratifying to know the extent of your support and commitment. Your specific suggestions are very welcome and I should like to respond to each in turn.

You offer help in the development of distance learning materials for science teaching. Good quality teaching support materials from industry are a valuable source for teachers and no doubt new materials related to the science National Curriculum would be very welcome. It is certainly important that the curriculum in schools and in colleges should be relevant to the world of work. Officials at the Department of Education and Science would be happy to discuss this with your people, drawing in other major interests such as the Association for Science Education. May I recommend that your people contact Ron Jacobs at the Department of Education and Science, on 01 934 0992?

In the past we have commissioned the development of distance learning materials to update and retrain teachers in physics. We propose now to commission a similar project in chemistry. BP supported the physics project, providing £50,000, and propose to do the same in the case of the chemistry project. We are very much hoping that there will be support from other industrial sponsors. Perhaps this is something which Shell would be prepared to consider?

SH/MS



The ideas you raised at the seminar about developing the provision of careers advice were most interesting and are being considered closely. We welcome the offer of Shell's participation in an experiment to supplement careers advice in schools and will look at this possibility further.

Turning to your comments on school management, I am sure that industry has much to contribute to the development of good management training in schools. This is now becoming more and more important. I know that John MacGregor has been taking a close interest in this and you may like in due course to discuss this further with him. Meanwhile, I suggest that your staff contact the School Management Task Force. They are a small group of heads and business experts recently set up at the Department of Education and Science with the specific remit of enhancing the quality of management training for heads and other senior staff. The leader of the Task Force is David Styan, who can be contacted on 0925 816882.

I should mention that the Employment Department: Training Agency is also involved in developing Open Learning materials for science and technology at GCSE and A level and is sponsoring management training for head teachers in co-operation with the Department of Education and Science. Mrs. Anne Jones, Director of Education Programmes at the Training Agency, Moorfoot, Sheffield, would be happy to talk to people from the Shell Education Service about this.

I was interested to learn of the school visits for chief executives arranged by the Urban Learning Foundation. I know that John MacGregor is due to visit the Foundation shortly, to get a first-hand picture of their work.

Thank you again for your excellent support.

R. P. Reid, Esq.

Yours sincerely  
*Nagant Shalita*



ELIZABETH HOUSE  
YORK ROAD  
LONDON SE1 7PH  
01-934 9000

21 February 1990

*Dear Paul*

**DRAFT REPLY TO THE LETTER FROM BOB REID TO THE PRIME MINISTER**

Thank you for your letter of 8 <sup>Ac</sup> February enclosing a letter from Mr Bob Reid to the Prime Minister which set out a number of educational proposals from Shell.

I enclose a draft reply for the Prime Minister's signature, which has been prepared by my Department in conjunction with the Department of Employment.

I am copying this letter and enclosure to Clive Norris at the Department of Employment.

*Yours sincerely*  
*John*

JOHN RATCLIFF

Paul Gray Esq  
10 Downing Street



~~DRAFT~~ LETTER FROM THE PRIME MINISTER TO:

*Scanned*  
R P Reid Esq  
Chairman & Chief Executive  
Shell UK Ltd

*GR*  
*Re type letter.*  
*Rec'd nhr*

Thank you for your letter of February 1990 about the contributions to education which Shell might be able to make. It is <sup>most</sup> ~~very~~ gratifying to know the extent of your support and commitment. Your specific suggestions are very welcome and I should like to respond to each in turn.

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I should mention that the Employment Department: Training Agency is also involved in developing Open Learning materials for science and technology at GCSE and A levels and is sponsoring management training for head teachers in cooperation with the Department of Education and Science. Mrs Anne Jones, Director of Education Programmes at the Training Agency, Moorfoot, Sheffield, would be happy to talk to people from the Shell Education Service about this.



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Thank you again for your excellent support.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 February 1990

Dear Chris,

TRAINING AND EDUCATION

The Prime Minister held a meeting this morning to discuss the appropriate follow-up action in the light of the Seminar on Training held on 2 February. Those present were the Secretaries of State for Trade and Industry, Education and Science, Scotland, Employment, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Minister of State, Department of Employment, the Parliamentary Under-Secretary of State, Department of Education and Science (Mr. Jackson), Sir Robin Butler and Mr. Richard Wilson (Cabinet Office) and Professor Brian Griffiths and Mr. Andrew Dunlop (Policy Unit). The meeting had before it your Secretary of State's minute to the Prime Minister of 16 February and the two attached joint papers on Training in the 1990s and Credits for Young People.

Introducing the paper on Training in the 1990s your Secretary of State said it set out the framework for the development of training policies, although there were no specific proposals for colleagues to consider. The prospective role of Training and Enterprise Councils had already been established. But the paper provided important background to the specific proposals on credits for young people set out in the second paper.

In initial discussion the following main points were raised:

- (i) the paper could be interpreted as equating the improvement of training with the acquisition of additional qualifications. The important thing was to have training for jobs, not training for qualifications for their own sake, reflecting the demands of new technology. The role of employers in determining training requirements was crucial. Against that it was suggested that this was certainly not the intention of the paper. The pivotal role of the TECs in future training arrangements would ensure that these were led and driven by employers. In drawing up their business plans TECs would be relating the provision of training courses to the developing needs of the market place in their particular areas. The development of recognised national qualifications was important, but their main role was to provide a check on the effectiveness of the training system; they were not a goal in their own

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right.

- (ii) it was noted that the great majority of the TEC Chief Executive appointments so far had come from within the Civil Service rather than from business. But it would be the TEC Boards, who were largely composed of business leaders, which would drive the policy.
- (iii) it would be important that development of training arrangements under the guidance of the TECs should complement the role played by Compacts, should maximise the very large potential of the FE colleges, and should ensure reductions in the excessive length of some apprenticeship courses.
- (iv) the theme "passport to opportunity" was not attractive in this context. There needed to be a more exciting concept, perhaps making an explicit link between training on the one hand and jobs, pay and output on the other.

Discussion then turned to the second paper on Credits for Young people. Your Secretary of State said that, although the TECs provided for the key role of employers in leading the training effort, it was essential to complement this with an effective mechanism for motivating young people to undertake practical and useful training. The credits proposal set out in the paper would provide that motivation within a market based system which placed purchasing power and a degree of choice in the hands of individuals.

In discussion the following main points were made:

- There were major attractions in principle in developing a system of credits. But the proposal in the paper was for a universal scheme of credits for all young people leaving full time education in the 16-18 age bracket. It was far from clear that this would be appropriate. There were some types of employment where the need for additional training was minimal, and it was arguable the key requirement was to focus on improved training at craft and technician levels. A universal scheme rather than a selective one might not be the best way of providing motivation; indeed the universal availability of credits could encourage training for training's sake. There was also a risk that the credits could tempt young people to leave full time education prematurely.
- Concerns about the proposed universal approach were increased by the apparent heavy public expenditure costs. Any universal scheme would be likely to have a sizeable deadweight element. And it appeared that the proposals in the paper went beyond the remit of a scheme financed within existing resources; the projected costs were some £250 million above existing public expenditure provision for 1992-93 and this excess would increase by a further similar sum if the proportion of the non-employed within the scheme



were to stay the same as under Youth Training. The projections also assumed a four-fold increase in the existing contributions from employers; it was not clear this was realistic. Another point was that, under the proposals, employers would have a new incentive to say that trainees were unemployed since in those circumstances it would be the Government rather than the employer which was liable for income support payments. On the other hand it was argued that existing expenditure plans for training already assumed a substantial increase in financial contributions from employers. More fundamentally the whole purpose of the present exercise was to increase the amount of training undertaken by young people, and if there was a desire to will that end it would also be necessary to will the means via additional public expenditure provision.

- The Seminar had demonstrated that the training record of some large UK firms was good. But a key problem area was the low level of training in many small firms, which was exacerbated by their fears of poaching. The presentation at the Seminar of the arrangements in Germany had shown that special arrangements to encourage higher levels of training in small firms were possible, but the German system involved considerable compulsion and a generally paternalistic approach. That would not be appropriate in the UK. The TECs did however provide a promising means of overcoming the problem as long as small firms were involved in sufficient numbers in the work of the councils.
- The timetable in the paper for implementation of the proposals, involving an announcement in March 1990 and full implementation of a universal system in April 1991, was too ambitious. The TECs and their Scottish equivalents were still only in the development phase and there had so far been no consultation at all with local authorities and other interested bodies. The TECs were simply not yet in a position to enter into the necessary contracts for the provision of training. More generally it was essential that any new training arrangements for young people were got right before they were launched, unlike some earlier schemes in the 1970s, so that the Government could be sure they would provide good effective training. On the other hand it was argued that the only major new aspect in the proposals was the concept of the universal passport for all young people. The training arrangements themselves did not need to start from scratch; there was already a multiplicity of training schemes and courses under way. Given that background, although the operation of a universal scheme from April 1991 was a demanding target, this could be achieved successfully.
- The concerns expressed about universality, costs and the timetable all pointed to a more cautious and selective approach to that set out in the paper. There were various possibilities for a selective approach. One would be to focus provision on small companies, either by operating it for such companies only or by providing a larger credit for employees of small companies than of large companies. A



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second would be selectivity in relation to different types of occupation, although this could involve a high degree of undesirable manpower planning. A third option would be selectivity in relation to different TECs. Some councils would be better placed than others to make an early move into the operation of credits, and they might be invited to make bids to operate the scheme within an initial tranche of funding of say £100 million, in a similar way to which the TVEI had originally been launched.

- Whether it was right to envisage a credit scheme which would ultimately become universal or one that remained selective it was right to start with pilot schemes, to ensure that the new system could be made to work successfully. One problem with starting in this way would be that full implementation of the new system might not be possible until 1993, which seemed far too late. On the other hand, if pilots could be got underway by the autumn of 1990 it should be possible for substantial activity to be underway during the course of 1991.

Summing up the discussion the Prime Minister said that the group saw considerable attraction in the development of a system of training credits for young people. But they were not in a position to accept the recommendations set out in the joint Ministerial paper; there were far too many uncertainties about whether the system would work satisfactorily or effectively. Further work was required in the first instance to develop proposals for pilot or selective schemes, possibly drawing on the experience with the initial launch of TVEI. This work should be carried forward jointly by your Secretary of State and the Secretary of State for Education and Science, and they should consult closely with the Secretary of State for Trade and Industry and the Chief Secretary. The group were minded to the view that the funding of the initial schemes should be met within existing Departmental resources, although if the pilot proposals when available were particularly attractive it would be for consideration whether a small element of additional funding could be found.

I am copying this letter to Martin Stanley (Department of Trade and Industry), Stephen Crowne (Department of Education and Science), Jim Gallagher (Scottish Office), Robert Carriff (Chancellor of the Duchy of Lancaster's Office), Carys Evans (Chief Secretary's Office), Stephen Williams (Welsh Office), Stephen Leach (Northern Ireland Office), the Private Secretaries to the Minister of State (Department of Employment), Mr. Robert Jackson (Parliamentary Under-Secretary of State, Department of Education and Science), to Sir Robin Butler and Mr. Richard Wilson (Cabinet Office), and to Professor Brian Griffiths and Mr. Andrew Dunlop (Policy Unit).

Clive Norris, Esq.,  
Department of Employment.

  
Paul Gray

CONFIDENTIAL





Department of Employment  
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Secretary of State

John Ratcliff Esq  
Private Secretary  
to the Secretary of State for  
Education and Science  
Elizabeth House  
York Road  
LONDON  
SE1 7PH

*B/G-See to Mr T  
espans arrives.*

*RL 16  
19/2*

19 February 1990

*Dear John*

*Alan Hunt*

**LETTER FROM MR BOB REID, FOLLOWING THE TRAINING SEMINAR**

Paul Gray's letter of 8 February asked you to prepare a draft reply in conjunction with this Department. We regard Bob Reid's offer as very positive. So we think the reply should be very positive too. We would like it to say that he is right to signal the key role of employers in ensuring that the curriculum both in schools and colleges is work related. We should also record that all the indications are that the employer-led Training and Enterprise Councils share his view of the importance and priority of this.

On the first of Bob Reid's proposals, we suggest that it should be welcomed. The point should be made that his initiative should be dovetailed with what is happening through our TVEI (the Technical and Vocational Education Initiative) and WRFE (Work-related Further Education) as well as through DES activities. It would be useful to suggest that the Shell Education Service should arrange to meet Mrs Anne Jones, Director of Education Programmes at the Training Agency, Moorfoot, Sheffield. Her team is already actively developing Open Learning materials for science and technology at GCSE and A levels and is sponsoring management training for Heads on the lines he suggests, working closely in all this with colleagues in your Department.



Employment Department · Training Agency  
Health and Safety Executive · ACAS



Secretary of State  
for Employment

On careers advice our two Secretaries of State are likely to propose in the light of the discussion at the seminar that we should examine how the careers service should be developed. Meanwhile there seems every advantage and no harm in giving Bob Reid gentle encouragement. We should indicate that his comments and ideas about developing the careers advice aired at the seminar were most interesting and are being considered further, and that his offer to participate in an experiment with some Training and Enterprise Councils to supplement careers advice about the world of work will be followed up.

I am copying this letter to Paul Gray at No.10.

*Yours etc*

*Bryony*

**BRYONY LODGE**  
Private Secretary



PRIME MINISTER

MEETING ON TRAINING: 20 FEBRUARY

You saw the main papers for tomorrow's meeting over the weekend. There is just one additional paper, a further Policy Unit note at Flag C, which is now included.

My earlier note below summarises the full set of papers, and those attending.

Handling

I suggest you divide the discussion into two parts:

- (i) consider the joint paper (Flag B) on training in the 1990s;
- (ii) move on to the paper on credits (Flag D).

Training in the 1990s

The joint Ministerial paper is at Flag B and the new Policy Unit note at Flag C.

You may want to start by commenting on the analysis in the early part of the joint paper; you made various manuscript comments on paragraphs 4-13. But the main part of the discussion might be a quick run through the forward looking part of the paper from paragraphs 17-40 (including Annex A) to check that you are content with the main points of the proposed future action.

The Policy Unit (Flag C) agree that the paper is rather disappointing, but they suggest only two specific points you should raise. I think they may be being a little harsh in their first point in criticising the number of Training Agency staff who have been appointed as TEC Chief Executives; it is up to the TECs themselves to select people, and the main point to check is that they are being able to choose who they think is the best candidate, whatever that person's background.



Credits

The papers are the Joint Ministerial paper at Flag D and the Policy Unit comments at Flag E, both of which you went through at the weekend. The Policy Unit have noted a number of specific questions to raise.

My impression is that all the Ministers at the meeting are likely to support the credits proposal, except the Chief Secretary. He will be raising a number of doubts. In part they relate to the financial implications e.g.:

- your injunction for the proposal to be costed within "existing resources" has been interpreted as current levels of funding, not the planned resources for 1992-93, which are considerably lower.
- it is assumed that employers are willing to contribute some £750 million, which is four times higher than at present.

But the Chief Secretary's main criticisms are likely to be more fundamental e.g.:

- Is it right to be going for a universal approach for all young people in this age group with the danger of universal mediocrity? Would it be better to focus on the need to raise smaller numbers up to a higher skill level? Could the TECs be given a role to use credits selectively, rather than have a universal scheme.
- Is it right in the training area to give so much apparent power to consumer choice? Don't employers need to have a larger role? Is that not reflected in the fact that a substantial part of the total cost of the proposal relates to guidance by TECs to young people in the use of their credits?

PAUL GRAY

19 February 1990

c:\economic\training (kk)



19 February 1990

TRAINING IN THE 1990s

Credits are clearly the most concrete proposal which DE/DES are putting forward. We recommend that you concentrate on this at tomorrow's meeting. The more general paper is rather disappointing: it is a combination of a desire for corporatist objectives, promises of reviews and a plethora of frankly marginal ideas (eg tax incentives).

There are, however, two specific points worth raising on this paper:

First, TECs: Great responsibility is being given to TECs to deliver change. They must succeed. Our concern all along has been that they should not turn into "local soviets". We always knew that the key to this would be the degree of private sector control. Inevitably the board members of TECs will only be able to devote part of their time to its activities. Day to day control will be in the hands of the Chief Executives.

Originally DE and the Training Agency wanted positive discrimination in favour of their civil servants in appointing the TEC chief executives. You argued strongly against this and insisted there was proper open competition. You did so on the grounds that in order to change the culture of training, private sector executives were required - not the civil servants running the existing system.

We have just received the figures for the Chief Executives appointed so far. Out of 55 TECs who have received development funding:

- 7 have appointed a chief executive from the private sector;

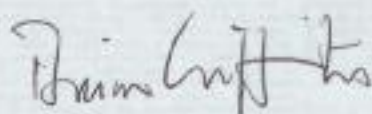
- 48 have appointed chief executives who are either ex Department of Employment or Training Agency staff.

These are depressing figures and suggest that despite your best efforts, the "training mafia" has prevailed.

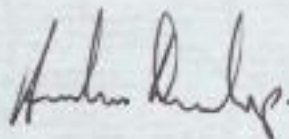
Michael Howard needs to be asked to look at this and see if the situation can be rectified.

Second, Compacts. Little mention is made of compacts. Yet these have proved to be a very cost effective way of improving the relevance of schooling to the world of work. For example, the East London Compact has had dramatic results: staying on rates have improved significantly. For all students, staying on rates rose from 36 per cent to 52 per cent. And for those students who achieved all their Compact goals (ie punctuality, attendance etc), the rate rose from 57 per cent to 82 per cent.

We would strongly support the idea that this initiative be extended nationwide, if it could be done from within existing resources.



BRIAN GRIFFITHS



ANDREW DUNLOP





10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 February 1990

Dear Sir,

TRAINING SEMINAR: 2 FEBRUARY

\* I have now been able to assemble copies of the various slides used by most of the opening speakers at the Training Seminar on 2 February. The one exception concerns the comments by Professor Peter Toyne, who spoke without visual aids. Your Secretary of State and other Ministers may find it helpful to have copies of various slides which I now enclose.

I am copying this letter to Martin Stanley (Department of Trade and Industry), Stephen Crowne (Department of Education and Science), Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Carys Evans (Chief Secretary's Office), Jim Gallagher (Scottish Office), Stephen Williams (Welsh Office) and Stephen Leach (Northern Ireland Office), and Sir Robin Butler and Richard Wilson (Cabinet Office).

Yours  
Paul

PAUL GRAY

\* filed in folder & checked

Clive Norris, Esq.  
Department of Employment

DTI

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PRIME MINISTER

TRAINING: FOLLOW UP TO SEMINAR

You have a Ministerial meeting on Tuesday morning to consider the follow up to the training seminar on 2 February. I am inviting:

Secretary of State for Employment  
Secretary of State for Education and Science  
Chief Secretary  
Chancellor of the Duchy of Lancaster  
Secretary of State for Trade and Industry  
Secretary of State for Scotland  
Secretary of State for Wales  
Secretary of State for Northern Ireland

Both unable to  
come

But I have not invited any Department of Employment or Education and Science officials this time.

You may like to have a first look over the weekend at the papers that have come in late this evening. These are:

Flag A Joint covering minute from Michael Howard and John MacGregor

Flag B Their joint general paper on training in the 1990s

Flag C Policy Unit comments on his paper

Flag D The second joint paper on the credits proposal

Flag E Joint note by Brian Griffiths and Andrew Dunlop commenting on the credits paper.

As background, you may also like to have to hand:

Flag F The commissioning letter you agreed I should send out following the seminar

Flag G Copies of the slides and notes that the various opening speakers at the seminar used.

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The key issue for Tuesday's meeting will be to decide the attitude towards credits. Most of your colleagues have been keen to go down this route, but you have had reservations. You will see that Michael Howard and John MacGregor are keen for a very early decision in favour with a view to introducing the arrangements by April 1991. They suggest that the credits proposal and the more general ideas set out in their first paper play on the "Passport to Opportunity" theme in your last Party Conference speech.

Brian and Andrew support the broad thrust of the credits proposal. But you will see from their very helpful commentary that they have significant doubts on the details of the Howard/MacGregor approach, and have set out a number of key issues and questions for you to raise.

RLG.

PG

16 February 1990

jd c:training

TRAINING CREDITS

Michael Howard and John MacGregor are right to argue that credits are an excellent and exciting idea in principle. They involve more young people in choosing training and will in time lead to a more market-orientated approach by companies, colleges and training specialists.

But the key is to strike the right balance between individual choice and the proper accountability for public money. There is still a whiff of bureaucratic manpower planning about the scheme proposed.

There are five central questions on which the meeting of Ministers needs to focus.

A. Are credits the right answer in principle?

We think they are.

1. There is now broad agreement on what is the nature of Britain's training problem:

- there are a core of basic skills (literacy, numeracy, understanding technology etc) which, if acquired, will enable individuals to master more easily job specific skills at a later date;
- the evidence is that too many children leave school without these skills. The cost to employers, therefore, of training and retraining people is higher than it should be. That is why they do less of it.



- this problem is magnified because unions have bid up trainee wages.

2. We could tackle this problem in the same way the Germans do, by compulsion. In Germany part-time vocational education and training is compulsory for 16 year old school leavers. But legislating to put a compulsory system in place in the UK is not appropriate:

- it goes against the grain of our attempts to deregulate the labour market;
- it would impose arbitrarily costs on industry.

The objective for us, therefore, must be to achieve a similar result, but using incentives in place of legislative compulsion.

In this respect credits - by focusing on individuals - offer an attractive approach.

First, it is individuals who ultimately hold the property rights to broad-based transferable skills. To improve labour market flexibility it is in the interests of the Government that individuals acquire these skills, so that they can move more easily from job to job. Employers have a more narrow interest in training individuals in specific skills for one particular job. The correct division of responsibility is that public funds should be focused as much as possible on training for "transferable" skills, leaving companies to pay for the more specific skills they need to run their business. It is the same as the difference between basic and near market research.

Second, the skills gap is not simply a supply problem, it is also a problem of a lack of demand for training. Credits are



a direct means of stimulating a demand for training among individuals and giving them some leverage with employers.

B. Will individuals exercise their choice wisely?

The risk that some individuals will make a poor choice can never be eliminated entirely. There is a risk inherent in any system which involves giving individuals greater responsibility. Could we guarantee, for example, that tenants who bought their council houses would maintain them properly?

The DE/DES proposal attempts to reduce these the risks in two ways:

First, relevance to aptitudes and needs. The intention is that a more effective careers advice system would be put in place alongside the credit system. In principle this is fine and should play an important part in guiding school leavers in the right direction. But there are two points worth raising:

- the launch date for the national credit scheme is April 1991. Is it credible to suggest that a fundamental overhaul of the Careers Service can be achieved within that time? What improvements could DE put in place in the interim?
- if school leavers are to exercise their choice wisely, then it will be essential for parents to be actively involved. Middle class parents or parents who have bought council houses are likely to be interested and involved in any case. But we need a strategy for reaching out to those families - typically from the large council estates - who will be less motivated. At present imaginative ideas on this are missing from the proposals. To make credits succeed in these



areas, the TECs need an on-going relationship with trainees. One suggestion might be that retired workers or businessmen be recruited to play a pastoral role in these areas - a voluntary public/private partnership through TECs or DE.

Second, relevance to jobs. The key here is that under the DE/DES scheme individuals will not be able to properly activate their credit entitlement until they are able to effectively match with an employer and the TEC.

Part of a TEC's job will be to collect information on the jobs available in an area and on which companies offer training. They will also be in the business of trying to increase the supply of companies who are prepared to offer jobs with training. This information will be fed into the careers guidance system.

The school leaver, armed with this information, will then approach companies in the normal way for a job interview. If accepted for a job, the school leaver and his new employer will work out a plan of training. This will be presented to and approved by TECs, thus activating the credit funding.

Again this is fine in theory, but it is not clear how the TEC will provide the necessary quality control. What guarantee is there that the training plan will be adhered to? If the aim is to achieve relevant qualifications, what can TECs do if the agreed Training Plan fails to deliver? How will companies be made properly accountable? How will the system be monitored? One possibility is to use the Training Standards Advisory Service in this role.

#### C. Will a credit system achieve more and better funding?

There are two aspects to this.



First, the funding mechanism. The DE/DES paper proposes a credit with a face value of £1000. This amount is equivalent to the average cost of a part-time FE course directed to achieving NVQ Level 2. It is this element that represents the universal entitlement.

But the bulk of the TEC credits budget will not be tied to financing this basic entitlement. Most of the available funds will be used to (a) pay income support to the unemployed (b) provide top-up payments to employers.

The purpose of the top-up fund is to lever up more and better training by:

- helping to pay for more expensive training (eg some engineering courses) and training to a higher level (eg NVQ Level 3)
- providing an additional incentive to those companies who do not train currently, (and for whom the £1000 would be an insufficient inducement) to join the credit system.

We have two concerns about this approach:

- It is not clear how the fund would be administered. All employers - good and bad - would know of the fund's existence. There is a danger that they would gather "like bees round a honey pot", irrespective of whether they needed an additional subsidy or not.
- It is a recipe for the very bureaucratic control we are trying to escape. Paragraph 12 of Annex A gives the game away when it says: "(TECs) in particular would



have a responsibility for the distribution of places available for approved training by sector, industry and skill level." This is manpower planning writ large.

A less interventionist approach would be to have a fixed face value for the credit (as now), but a tariff of banded redemption values which reflect that the cost of some training is more expensive than others. The original DES proposal had three bands: high, medium and low cost. Different types of training could be categorised by band. Such an approach would not preclude a much smaller discretionary top-up budget. But the guidelines for its use need to be strictly defined, so that the money within it is used solely to bring in the so-called "marginal employers" who do not currently train at present. These options need to be explored more fully at the Ministers meeting.

#### D. Can we afford a credits scheme?

We believe that holding total expenditure on youth training and part-time FE level in real terms is a price worth paying for a credits scheme. If we can successfully raise participation in training from 60 per cent to 75 per cent of all school leavers then this will represent good value for money.

Moreover, put at its bluntest, we will need to offer the electorate some positive new initiatives in the run up to the election. This cannot be done at a nil cost.

The Treasury are sceptical that the scheme proposed can be delivered at the cost stated. This is because of the assumptions made about the level of employer contributions to training. But this needs to be kept in perspective. The assumption is that employer contributions will be £750 million



with a 75 per cent participation rate under the credits scheme. The last PES settlement negotiated between the Treasury and DE assumed employer contributions of £590 million with a 60 per cent participation rate under YT. Seen in this light the improvement assumed under a credit scheme does not seem unreasonable.

One area to explore, however, is the extent to which the increase implied by the credit scheme could be funded from within the existing DE budget. For example, by far the largest element of the DE budget is ET. Yet this scheme has consistently undershot its targets. There may be some scope to shift resources from ET into a credit scheme.

#### E. Timing

The urgency for getting this scheme off the ground is essentially political. People vote for what they have, not for what they are promised. If we miss this opportunity the Labour Party could well steal a march on us or outbid us in a promises auction.

#### Conclusion

We support the principle of a credit scheme. But its design is all important. At present there are some gaps in the system proposed, particularly how the careers guidance system will work. Moreover, there is a real danger that the scheme currently proposed will create too much bureaucratic control by TECs.

#### Questions to Ask

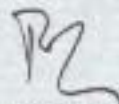
- 1 It is credible to suggest that a fundamental overhaul of the careers service can be achieved by April 1991?



- 2 By what mechanism will TECs monitor the execution of the training plan agreed between employers and their trainees?
- 3 How will the top-up fund be administered to ensure that money is targeted effectively?
- 4 Why couldn't the redemption of values of credits be banded to reflect the cost of different types of training?
- 5 In a market-led system, why are TECs to be given such control over the distribution of training places?
- 6 What scope is there to meet the increased spending required for a credits system from within the existing DE budget?



ANDREW DUNLOP



BRIAN GRIFFITHS

Secretary of State  
for Employment

A

CCP  
Feedback up.

PRIME MINISTER

## TRAINING AND EDUCATION: MINISTERIAL MEETING ON 20 FEBRUARY

I enclose the two papers which John MacGregor and I are submitting jointly to the meeting which you will chair on 20 February, following the seminar on training at 10 Downing Street earlier this month.

The first paper, "Training in the 1990s", draws together the main themes emerging from our discussion before and at the seminar and identifies a number of important gaps in our present policies. It proposes that the major thrust of our policies in the 1990s should be on increasing incentives and opportunities for individuals to train and retrain throughout their working lives. This would build on the "Passport to Opportunity" theme of your speech to the last Party Conference.

The second paper, "Credits for Young People: Passports to Training and Education", proposes a major change in the training arrangements for young people who leave full-time education early, which would be the centrepiece of our new approach. We are proposing that from April 1991 all school-leavers should be issued with a training "passport" designed to encourage them to take up the opportunities for skills and jobs offered by training, and to record the training, skills and qualifications which the young person subsequently secures. The passport would contain a "credit" entitling young people to quality training to the value of at least £1,000. John and I firmly believe that such arrangements would have a dramatic beneficial effect on the motivation of young people and their attitude to training and on the skills of our workforce.

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Secretary of State  
for Employment

These new arrangements for young people can be introduced successfully by April next year, provided that the go-ahead is given quickly. If you and others at the meeting on 20 February are content, we would like to put our proposals to E(A) within the next three weeks with a view to a Government announcement immediately thereafter.

I am copying this letter to John MacGregor, Nicholas Ridley, Norman Lamont, Kenneth Baker, Peter Walker, Malcolm Rifkind and to Sir Robin Butler.

M. H.

M H  
16 February 1990

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VY/MH/TRAIN

Training in the 1990sPaper by the Secretaries of State for Education and Science and Employment

1. This is an important moment to take stock of our training policies and to decide on our strategy for the 1990s. There is increasing recognition that the lack of skills in the economy is a barrier to our international competitiveness. If we do not catch up quickly, we shall face increasing problems in the highly competitive world of the 1990s.

2. We must also keep the political initiative. The Labour Party are now trying to give high priority to education and training in their own policies and to seek to gain credibility for their own agenda. Even though that agenda signals a return to the highly interventionist and bureaucratic policies of the 1970s, it is important that we are able to counter it with a clearly presented and attractive alternative.

3. This paper sets out a framework to guide the development of our policies for training in the 1990's, drawing on our discussions before and at the seminar on 2 February. The paper is in three main parts:

- the nature of the problem and the shortcomings in the present system;
- what we are already doing;
- what more needs to be done to present our policies more clearly and to fill the policy gaps.



Nature of the problem

4. It has been common ground in our discussions that the UK still does not produce enough people trained in the skills needed by industry. Two fundamental problems have been identified: the generally low level of skills in the workforce compared with our main international competitors; and the apparent inability of too much of our present system to adapt to changing demands for skill and to enable the skill base of the economy to be continually upgraded and improved. *and this is training for survival skills on the shop floor.*
5. The roots of our problem lie in both the education system and the labour market.

- (i) there is widespread agreement that the schools have in the past turned out too many people with inadequate basic standards of education and insufficiently prepared for work. To some extent this basic handicap underlies our subsequent problems in developing a skilled workforce;

- It is the middle skills that we are short of.*
- (ii) not enough individuals in the UK expect to upgrade and develop their skills throughout their working lives. Too few stay on in post 16 education to gain higher level qualifications. Those who leave at 16 have low expectations of continuing training and education and enter a labour market which provides inadequate incentives and opportunity for them to do so;

- (iii) too few employers are willing to invest in training in the same way as they would invest in product development or new plant and equipment;



There is a particular reluctance to invest in training to higher level skills, partly through fear that the employee, once trained, will not stay with his employer long enough to repay the investment;

- (iv) there remain major barriers to the flexibility of the labour market. These include particularly high youth wages which raise the costs to the employer of training young people; and insufficient rewards for the attainment of skills.

*And causes lots of long for apprentices.*

6. These difficulties have to be set against another problem, that the current system is seen as confusing, with a lack of clarity which hinders desirable training objectives from being achieved. This point is developed below, but one important aspect of it which emerged at the seminar is the need for a more easily understood system of qualifications attesting to the acquisition of skill.

7. This would meet two key purposes. First, individuals would be able to carry with them through the labour market a "label" which clearly indicated their skill level and ability in a particular trade or occupation, and employers would be able to recruit individuals with much greater certainty of their competence. Second, a clearer framework for the qualifications system would provide a benchmark and a tool with which to measure progress within the training system generally. We return to these points below.

*But not necessarily to the needs of the changing labour market.*

#### What we have done

8. We have already set in place a wide range of initiatives to tackle these shortcomings and have major achievements to our credit.



9. We have made fundamental reforms to the education system which are raising standards in schools and promise major improvements in the performance of 16 year olds from the mid 1990s onwards. Through the reform of the curriculum and measures like the Technical and Vocational Education Initiative (TVEI) and business/education partnerships, we are improving the relevance of the curriculum to the world of work and preparing young people better for working life. There is already evidence that staying-on rates in full-time education are increasing, largely as a result of GCSE, and that TVEI and other developments are increasing the relevance of post-16 education.

*Very  
reversible  
training*

10. We have brought about major improvements in training for those leaving school at 16 and 17 and for long-term unemployed adults. As a result over 400,000 young people and 450,000 adults will have the chance to enter training with the opportunity to acquire skills and qualifications in the coming year.

11. We have also been successful in raising the level of employer commitment to training. Our latest survey shows that the amount of training undertaken by employers increased by 50% between 1984 and 1988. The response to the setting up of Training and Enterprise Councils suggests that leading employers are ready and willing to take the lead in raising standards further and increasing employer involvement.

12. Finally many of the restrictions on flexibility (eg age limits on entry to training, requirements relating to time serving), which were a feature of traditional industries in the 1960s and 1970s, have begun to disappear as these industries have declined and the grip of the unions over them has weakened. Our legislation to outlaw the closed shop will encourage the process further.

13. All these initiatives have however led to the criticism, expressed at the seminar, that our overall approach lacked coherence and clarity. Some have criticised us for too many activities with overlapping aims; too much emphasis on centrally



driven training programmes with rigid (but frequently changing) rules; and a preoccupation with process and activity rather than on raising standards and practical achievements.

*or rather than providing skilled people for vacant jobs.*

14. Our two most recent and important initiatives - the Education Reform Act and the programme to establish Training and Enterprise Councils - offer the basis for presenting our approach with greater coherence and clarity. Both seek to give much more power in decision making to those most concerned in local communities, so that within a clear national framework local people can devise solutions which meet local needs.

15. The Education Reform Act provides the agenda for our education policies in the 1990s. Within the framework of the National Curriculum and its associated assessment and testing, schools with their delegated budgets will become increasingly accountable to their local communities. Grant-maintained schools and City Technology Colleges will provide competitive models for others to follow. Beyond the age of 16, the Education Reform Act is reforming college governing bodies and giving them a greater degree of independence. As a result, local businessmen and women will have a major role in determining the shape of college provision and ensuring that it meets employment needs.

16. Training and Enterprise Councils, 55 of which are now in the development phase, also offer a new way forward for the 1990s. For the first time we shall have, in every local area, influential, employer-led bodies with responsibility for analysing the skill needs of the local economy and developing training to meet those needs. The establishment of the Councils signals the end of large centrally driven training programmes. The Councils will be set demanding performance targets related to skill levels but given freedom to break away from national rules and regulations in order to achieve the targets in the most effective and locally appropriate way. We shall also be looking to them to make sense of the current plethora of programmes and



initiatives, particularly in the field of small business support, and to eliminate overlap and duplication in public funding. It is particularly important that the objectives for the Councils should be set in terms of improving the quality of training, leading to increasing numbers of people achieving higher levels of recognised qualifications.

What more needs to be done

17. While the full potential of these reforms remains to be exploited, there are important gaps in our approach:

- Get ahead*  
*Get trained*
- (i) we lack an overall focus and a unifying theme to give coherence to our policies and to guide policy development; *Be trained*  
*Get it*
- More pay?*  
*Get trained.*
- (ii) there are a number of areas in which there is a need for greater clarity and elimination of overlap; and
- Higher output?*  
*Can we better manage.*
- (iii) in terms of gaps in our present policies, we have not done enough to get over to individuals the vital importance of training as a means of improving their standards of living and of enriching their working lives.

(i) Overall aims and a unifying theme

18. We propose that there should be three overall aims to guide our policies in the 1990s:

- (a) Firstly, we must continue our efforts to raise the basic standards of education of those leaving school and to encourage more to stay in full-time education in order to get that broader base which the seminar showed is needed.
- (b) Secondly, we must ensure that all 16 to 18 year olds including those who leave full-time education before the age of 18 have the opportunity to



acquire practical knowledge and skills which prepare them for work and build on their National Curriculum attainments.

This knowledge and these skills must be linked to recognised qualifications so as to allow the flexibility which is essential to the effective operation of the labour market. We must start the process well before the minimum school-leaving age by ensuring that the National Curriculum supported by TVEI is practical and related to the real demands of work. After 16, the skills taught must also be sufficiently broad based, so that individuals are not too narrowly focused too soon and are able to go on learning and training throughout their working lives, in response to changing needs.

- (c) Thirdly we must create a labour market in which the demand for skilled labour is met because employers are willing to invest in both initial and continuing training of their workforce and individuals have the initiative and incentive to train.

*Training -  
your passport to the future.  
Have training,  
we have the future*

19. We suggest that the principal unifying theme for the presentation of our policies should build on the "passport to opportunity" theme used by the Prime Minister in her speech to the last Party Conference. This fits well with the main thrust of our existing education and training policies, and the way they should develop. Our theme must be greater choice and opportunity for individuals to learn and train to their full potential, beginning in school and continuing through their working lives.

- (ii) Greater clarity and elimination of overlap.

20. There are two particular areas where current policies lack clarity and coherence.



*Consider* 21. The first of these relates to business/education partnerships, which are an essential means of improving the links between schools and employers and preparing young people better for work. At present three Departments - the DES, the Employment Department and the DTI - support initiatives to develop partnerships. We have asked officials from the three Departments to look urgently at what local arrangements should be encouraged in future.

22. Secondly, as we have said before, we urgently need national vocational qualifications set in a simple framework to bring some sense to the present confusing system - with its 300 awarding bodies offering some 4,000 qualifications. The qualifications must represent standards which are set and accepted by employers and relate to performance in work; and they must be broadly based so as to promote and facilitate the acquisition of skill, and flexibility in its use.

23. The National Council for Vocational Qualifications (NCVQ) was established in 1986. Progress has been made by the Training Agency in bringing together employer bodies to set standards for their industries and by the NCVQ in achieving a broad framework for the accreditation of qualifications. However, we are still a long way from establishing a comprehensive and credible system which is publicly understood and valued. We therefore intend to carry out an urgent internal review to identify the obstacles to faster progress. The work should be completed by the end of May so that it can help in drawing up a remit for the new Chairman of the National Council when he is appointed.

(iii) Further action

24. Finally, in identifying further action, the major issue is whether we can improve the incentives and opportunities for individuals, particularly those who leave school at 16, to continue training and upgrading their skills. The education reforms described above and the establishment of Training and



Enterprise Councils will help. But little is done by our present policies to encourage individuals to expect continuing training when they enter work and throughout their working lives.

25. We propose that the centrepiece of a new approach should be a passport to training for those who leave full-time education before the age of 18. (Our detailed proposals on the operation of a credit scheme are set out in a separate paper.) We believe that such credits will provide a powerful new incentive to those who have the least interest in training when they leave school. In effect they will put purchasing power in the hands of school leavers at 16 and 17 - to be used up to the age of 22 - thereby raising their expectation that they will receive training when they enter a job.

26. To exercise their choice effectively young people will also need the best possible information, advice and guidance about the options open to them in education, training and employment. We are working on the development of records of achievement, the core of which will be attainment in the National Curriculum. Young people need to be able to carry these into post 16 education and into employment, so that they have a basis for decisions on their future study and careers.

27. Careers advice is at present provided jointly by careers teachers and by the Careers Service of the local education authorities (within a policy framework set by the Secretary of State for Employment). Much has been done to improve standards and the National Curriculum Council will shortly report on the place of careers guidance in the school curriculum. Overall, however, quality of advice and guidance is patchy. With careers guidance for 1991 school leavers starting in October, we need to review urgently how best to equip the Careers Service, schools and colleges to support the introduction of credits. Beyond that we propose to carry out a more wide-ranging review of the system for delivering careers education and guidance.



28. Changing the attitudes of young people will inevitably take effect over a considerable period of time. To put it in perspective, 80% of the workforce in ten years time will be made up of people who are already in the workforce now, beyond the reach of these reforms. Training employed people is principally the responsibility of employers, but it is important that the expectations of employed people to receive such training should be increased. We must, therefore, consider what more can be done to increase the incentives and opportunities for adults to take the initiative and train, if necessary at their own expense.

29. Some possibilities which might be considered are tax incentives for individuals who are prepared to pay for the cost of their own training to recognised standards of skill (currently under review by officials); extension of career development loans which help adults to borrow money on favourable terms to train to a recognised qualification; encouragement to firms and individuals to make more use of distance and flexible learning packages; and encouragement to colleges of further and higher education, polytechnics and universities to do more vocational training for adults beyond their existing 20% annual growth rate. If our overall approach is endorsed, we shall need where appropriate to bring forward detailed proposals.

30. Our further proposals relating to schools and colleges of further education are set out in Annex A. Two areas are of particular importance. First, alongside our proposal for credits, we are increasing participation in post 16 full-time education, so that more young people progress to higher level qualifications which can best be achieved by full-time study. Secondly, we are addressing the sixth form and further education curriculum, so that it builds on what has been achieved through the National Curriculum and prepares 16 to 19 year olds better for working life.

31. Increasing opportunities for individuals also depend on employer commitment. To increase this the National Training Task Force has been asked to devise a new initiative to influence



employers to take action on training. A major element of that programme (building on a CBI proposal) is an "Investors in Training" kitemark to be awarded to companies which meet certain rigorous standards in training their workforce. We must make the obtaining of the Kitemark matter to companies. For example, our ultimate objective might be to allow credits for training to be cashed only with kitemarked companies.

32. At local level we now have 55 Training and Enterprise Councils in the development phase with the prospect of the whole country being covered by the end of the year. We shall expect the Councils to use public funding to lever out the maximum possible contributions from employers and to devise imaginative ways of increasing training opportunities for individuals. We shall ask them to identify and focus on particular skill needs in local economies - for example the current shortage of technical and scientific skills (below graduate level) identified at our seminar. When all the TECs are operational, we shall be able to compare and contrast performance in leveraging out employer contributions and reward good performance.

33. Another key task of the Training and Enterprise Councils will be to support the growth of small firms, on whom the costs of training bear particularly hard. The Councils will have at their disposal over £50m next year for this purpose.

#### CONCLUSION

34. Our training strategy must be set in the context of our broader policies, which it reinforces and which in turn is supported by them. We must pursue our competition policies, which will improve efficiency and productivity, and which will bring home to employers the importance of investment in training to business prosperity.

35. We must pursue our policies for freeing up the labour market, promoting mobility, removing unnecessary regulations, and



encouraging more efficient pay policies. In particular we should encourage employers to adopt pay structures which reward skill and encourage people to train. We should promote lower pay for trainees (and particularly young trainees) as a way of reducing the overall costs of training.

36. There is no one single solution which will set to rights deficiencies in education and training which have existed for a century or more. But the steps we have already taken, and the developments outlined in this paper, should allow us to make much more rapid progress.

37. Our education reforms are now resulting in a better educated and prepared flow of young people into the labour market. They have promoted a better sense of market discipline within the school and further education sector which our proposal for credits will reinforce by placing purchasing power in the hands of young people. This should result in a higher degree of competitiveness and efficiency among training providers.

38. The Training and Enterprise Councils place the responsibility for promoting and managing training where it belongs, with the employers whose demands for skilled manpower the system is designed to meet. The reform and clarification of the vocational qualifications system will be crucial to a more effectively functioning labour market.

39. Finally our training strategy will need to be underpinned by a major campaign to raise public consciousness about the importance of training and to change the attitudes of individuals and employers using the "passport to opportunity" theme discussed above. This will need to publicise and explain new developments like credits (if our proposals are accepted) and the establishment of Training and Enterprise Councils; but also set the developments in the wider context of the approach outlined in this paper. We welcome the proposal that the centrepiece of

such a campaign should be a major policy speech by the Prime Minister. Following our discussions we propose to offer advice on the content and timing of that speech and how it might fit into a broader presentation of our policies.

40. We seek colleagues' views on the proposals set out in this paper and endorsement of the overall approach so as to guide the work of our two Departments.

Department of Education and Science

J M

Department of Employment  
16 February

M H



## ANNEX A

Further measures in Schools and Colleges

1 The main paper sets out the measures we have taken to raise standards in schools and to make schools and colleges of further and higher education more responsive to the needs of business. This Annex describes some specific initiatives under consideration to build on these measures.

(a) School leavers

2 As part of our measures to improve the basic standard of those leaving school at 16, we propose also to look at the possibility of doing away with the Easter and May school leaving dates. Pupils whose birthdays fall between September and January are allowed to leave school at the end of the Easter Term of the school year in which they become 16. All others may leave in May. About 10% of the annual cohort currently chooses to leave before the end of the summer term. When the National Curriculum takes full effect, these pupils would gain no benefit from the assessment arrangements at key Stage 4, and many of them would take no GCSE examination. To make all pupils stay on until the end of the Summer term would require a small amendment to the Education Act 1962. If we decide to proceed with this we shall bring forward proposals in due course.

(b) Teacher supply

3 One of the impediments to our reforms, identified at the Seminar, was the continuing problem of teacher supply, particularly in relation to maths and science teachers. An appendix to this paper describes current action on this issue.

(c) Education/business links

4 The main paper describes the action underway to bring more coherence to our policies for strengthening links between business and schools and to eliminate overlap. Alongside this we are examining the possibility of extending (within existing resources) compacts, to the whole country. This would provide a nationwide framework for improving links between employers and schools and also for testing the effectiveness of the approach in strengthening links between business and colleges of further and higher education.



(d) Post 16 full time education

5 In parallel with our proposals for "credits" for 16 and 17 year old school leavers we are increasing participation in post-16 full time education. There is already firm evidence of the early success of the GCSE in improving performance and motivation. As a result, the staying-on rate in full-time education is improving markedly. Implementing the National Curriculum should reinforce and strengthen this trend throughout the 1990s. Many more young people are capable of achieving the higher level qualifications which can best be reached by full-time study. Our assumptions about increased post-16 participation will have to be reflected in the decisions which we make on education standard spending within the future local authority grant settlements.

6 We are addressing the sixth form and further education college curricula to prepare all our 16 to 19 year olds including those on A and AS courses, better for working life, but without reducing the rigour of their curriculum or examinations. The need for this was a clear message from industrialists at the seminar. To this end we have invited the National Curriculum Council and the Schools Examinations and Assessment Council, working with the NCVQ and the Further Education Unit to advise us on what should be common elements of the 16-19 curriculum - what we have termed "core skills" - and how the presence of such elements can best be embodied through A and AS syllabuses. Similar developments will be promoted in the continuing reform of vocational qualifications, leading ultimately to a clear link between these and A/AS provision. These initiatives should ensure that post-16 education is relevant to the world of work and builds on what has been achieved through the National Curriculum.



## APPENDIX 1 TO ANNEX A

## THE NEED TO INCREASE THE NUMBER OF GOOD TEACHERS IN MATHEMATICS, SCIENCE AND ENGINEERING

1. Although the number of vacant teaching posts in the sciences, technologies and maths are not out of line with other subjects, recruitment to Initial Teacher Training gives rise to serious concern. While recruitment to primary courses, and some secondary courses, is high, we are failing to attract sufficient students in the shortage subjects in sufficient numbers. The numbers of recruits to ITT in recent years have been as follows (targets in brackets):

Subject	1985	1986	1987	1988	1989
Maths	856 ( 1201)	902 ( 1275)	1194 ( 1383)	1143 ( 1572)	1138 ( 1533)
Science	1312 ( 1443)	1428 ( 1564)	1692 ( 1656)	1556 ( 1785)	1607 ( 1752)
of which:					
Physics	273	365	545	456	376
Chemistry	392	352	389	342	400
Biology	463	443	472	495	493
CDT	452 ( 717)	551 ( 756)	754 ( 867)	764 ( 978)	775 ( 1029)
All Secondary	7931 ( 8969)	7925 ( 9339)	9076 ( 9781)	8810 (10077)	8943 (10063)
Primary	8794 ( 8635)	8964 ( 9274)	10104 ( 9856)	11373 (10432)	12814 (11124)
Total	16725 (17604)	16889 (18613)	19180 (19637)	20183 (20509)	21757 (21187)

Note: There are no targets for individual science subjects. Total intake and target also includes other science and combined science.

2. For the future, things may become yet more difficult. There will be increasing competition for graduates while the relative salary position of teachers has deteriorated. We have been putting in place some of the instruments which may help to ease the position. Bursaries for students in shortage subjects to attend ITT courses will provide some help and we intend to increase their value. We now also have in place a salary structure which allows scope for local discretion, and enables,



for example, higher salaries for difficult to fill posts - though the extent to which this can in practice be used to attract people with skills which are in demand elsewhere in the economy is doubtful.

3. Most science teachers enter teaching through the Post Graduate Certificate of Education (PGCE), which is only 9 months long and of which nearly half is school-based. In addition 2 year B Ed and PGCE, and part-time PGCE, courses have been introduced to train students to teach subjects in which they do not have degree level qualifications. We have commissioned more, distance learning in-service training courses to enable teachers of one science to teach another. We have to try to train teachers as rapidly and as flexibly as possible.

4. Although it is essential to maintain recruitment to initial teacher training as high as possible, it is clear that we will increasingly have to look to other sources of teachers if we are to secure the numbers we need. The Licensed Teacher Route, which removes the disincentive of having to return to college without a salary in order to become a teacher, will help to stimulate the recruitment of mature entrants, many of them switching career, including those returning from the Armed Forces, and many with industrial experience which will enable them to teach science, maths and technology. We are also introducing the Articled Teacher Scheme, which offers comparable advantages to younger graduates. We will also need to recruit back into the classroom teachers who have taken a career break - often on maternity. Over 50% of entrants to teaching in recent years have been returners, and we need to build on this.



## CREDITS FOR YOUNG PEOPLE : PASSPORTS TO TRAINING AND EDUCATION

Paper by the Secretaries of State for  
Education and Science and for EmploymentSummary

1. In this paper, we propose that all young people leaving full-time education aged 16-18 years should receive a "credit" worth at least £1,000, entitling them to part-time training and education to recognised, national standards. The credit would form part of a training "passport" issued to all young people for recording their subsequent training, skills and qualifications. These arrangements would increase the interest and motivation of young people in their own training, step up their participation, and raise the level of skills in our workforce. They should at the same time increase the contributions made by employers, given in particular the effects of the tighter labour market and the incentives that would be in place for Training and Enterprise Councils to secure these contributions. In an earlier paper, (E(A)(89)(26)), Norman Fowler and the Secretary of State for Education and Science called for officials to do further work on the issue and to see whether pilot schemes would be appropriate. In the light of that work, we believe that the arrangements proposed in our paper can and should be introduced nationally, from 1 April 1991.

The purpose of the changes

2. Raising the skills and qualifications of young people in jobs is essential if we are to compete effectively in the 1990s.



We continue to lag behind our major competitors in the extent and level of education and training of our workforce. Comparative studies have shown that the lower skills in our workforce have significant effects in reducing our relative productivity performance. Rapid technological change increases the need for workers with higher skills and with the capacity to benefit from further training later in their career.

3. The Report of the CBI Task Force on Vocational Education and Training has put these issues firmly on the political agenda. It has received widespread support. The CBI believe that major increases in the skills and qualifications of young people are required for our firms to compete effectively. A number of Training and Enterprise Councils have expressed an interest in operating credit arrangements. The Labour Party and TUC have made considerable play of their plans for learning entitlements for young people, and the other Opposition parties are giving great emphasis to their policies on education and training.

4. The Government has already achieved a good deal. The Education Reform Act is leading to higher skills and levels of attainment within compulsory schooling and to better motivation to pursue further training and study. The Technical and Vocational Education Initiative (TVEI) and the inner city partnerships (Compacts) which strengthen the links between industry and education, are helping to prepare young people better for the world of work and to improve their motivation. From April this year, Youth Training will raise the level of attainments of young people in the labour market and also the cost-effectiveness of the programme compared with YTS, its predecessor. The Training and Enterprise Councils (local enterprise companies in Scotland) will help to bring market forces to bear on training provision and also to increase the commitment of employers. And more generally, the tighter youth labour market means that we can expect employers to make a greater contribution to the cost of training young people.

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5. To close the gap with our competitors, however, will require a major change of attitude and culture especially amongst young people themselves. Young people need to be motivated to insist on being well-educated and trained. A universal credit entitlement for all school leavers will make a significant and dramatic contribution to achieving this goal. As the youth labour market tightens, with demand from employers increasing and the supply of young people falling, placing the effective purchasing power of the training credit in the hands of young people should bring greater pressure on employers to offer them good quality training. Credits would be a major step towards creating a genuine market in training and vocational education, with the benefit of the greater productivity which that will bring.

#### Full-time education and training

6. The specific proposal in this paper is that national arrangements for training passports and credits should apply to the part-time education and training of young people from April 1991. We recognise that the CBI called for credits to apply to full-time education (in further education but not in schools), but there are arguments both for and against such an extension of credits. This is a complex area, and any extension of credits to full-time provision would involve major changes from current arrangements, and raise important political issues. We do however propose that we should explore the matter further and report back to colleagues not later than June of this year.

#### Principles of the new arrangements

7. We believe that the arrangements must be based on the following principles:



- i. the entitlement should be universal within the relevant age group and should place purchasing power with young people in order to secure the necessary major increase in participation in training; our aim should be that at least 75% of 16 and 17 year olds entering the labour market use their credit;
- ii. the education and training purchased through credits should be relevant to the labour market, and should equip young people with essential skills, adaptability, self-reliance and the capacity for further development;
- iii. the arrangements should be aimed at producing higher levels of skill than at present among young people in the labour market, with many more of them reaching technician and multi-skilled craft levels;
- iv. improved careers education and guidance, both through careers teachers in school and the Careers Service, will be essential to enable young people to make the most effective use of their passport;
- v. the administration of the passports and credits by the Training and Enterprise Councils should be as simple as possible, with funding linked to performance in enhancing skills;
- vi. the arrangements should increase the commitment of employers and continue the drive for increased financial contributions from them to the costs of training, thereby allowing us to get the best value out of public expenditure in this area;
- vii. we should leave open the opportunity for further development as appropriate in future years.



The proposed arrangements

8. To motivate young people effectively, the credit needs to carry a monetary value which will make a real impact on the young person. We recommend £1,000 and the passport should make clear that the young person is entitled to at least this amount of approved training. The credit would be useable only towards the costs of approved training, which would need to meet national standards and to equip young people with the skills and qualifications essential to be effective in a chosen occupation and more generally in the world of work. The passport would be issued to all young people leaving full-time education up to the age of 18.

9. The Training and Enterprise Councils would be responsible for operating the arrangements. The Councils would hold funds against which the credits would be redeemed and which they would also use selectively where this was necessary to secure more costly skills training and to encourage more employers to participate. Local enterprise companies in Scotland would have a similar role, reflecting the different circumstances there.

10. Each school-leaver would be offered detailed, practical counselling on jobs and training opportunities, and on using the passport issued to them. Young people with a job could use their credit provided that the employer's training had been approved by the Training and Enterprise Council, or that the employer participated in approved arrangements operated by training specialists. Where despite best endeavours an employer was not willing to allow young people to receive training in working hours, the young person could present their passport to other training providers approved by the Training and Enterprise Council, for training in their own time. Such providers would include not only local private sector bodies and colleges, but also those offering "distance" and open learning.



11. Young people unable to find a job would be guaranteed a training place where they could use their credit. The income support levels of non-employed trainees would be the same as apply under YTS/YT and there would be specialised provision for young people who were disabled or who had other significant disadvantages. The Training and Enterprise Councils would be responsible for funding these arrangements.

12. All training would be aimed at skills and qualifications which were at least as good as a City and Guilds Part I and the equivalent National Vocational Qualifications (and their counterparts in Scotland). The credits could also be used to pursue skills and qualifications at a still higher level (i.e. at technician and multi-skilled craft levels). Many more young people would be expected to achieve higher levels of attainment than do so at present; the arrangements would be a major stimulus to them to undertake and complete approved training, and 10% of the funding of the Training and Enterprise Councils would be dependent upon their achieving results in terms of higher skills.

13. The duration of training would be flexible according to the needs of employers and young people. The arrangements would be aimed at training for young people leaving full-time education early at age 16 or 17, and they could not use the credit beyond the age of 22 (this length of time can be necessary for full skills training to technician and related levels). Annex A describes the arrangements in greater detail.

#### Timing

14. We strongly favour seizing the initiative, and would propose to put the arrangements in place in time for the Easter school leavers in 1991. This means that we must ask colleagues for an early decision, and for their agreement to an announcement early next month. We need to sign contracts with the first batch of



Training and Enterprise Councils by the middle of March, so that they put the local arrangements in place in time; the necessary adjustments to the 1991-92 Revenue Support Grant settlement have to be made by May of this year; and preparations would have to be made for the careers guidance (which begins in the Autumn of 1990) for young people likely to leave school in 1991. Annex B sets out a full critical path analysis for implementation.

#### Handling possible objectors

15. Most Training and Enterprise Councils are likely to be content with the proposed arrangements, provided that sufficient resources are available and that they play a full part in the process. In any event the Secretary of State for Employment would make it a contractual obligation to operate the new approach. Should some Local Education Authorities be resistant to the introduction of credits and withdraw from providing approved training, the local Training and Enterprise Council would turn to the voluntary and private sectors. Such Authorities, moreover, are likely to face opposition from the Colleges of Further Education who will want to make use of the opportunity which credits provide to market their services effectively.

16. There may be criticism from some quarters that a value for the credit of £1,000 is too low, against actual total training costs which typically come to around £5,000 per individual (and which would be met through employer contributions, use of the credit and further funding by the Training and Enterprise Council where appropriate). However to young people it will certainly seem a large sum and will be a meaningful incentive.

17. There may also be criticisms that the figure of £1,000 is too high and could lead to deadweight. However, only a very small minority (5%) of 16 and 17 year olds on the labour market



currently receive training outside YTS and Further Education Colleges, and many of their employers may prefer to continue training on their own initiative. The credits could only be used for training which included the broader-based skills necessary for an efficient labour market. The introduction of the passports would boost participation. The requirement that approved training lead to skills equivalent at a minimum to those associated with City and Guilds Part I would bring about a major upward shift in the general level of attainment among young people in the labour market. Setting demanding performance targets for the Training and Enterprise Councils to achieve still higher skills and linking the funding of the Councils to achievement of those targets would increase the number of skilled craftsmen and technicians and give the Councils a major incentive to avoid deadweight in the use of their funds.

18. The drive to increase employer financial contributions would be maintained. Under YTS, contributions have increased four-fold since 1986. Demography and the tightening youth labour market will help us as more employers offer jobs with training, and so too will the greater flexibility and simplicity of the passport arrangements compared with the current YTS procedures. The Secretary of State for Employment will ask the Training and Enterprise Councils in their annual business plans to demonstrate how they intend to secure increased employer contributions and the likely amounts; he will review their progress and ensure that the resulting "league table" is made known to the Councils and more widely. The introduction of an element of competition in that way would enhance their performance in obtaining private sector resources. It may then be possible to link the provision of public funds with their performance.



Funding

19. We propose that public funding for the new arrangements should come from bringing together the total allocation available for Youth Training with that proportion of Local Education Authority provision which is made for young people undertaking part-time education and training at the age of 16-18.

20. We instructed our officials to examine closely the possibility of operating new arrangements on the basis of currently planned Resources (i.e. in 1992-93, £720 million for YTS/YT and £210 million from Local Education Authority provision). This they have done in a working group also comprising representatives from Treasury, the Department of Trade and Industry, the Number 10 Policy Unit and other relevant departments. This work has shown that planned resources would in 1992-93 enable some 60% of 16 and 17 year olds coming on to the labour market to make use of their credit. This compares with a rate of 70% for young people in training in 1989-90 (60% in YTS, and 10% through LEA provision); the decline is accounted for by the drop of some 30% in the size of the Youth Training budget over the period.

21. We are firmly of the view that the new arrangements should aim for a far higher participation rate, of 75% by 1992-93. The purpose of the arrangements is to motivate more young people to take up training and achieve higher skills. It would not be credible for the Government to launch this initiative on the basis that participation by young people would actually fall and, on the basis of currently planned resources, to a level hardly different from that which will occur under present arrangements. Participation of 75% would entail public expenditure of £1.2 billion in 1992-93 (Annex C). This would represent an increase of £270 million over planned expenditure in this area in 1992-93, but no more than the provision in this current financial year



for YTS taken with the relevant Local Education Authority expenditure. We have no doubt that maintaining these current expenditure levels will bring major benefits to the economy and to the young people themselves.

22. Under our proposals, employer contributions will rise from their level of £190 million in 1989-90 to a total of £750 million in 1992-93. This compares with the £590 million underlying the PES allocation for Youth Training in 1992-93, announced in the recent Public Expenditure White Paper and based of course on a lower participation rate.

#### Recommendations

23. We therefore propose that:

- i. the credit arrangements proposed in this paper should be introduced in Great Britain with effect from April 1991;
- ii. an announcement should be made in early March 1990.

#### Chief Secretary's views

24. The Chief Secretary wishes to point out that these proposals do not meet the remit that proposals for training credits should be developed without the need for extra Government expenditure (Mr Gray's letters of 26 January and 6 February). They would mean a large increase in planned provision for 1992-93. Moreover, the costings make two questionable assumptions:

- (a) that employer contributions can be increased four-fold;
- (b) that savings can be made:



- i. by making no provision for income support for trainees with employed status, whereas YTS does not discriminate between employed and non-employed trainees;
- ii. increasing the proportion of trainees with employed status from under 30% under YTS to over 60%;

even though (i) will in practice tend to discourage the increase in employed status at (ii).

25. The Chief Secretary also sees the proposed universal, flat rate credit as poorly targeted on the craft and technician skills emphasised in the paper. The share of the proposed funding available to TECs for training to these levels, outside the credit arrangements, could be less than a quarter. He believes that if there are credits, they should be seen as a tool for TECs to use selectively at their discretion to help meet priority skill needs, rather than as another national scheme.

Department of Education and Science

J M

Department of Employment  
16 February 1990

M H

## HOW THE ARRANGEMENTS WOULD WORK

1. The groups involved in operating the arrangements would be:-
  - the young people who would receive and use the passport to secure training;
  - employers and other specialist providers of approved training who would organise and provide the training;
  - the Training and Enterprise Councils and their counterparts in Scotland who would approve training arrangements for their area and make payments to the employers and providers for the training provided, including redemption of the credit.

Young People

2. Sixty per cent of our young people leave full-time education before the age of 18. Under the arrangements, all these young people would have the opportunity to continue with part-time training or education.

3. Young people about to leave full-time education would be issued by their school or college with a "training passport" designed to encourage them to take up the opportunities for skills and jobs offered by training. The passport would also record all future approved training and skills gained. The passport would also set out the credit and the entitlement to at least £1,000 worth of direct training costs and would explain how the young person should put it to use. The training would have to lead to skills at least as good as those embodied in the City and Guilds Part I and equivalent qualifications as established by the National Council for Vocational Qualifications.



4. Each young person would also be offered an in-depth interview with their careers teacher or Careers Officer. The young person would be advised on the range of job and training opportunities, and would be counselled on the types of training which would best match their aspirations with labour market needs. The outcome of this interview would be written into the passport. With the advice of their careers advisers, young people would then look for jobs where the employer was willing to train them. Employers would either enter the young person on their own approved training programme or on one arranged by a specialist provider. Having entered approved training, the young person would be given the length of training agreed at the outset to be necessary.

5. If the employer was not willing to allow training during working hours, young employees would be able to use their credit in their own time to enter training arranged by a specialist provider on courses which the Training and Enterprise Council had approved, and where necessary subject to the availability of any top-up funding from that Council or elsewhere.

6. Young people who were not able to find jobs would, under the Government's guarantee, be assured of approved training with specialist providers and would use their passports and credits with them.

7. The completion of the approved training, and the skills and qualifications achieved, would be recorded in the young person's training passport by the employer or training provider. Where young people had to break off from their approved training, they would retain an entitlement to a portion of the £1,000 credit pro rata to the length of time actually spent on the planned approved training. Credits would be available to all young people who left full-time education within two years of reaching minimum school leaving age, and would cease to be valid once they had reached their 23rd birthday.



Employers and other specialist providers of training

8. Employers and other providers who wanted to run their own training programme, and make use of the credit, would have to satisfy the Training and Enterprise Council that their training was of the appropriate standard and quality and was relevant to the labour market.

9. The employers and other providers would sign contracts with the Training and Enterprise Councils, in which they would agree to provide specified types of approved training to young people presenting their passports. Employers and providers without existing contracts could approach the Training and Enterprise Council for approval if they recruited a young person whom they wished to train.

10. The employers and providers would send details from the training passport held by the young person to the Training and Enterprise Council at the start of training. As agreed in their contract with the Council, they would send aggregate returns at regular intervals, showing periods of training actually delivered, in order to claim payments from the Council. The £1,000 credit would be deemed to have been allocated pro rata to each month of the planned approved training.

11. When the approved training was completed, or when it had been terminated early, the employer or provider would inform the Training and Enterprise Council so that it could stop the payments and notify the individual young person of any outstanding credit entitlement.

Training and Enterprise Councils

12. The Councils would be required by their contract with the Secretary of State for Employment to use their budgets to ensure satisfactory operation of the arrangements. They would in



particular have a key role in deciding places to be available for approved training by sector, industry and skill level. They would also ensure that all young people had the opportunity to receive their training passports and their counselling on job and training opportunities. The Training and Enterprise Councils could only redeem the credits and make related payments in respect of the approved training; and the Councils would determine the actual level of those related payments.

13. The budgets of the Training and Enterprise Councils would be related to achievement of their annual business plan as agreed with the Employment Department's Training Agency. These plans would have to show in particular how the credit arrangements would be operated effectively; how increased employer contributions would be secured; and how the proportion of young people securing higher levels of skill would be increased. At least 10% of the resulting annual budget could only be drawn upon by the Training and Enterprise Council to the extent that it delivered the planned results and skills attainments. Councils would frequently adopt similar funding arrangements with the employers and specialist providers with whom they signed contracts.

14. The Training and Enterprise Councils would have discretion to fund training beyond the period and amount originally planned, where this would have a pay-off in terms of higher skills achieved and within the overall resources available to them.

## ANNEX B

## CRITICAL PATH FOR IMPLEMENTING THE NEW ARRANGEMENTS BY APRIL 1991

1. Attached to this covering page is the critical path analysis concerning the main tasks to be carried out, with dates for their completion, to ensure successful implementation by April 1991.
2. The main blocks of work will be:
  - i. complete details of the design of the arrangements;
  - ii. inform and bring to a state of readiness all groups and organisations which are critical to success;
  - iii. promote the arrangements more generally;
  - iv. produce and distribute the training passports;
  - v. update the necessary financial and management information systems;
  - vi. identify and allocate funding.

The key target groups include the Training and Enterprise Councils, Local Education Authorities, Colleges of Further Education, the Careers Service and careers teachers, and the providers of approved training. More general promotion would be aimed at young people and employers.

3. The critical path will be developed in detail and carried out through close cooperation between all the Departments with a direct interest.

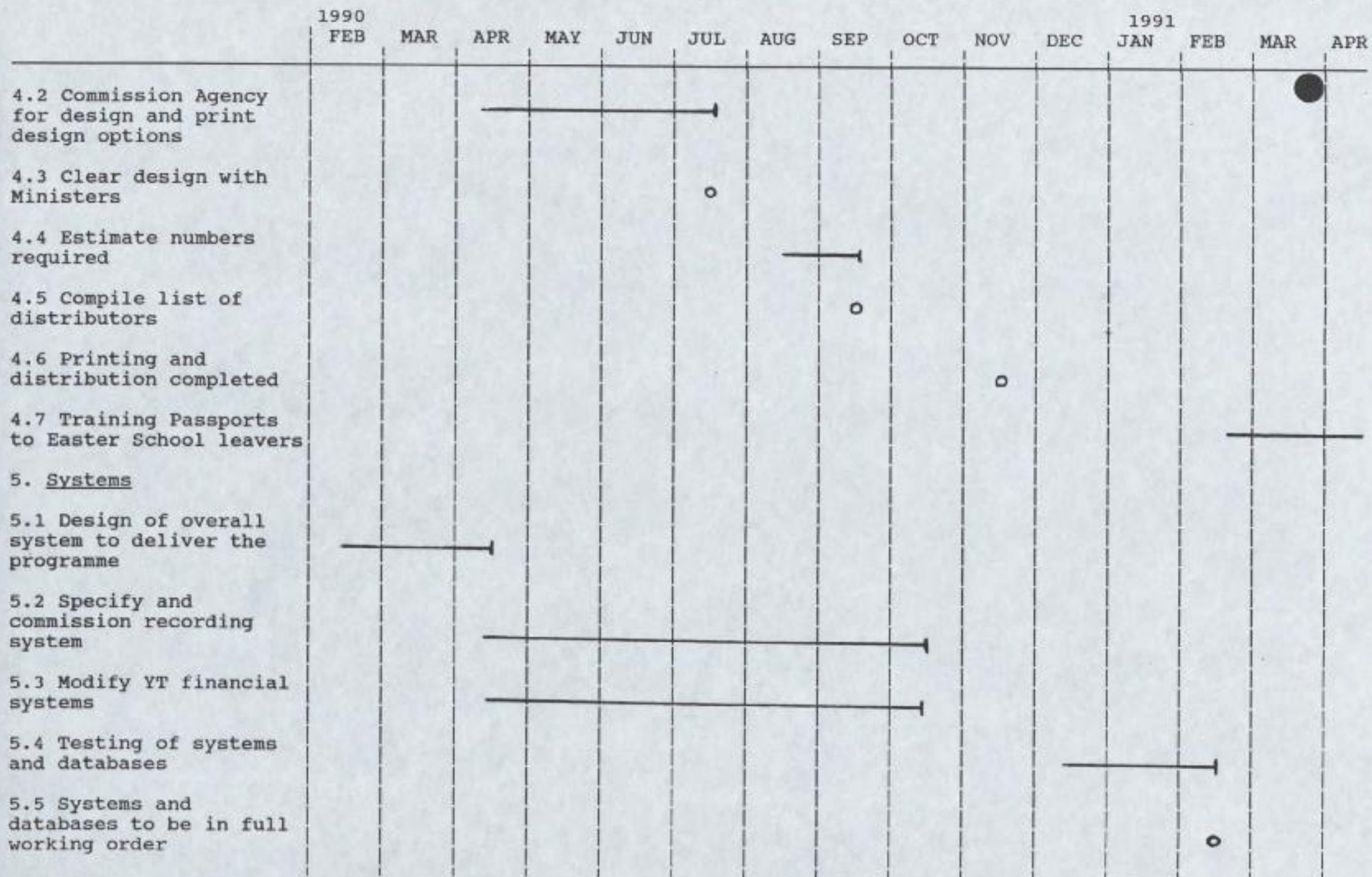




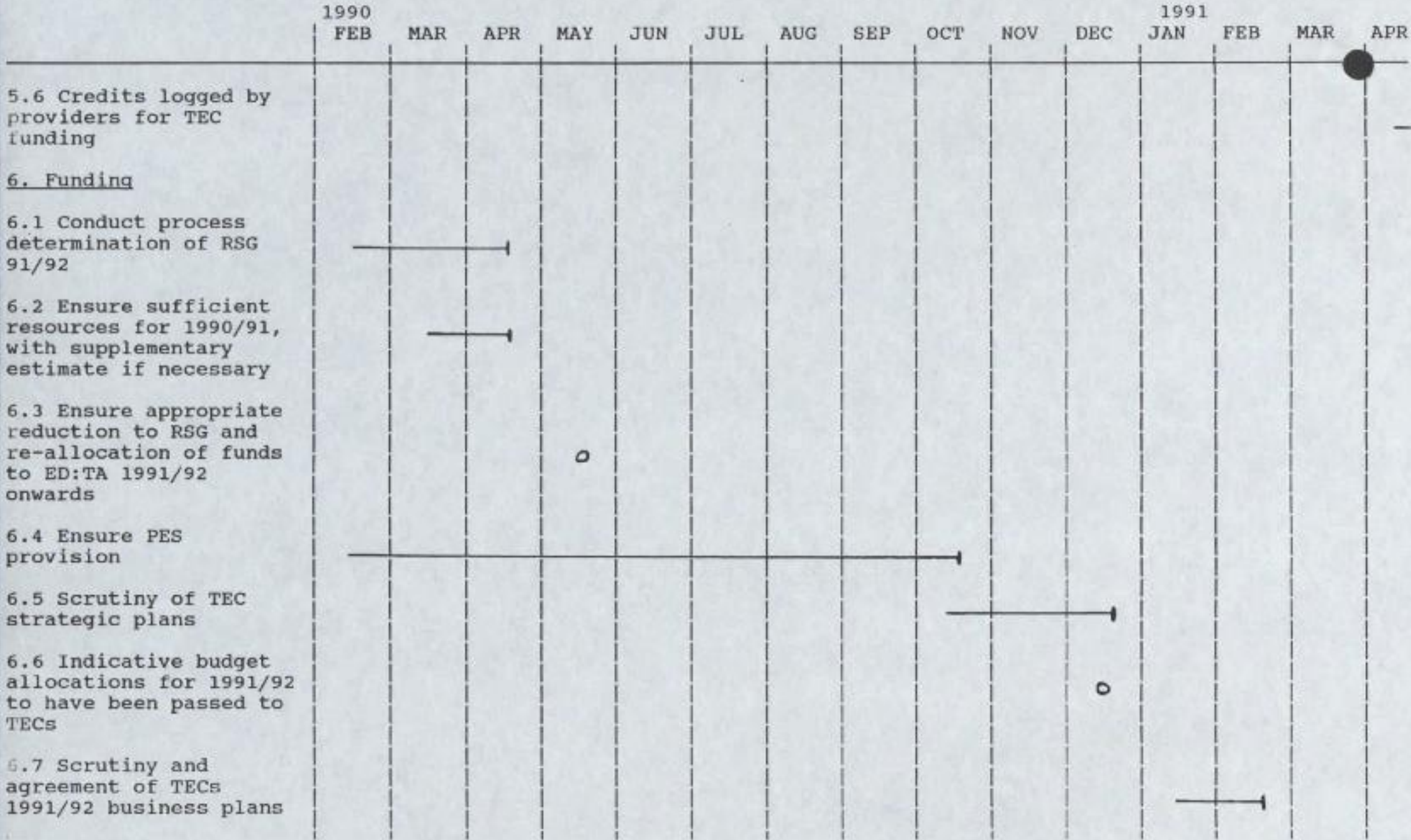
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## ANNEX C

## COSTS AND FUNDING OF THE PROPOSED CREDIT ARRANGEMENTS

1. This annex sets out the considerations relevant to estimating costs to the Exchequer of national credit arrangements for part-time training and education by young people. The aim of the arrangements is that 75% of 16 and 17 year olds who leave full-time education would make use of their credit. A further objective is a major increase in the skills attainments of young people compared with their current level.

2. The unit costs underlying the calculations have been agreed at official level. But there is some disagreement between the Departments and the Treasury over the assumptions concerning the contribution to be expected from employers and the proportion of trainees who would be employed. The costs shown are for Great Britain, with England and Wales acting as the base and an element added for Scotland pro rata to the number of eligible young people there.

Unit costs

3. The main resource costs incurred in provision of part-time education and training are:

- i. costs of training, including those associated with off-the-job training, supervision and materials costs for on-the-job training, and registration for qualifications;
- ii. guidance and counselling to young people about education and training provision; information; and recording the outcomes of the training undertaken;

- iii. costs specific to young people without jobs, in particular income support and provision for young people who are disabled or who have other special training needs;
- iv. cost overheads borne by employers and other approved training providers through participation in the particular proposed arrangements.

#### Performance targets

4. The performance goals to which the TECs will work will be based on a doubling compared with YTS of the proportion of young people actually securing skills and qualifications equivalent to City and Guilds Part I (ie an increase to 40%), and a doubling (to 25%) of the proportion reaching multi-skilled craft and technician levels (equivalent to the third and fourth levels of National Vocational Qualifications.)

#### Key assumptions

5. The proportion of young people on the labour market who would be without a job is assumed to be the same as the assumption underlying the PES settlement for Youth Training. This implies for 1992-93 that on average 195,000 young people will participate but not have jobs, representing some 40% of trainees.

6. It is also estimated that direct employer contributions to young employees will rise under the proposed arrangements to £750 million in 1992-93, compared with their level of £190 million under YTS in 1989-90 and the estimated £590 million underlying the PES settlement for YT in 1992-93. £750 million reflects the rate of increase achieved under YTS since 1986; the effects of the tightening youth labour market; and the impact of the Training and Enterprise Councils.



Exchequer costs

7. The total cost to the Exchequer in 1992-93 would be £1.21 billion. Details are set out below. This compares with the £940 million that would be available under current plans for 1992-93 for Youth Training and LEA expenditure on part-time provision taken together; and with the £1.23 billion provision for 1989-90.

COSTS AND EXPENDITURE IN 1992-93

£M

## TRAINING COSTS ELEMENTS

i. training costs	1040
ii. guidance and advice	136
iii. costs specific to the non-employed, the disabled etc	481
iv. overheads to training providers	304
-----	-----
TOTAL COSTS	1,961
-----	-----
(LESS EMPLOYER CONTRIBUTIONS)	(750)
-----	-----
-----	-----
EXCHEQUER COSTS	1,211
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Training in the 1990s: paper by the Secretaries of State for Education and Science and Employment

Summary

1. This is the right time to take stock of our training policies. There is increasing recognition that the lack of skills in the economy is a threat to competitiveness. We must also keep the political initiative.

2. The paper sets out a framework to guide the development of our policies for training. It is in three main parts.

3. First, the problem. The roots of the problem lie in both the education system and the labour market. In the past too many people have left school with inadequate standards of basic education and with little expectation of continuing training and education. Employers are insufficiently willing to invest in training and are deterred by its cost.

4. Second, what we have done so far. The education reforms have laid the foundation for major improvements in education. The Training and Enterprise Councils offer the prospect of greater employer commitment to training and a more flexible local response. Both give greater clarity and coherence to our approach.

5. Third, what more needs to be done. We suggest:

- the need for three overall aims related to improving the basic standards of education; increasing education and training opportunities for 16 to 18 year olds; and making the labour market work better;
- a unifying theme for the presentation of our policies developing the 'passport to opportunity' theme in the Prime Minister's Conference speech;
- elimination of overlap in the delivery/administration, of policies eg in the field of business/education partnerships; and an urgent review of progress in establishing a clearly understood system of vocational qualifications;
- a major drive to increase incentives to individuals to train, with the proposal for 'credits' for 16 and 17 year olds who have left full time education as the centrepiece.

We will need to underpin our agreed strategy with a major campaign to raise public consciousness about the importance of training.

6. Colleagues are invited to discuss and endorse this overall approach.



## Skills Training Agency

3.32 pm

**The Secretary of State for Employment (Mr. Michael Howard):** With permission, Mr. Speaker, I would like to make a statement about the Skills Training Agency—

**Mr. Dave Nellist (Coventry, South-East) rose—**

**Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak):** rose—

**Mr. Speaker:** Order. I think that the House should reflect on the fact that the scenes that we have had this afternoon bring no honour on this place. I call the Secretary of State.

**Mr. Howard:** The Skills Training Agency provides training through a network of 60 skillcentres. It has experienced considerable financial problems over the years. It has broken even only once in the past five years, with a trading loss of about £20 million in 1988-89—

**Mr. Nellist** rose—

**Mr. Speaker:** Order. The hon. Member for Coventry, South-East (Mr. Nellist) must resume his seat. I have already told him, and he knows full well, that I take points of order after statements. That is when I intend to take them today.

**Mr. Howard:** That was in spite of an arrangement, up to 1987, under which fixed amounts of training were purchased from the Skills Training Agency by the public sector. That arrangement—[*Interruption.*]

**Mr. Speaker:** Order.

**Several Hon. Members:** On a point of order, Mr. Speaker.

**Mr. Speaker:** Order. The whole House knows that the time to raise points of order arising out of Question Time is after the statement, and that is when I intend to take them.

**Mr. Howard:** That arrangement was criticised by the Public Accounts Committee and ended in 1987.

In March of last year my predecessor announced to the House that he had decided, on the basis of a feasibility study, that the STA should be offered for sale. Throughout the sale process it has been made plain that the Government's interest is in receiving bids from those who wish to run a training business.

I have now received advice from Deloitte Corporate Finance on the final offers received. In the light of that advice, I have agreed terms of sale with two bidders. Their offers together cover 47 skillcentres, plus the STAs head office, mobile training service, sales teams and colleges. The main successful bidder is Astra Training Services Limited, a company formed by a management buyout team in the STA head office. I am placing in the Vote Office full details as to which parts of the STA I propose to sell, and to whom, together with the Government's objectives for the sale.

This is an extremely satisfactory outcome to the sale process. It enables the creation of a viable private sector network of training provision with good coverage of major

centres of population in England, Scotland and Wales. Over three quarters of the skillcentres will be sold on the basis that they will continue to provide training.

This will also be the first successful management buyout bid in the Civil Service. The management buyout team know the business and has detailed plans, backed by professional advice, to develop training both for unemployed and for employed people in a way which responds to the needs of employers. Its plans include investment of over £11 million in the first three years, and opportunities for staff to participate more fully in the business through an employee share ownership scheme.

The existing five regional offices and 13 skillcentres are not included in this sale package. The regional offices do not feature in the management structure envisaged by Astra, and were not part of its bid. The 13 skillcentres are poorly utilised and at some no training is currently taking place. I propose to close down the training businesses in these parts of the agency, and wherever possible the staff will be redeployed to other posts. Alternative arrangements will be made to allow trainees to complete training in progress.

In addition to producing a substantial private sector training network, I expect the course of action I am announcing today to yield a positive return to the taxpayer. The sale of the training business will involve a payment from the Government of Astra of some £11 million. This is a price determined in the sale process after open competitive bids and subsequent negotiations. It reflects the costs of turning around a business which is currently unprofitable and creating training businesses with good prospects of viability.

The sites of those offices and centres which are not included in the package to which I have referred will be offered for sale. Having obtained professional valuations, I expect the net proceeds from these sales to exceed by a significant margin the payments from the Government to the training business purchasers.

My officials will now consult STA staff and their trade union representatives on the implications of my statement for staff, including the measures I have taken to give effect to ministerial undertakings about pension and other arrangements for staff who transfer into the private sector. In due course, I shall lay orders before the House to ensure that when the sales are concluded, staff who transfer are protected by the Transfer of Undertakings (Protection of Employment) Regulations 1981.

I wish to pay tribute to staff who have continued to work unstintingly for the STA's success through a potentially unsettling period. For them, for the agency's customers and for the STA's contribution to our national training effort, the uncertainty of the recent past is now over and there are sound prospects for the future.

**Mr. Tony Blair (Sedgefield):** Will the Secretary of State agree that the 60 skillcentres, which employ over 3,000 people and which last year trained tens of thousands, are a major national training asset whose secure future is in the public interest? As for the 13 centres that are to remain unsold, am I right in thinking that they are to be closed? What about the training that is done at these centres? What guarantee is there that that will continue? As for the 47 that are to be sold, what are the terms as to the quality of training contained in the sale? Are there any such stipulations?



**The Prime Minister:** President Bush has made clear that he does not think that sanctions are necessarily the right answer, but he is bound by a law passed by Congress. In so far as we are bound by laws, we uphold them, and in so far as we are not—[*Interruption.*]

**Mr. Quentin Davies:** Does my right hon. Friend agree that issuing death threats is an extremely serious crime which in all circumstances should be pursued with the full and impartial rigour of the law? Does she agree that when a foreign Government start behaving like a gang of hoodlums and issuing death threats against a British subject, it is quite impossible for us to conceive of having normal, civilised diplomatic relations with them?

**The Prime Minister:** I agree with my hon. Friend. Issuing death threats is totally unacceptable. Freedom of speech and freedom to write is freedom to say things with which other people do not agree. That is one of our fundamental freedoms; we must uphold it, and will continue to uphold it. I do not believe that such words or such writing will do anything to damage the great religions, which are far older than those who write about them.

**Q3. Ms. Ruddock:** To ask the Prime Minister if she will list her official engagements for Tuesday 13 February.

**The Prime Minister:** I refer the hon. Lady to the reply that I gave some moments ago.

**Ms. Ruddock:** If the Prime Minister had just spent 27 years in prison—

**Mr. Kaufman:** As she should.

**Hon. Members:** Withdraw.

**Mr. Speaker:** Order. I have never heard the House behave in this way at Prime Minister's Question Time. I call the hon. Member for Lewisham, Deptford (Ms. Ruddock), who has a right to ask her question.

**Ms. Ruddock:** If the Prime Minister had just spent 27 years in prison, separated from her family, but found when she was released that she and people like her were unable to live or work where they wished and did not have the vote, would she not want the support of the international community in continuing sanctions against the Government of that country?

**The Prime Minister:** No. I do not think that sanctions have achieved anything—[*Interruption.*] As to getting rid of them, if the Labour party had had its way we would have had comprehensive economic sanctions, creating poverty and unemployment in South Africa and a good deal of unemployment here. That is not the way to keep South Africa as the most prosperous economy in Africa. Many people from the front-line states go to it and it will continue to be prosperous provided that it is run in the same way when the Government in South Africa are elected on the basis of one person, one vote.

**Several Hon. Members:** On a point of order, Mr. Speaker.

**Mr. Speaker:** I will take points of order later. I call Mr. Michael Howard—[*Interruption.*] Order. The whole House knows that I take points of order after statements.



Given the fact that some of the sites to be sold will be extremely valuable, and given that the Government will be paying money to the management buyout team to take the skillcentres off their hands, what protection, especially in the light of the Government's record, will we have against asset stripping and the making of unacceptably large gains through the sale of the sites?

What assurances will be given to trade unions about their interests and about time for consultation on them? As for the right hon. and learned Gentleman's remarks about the record of skillcentres, it is not right that the report of Deloitte on the Skills Training Agency has been published? Will he confirm for the benefit of the House that that report makes clear that the deficit of the skillcentres is largely due to the Government's own employment training scheme? Is it not right that they were breaking even before? Will he also confirm that the costs charged by skillcentres are comparable with those of private sector training providers for craft training and are cheaper for supervisory training? Is not the move to more employer-related training already happening? In those circumstances, what other than simple prejudice leads him to believe that the skillcentres cannot prosper in the public sector but must be put into the private sector?

Is not the essential point that after privatisation the future of the skillcentres as a national network and a national resource, whether they grow or whether they close, will depend not on their value to the community at large but simply on their commercial value to their new owners? With our record on training, described by his predecessor as mind boggling, does not he accept that we have a massive gap to make up with our competitors? With a deficit and a crisis in relation to every main component of new technology, as well as traditional skills, why do his Government, uniquely in Europe, believe that market forces can succeed in the future where they have failed in the past? Should not he and his Government learn the lesson that today, with our admitted and huge training deficit, our national priority should be not to privatise training but to invest in it?

**Mr. Howard** The hon. Gentleman's hysterical reaction shows that he is determined to emulate the example of his predecessor the hon. Member for Oldham, West (Mr. Meacher). He leaves entirely out of account the fact that the skillcentres are currently losing nearly £30 million a year. The hon. Gentleman referred to the employment training scheme. He should know about, and should take into account, the remarks of the Public Accounts Committee of the House on the value for money provided by the skillcentres to the employment training scheme. As for his general attitude, it has, in common with so much of what we hear from the Opposition Benches, the refrain, "Things are dreadful as they are; let us keep them exactly as they are."

Dealing with the questions which the hon. Gentleman put, I agree that it is important that secure training arrangements should be made at as many centres as possible. If the hon. Gentleman looks at the objectives which the Government have set themselves in considering the bids they have received, he will see that that features prominently among those objectives and is a key factor as to why we have accepted the management buyout bid coming, as it does, from those with great experience of training and commitment and dedication to training.

The hon. Gentleman suggested that the future of training in the centres might be imperilled by the prospects of the gains that could be made from selling the properties. The answer to that question lies in the clawback arrangements which are part of this transaction. They provide that if any centre is sold in the first three years the taxpayer will receive 100 per cent. of the development gains. If the sale is in the fourth year, the taxpayer will receive 75 per cent., 50 per cent. if it is in the fifth year and 25 per cent. if it takes place in any of the subsequent five years. That far-reaching clawback arrangement provides the taxpayer with secure assurances against the danger to which the hon. Member for Sedgefield (Mr. Blair) referred.

I am sure that the hon. Gentleman will appreciate that the Deloitte report contains a great deal of information which is commercial and, therefore, confidential. I am sure that he would not expect me to make such information public. We have achieved a deal that is excellent for the taxpayer and for those who want to continue to receive training from the skillcentres. The deal will, I hope, enable all those who are concerned in the management buyout to prosper from it in the years ahead.

**Mr. Andrew Rowe (Mid-Kent):** My right hon. and learned Friend should be aware that this opportunity for the staff who have been so closely involved in the centres to make a go of it in the private sector is greatly welcomed. Can he assure the House that the proposed training arrangements will be meshed in properly with the vocational qualifications net which is gradually being spread? Does my right hon. and learned Friend also recognise that, at a time when individuals are at last beginning to realise that responsibility for improving their own opportunities and promotion rests at least as much with them as with employers, this signal is extremely welcome?

**Mr. Howard:** I am grateful to my hon. Friend for his comments. It will be very much in the interests of those who run the centres to mesh them in with other arrangements in the way that my hon. Friend has suggested. I have every expectation that what he has asked for will come to pass.

**Mr. Ron Leighton (Newham, North-East):** Is the Secretary of State aware that, in the previous Parliament, the Select Committee on Employment conducted an inquiry into skillcentres and the Training Agency, and that in the course of that inquiry Conservative Employment Ministers went on record and gave assurances that a national network of skillcentres would be maintained in the public sector and that it was in the national interest to keep such a benchmark of quality? That has now gone.

Is the Secretary of State also aware that the Select Committee said then that the financial arrangements that were being put in place would not work and would push the Skills Training Agency into the red, and that the Select Committee was right and the Government were wrong? Is he also aware that my hon. Friend the Member for Sedgefield (Mr. Blair) was right to draw attention to employment training? The skillcentres gave high quality training to the construction industry and others for about £140 or £150 a week. The employment training organisation wanted to pay £17.50 a week and the sums did not add up.

Is the Secretary of State also aware that one of the attractions to buyers is the land and buildings, which they



[Mr. Ron Leighton]

will obtain so cheaply? If the STA had been able to sell off its surplus land and buildings, it could have made the books balance by a crazy accountancy device, but it was not allowed to do so. Is this not a saga of broken promises and an extremely bad management which will lead to a diminution of training assets and abilities?

**Mr. Howard:** No, I do not accept the hon. Gentleman's points. I made it clear in my answer to the hon. Member for Sedgefield (Mr. Blair) that the clawback arrangements on the sale of property would provide that the development gains would be returned to the Government in the proportions that I identified, which destroys any substance that there might otherwise have been in that point. The hon. Gentleman is the Chairman of a distinguished Committee of this House, the Select Committee on Employment, and he will no doubt want to give full weight to the observations made by other Committees in this House, including the Public Accounts Committee. The changes in the financing arrangements, to which the hon. Gentleman takes exception, were included in the observations of that Committee.

Nothing in the announcement detracts from or affects the Government's guarantee to provide employment training for those who are eligible for it. It will be perfectly possible for those who are eligible, including those in areas where it is necessary for the reasons that I have given to close some of the centres, to obtain employment training.

**Mr. James Couchman** (Gillingham): My right hon. and learned Friend will probably agree that skillcentres have not always looked to job training for the future. What assurances has he had from Astra Training Services Limited that the skillcentres that it buys will provide training for the future rather than jobs for the past? It will take over a skillcentre in my constituency.

**Mr. Howard:** My hon. Friend makes an important point. It will be in the interests of those who will run the centres in the private sector to make sure that they provide the sort of training that is needed. That is the way in which we can be assured that the training that we want to see take place is provided. The management buyout teams that have been the successful bidders have great experience in training and are dedicated and committed to continuing to provide training. In the private sector, free of the bureaucratic constraints under which they have laboured until now, they will be able to respond in an effective fashion to the demands of the private sector.

**Mr. David Lambie** (Cunninghame, South): As Irvine skillcentre in my constituency will be the subject of a management buyout and will not close, I welcome the statement today on behalf of my constituents. Could the Secretary of State give us more details on future negotiations between the trade unions and the new management on conditions and pension rights?

**Mr. Howard:** I am grateful to the hon. Gentleman for his response. He recognises the good sense of the proposals that I have just announced. Consultations on conditions will be held with the trade unions. The staff are being informed of the proposals simultaneously with my announcement. I have obtained an independent assessment of the pension arrangements which Astra proposes. I have been told by the Government Actuary's department

that they are comparable with the pensions arrangements that would have applied if the staff had remained civil servants. The details will be disclosed to the staff in the consultations which will take place in the next few weeks.

**Mr. Patrick Thompson** (Norwich, North): The employees and trainees at the skillcentre in the Mile Cross area of my constituency will have been interested to hear my right hon. and learned Friend's statement. Will he confirm that this good news removes any immediate threat of closure from the skillcentre and will enable it to work with greater flexibility to address the serious skills shortages that remain in the Norwich area?

**Mr. Howard:** The skillcentre to which my hon. Friend refers, together with others, has been bought as a going concern on the basis that training will continue to be provided there. That is a tremendous opportunity for those who presently receive training, those who want to receive training in the future, the management buyout team and the staff of the business. They will know that if they provide the kind of training that is needed in the world into which we are moving—where, as we heard earlier, there will be an increasing emphasis on the need for training—their future will be secure.

**Mr. Bob Cryer** (Bradford, South): But is it not second best for the staff involved? Would it not have been preferable to keep them in the public sector, particularly in view of the excellent work that they have undertaken, which the Secretary of State recognised? Does he agree that there is a question mark over the level of quality? What provision will he make to ensure that the standard of training is retained, particularly as the organisation is now dedicated to profit whereas previously it was completely dedicated to training?

**Mr. Howard:** I think that it is very much a first best, and not a second best as the hon. Gentleman suggested. I hope that in due course even the hon. Gentleman will see the advantages to his constituents of the measures that I have just announced.

On quality, I trust that the hon. Gentleman will be aware of the arrangements that we are putting into place under the training and enterprise councils. They will recognise and accredit training providers for the purpose of the providers playing their part in the programmes that will be carried out under the auspices of the training and enterprise councils. If the centres are to play their full part in those programmes, it will therefore be very much in their interests to provide the kind of quality training that will lead to accreditation under the training and enterprise councils. The hon. Gentleman need have no fears on that score.

**Mr. Anthony Coombs** (Wyre Forest): As an hon. Member with a skillcentre in his constituency, may I warmly welcome the privatisation of the centres, which will be more flexible, efficient and responsive to the needs of industry? To that end and because it is important that their links with the training and enterprise councils and the local employer networks, especially in relation to training in small firms, are as close as possible, what measures do the Government propose to ensure that that is so?

**Mr. Howard:** I am grateful to my hon. Friend for his welcome for my statement. It will clearly be in the direct interest of everyone concerned that the close co-operation



that he seeks should take place. That will be very much in the interests of those who manage the centre in his constituency and of the training and enterprise councils. In that respect, those interests will exactly coincide, which is the best assurance that my hon. Friend could receive.

**Mr. Simon Hughes** (Southwark and Bermondsey): I am not opposed to the sale of the Skills Training Agency and regard a management buyout as the most welcome form of sale. However, given that we are to lose one third of the present network and that there will not be any new resources, will the Secretary of State be much more explicit about his assurances? Will he assure us that the quality and standard will be as high in the future as it is now? Will he ensure that there will be the wide range of skills training in the future that there is now, both in subject and in geographical area? Will there be the same regional assessment of skills needs as now? Will he ensure that trainers will be trained as they are now, and, above all, given that our skills training is so woefully inadequate in Britain, will he ensure that we shall improve both our commitment and the resources from both the public and private sectors in the future which we have not sought to do in the recent past?

**Mr. Howard:** I am grateful for the hon. Gentleman's words of welcome, although they were somewhat qualified by his later remarks. I hope that he will forgive me if I correct his arithmetic. It is not the case that one third of the centres are not being sold because over three quarters of the centres are being sold as part of the proposal—

**Mr. Hughes:** One third will be lost.

**Mr. Howard:** No, fewer than one quarter will be lost.

The best possible assurance of quality that anybody could have lies in the clear incentives that will be provided for the highest possible standards to be delivered through the centres. I have every expectation that, in each of the respects mentioned by the hon. Gentleman, quality will be improved. The quality standards will be much higher than in the past because those who are running the centres in the future will be the people with experience, commitment and dedication who will have every incentive to provide the best possible quality of training. That is the best assurance that anybody could seek.

**Mr. Richard Holt** (Langbaugh): Does my right hon. Friend accept that his statement will be widely welcomed by industrialists and commercial people throughout the country? However, may ask him a wider question? Is he talking with the Secretary of State for Education and Science about the school-leaving age in this country and the way in which we need to re-examine it in the light of 1992 so that we can be competitive with the Germans and the French, who are not so hidebound and do not have such a late leaving age?

**Mr. Howard:** I know that my right hon. Friend the Secretary of State for Education and Science is carefully considering all the matters that are relevant to an improvement of the education standards of the children in our schools when they leave school. I am sure that he will want to take my hon. Friend's remarks into account.

**Mr. A. E. P. Duffy** (Sheffield, Attercliffe): The Secretary of State made much of the financial loss incurred by skillcentres. Is he aware that the skillcentre in Sheffield, in my constituency, which he proposes to sell off has shown

a considerable financial surplus in each of the past four years? What is motivating him? Has he any evidence that one single employer or trade union in Sheffield has sought this change? Can he give any assurance about the future costs and numbers of training places in Sheffield, and say whether they will be available to the unemployed?

**Mr. Howard:** As to whether the agencies are operating at a profit or loss, the hon. Gentleman ignores the figures that I gave which show that in the last year for which full figures are available—1988-89—the agency made a loss of £20 million and for the current year the loss is expected to be £30 million. As for training in Sheffield, I repeat what I said earlier, that nothing in my statement detracts from or qualifies the Government's guarantees on employment training or youth training. I have every confidence that more than enough training for those who need it will be available in the Sheffield area.

**Mr. James Paice** (Cambridgeshire, South-East): Does my right hon. and learned Friend agree that the best and most exciting part of his welcome statement is that this is a management buyout? The management, currently civil servants, has realised that, free from the burden of state ownership and stimulated by private ownership and the opportunity to run its own business, it can turn around a £30 million loss? Does not that demonstrate quite clearly that public ownership can never work as well as private ownership?

**Mr. Howard:** My hon. Friend is absolutely right. It is for reasons of pure dogma that the Opposition fail to recognise the opportunities that are available to people when they are given control of their own enterprise in the way that this management buyout makes possible. My hon. Friend has entirely recognised the advantages of the proposals.

**Mr. D. N. Campbell-Savours** (Workington): The Secretary of State should not hide behind the Public Accounts Committee; we were not responsible for the decision. Is it not ironic and perverse that on the very day that I seek and, to some extent, secure assurances from Ministers in the Department of Employment on the future of training arrangements in west Cumbria in relation to the thousands of people who will be made redundant with the rundown of contracts at Sellafield, the Secretary of State should come to the Dispatch Box and close the skillcentre in Maryport? When this news hits the streets of Maryport and west Cumbria tonight, my constituents will say that Ministers are hypocrites and nothing else.

**Mr. Howard:** I hope that the hon. Gentleman's constituents will look at the facts and behind the rhetoric of which he has just been guilty. Nothing that I have said detracts from the assurances given by my hon. Friend the Minister of State earlier, which I wholeheartedly endorse. The hon. Gentleman will be aware that the skillcentre in Maryport, which is currently losing considerable sums of money, does not have a single employment training placement. It is not contributing to training needs in Cumbria. That contribution can be made in other ways, through other providers of training, which will continue to provide all the training necessary to deal with the problems to which the hon. Gentleman referred.

**Mr. Harry Greenway** (Ealing, North): Does my right hon. and learned Friend agree that the new system that he



[Mr. Harry Greenway]

has outlined will ensure that people are trained for work that is actually available rather than for jobs which are not there, as has sometimes happened in the past? On the basis of that principle, will he rethink the closure of the Perivale centre in my constituency? That centre is at the heart of a highly industrialised area, where there is a strong demand for training and where employers are prepared to pay for training. Will he ensure, in any event, that the excellent staff at the Perivale centre do not miss out? Will he see that they are offered the alternative jobs that they deserve?

**Mr. Howard:** I agree entirely with the first part of my hon. Friend's comments. The whole thrust of our training policy is to make sure that the training that is provided is relevant to the needs of today and of tomorrow. We have to ensure that people get the training that they need. As my hon. Friend will be aware, the skillcentre in Perivale has been empty and disused for some time, and its lease will run out in March. I therefore cannot give him the assurance for which he has asked. However, we shall make every effort to redeploy the staff.

**Mr. Lawrence Cunliffe (Leigh):** Does the Minister agree that the Wigan skillcentre has a very high reputation as an efficient and effective unit? It is well admired in the north-west region. Indeed, on a recent visit the Prime Minister complimented it. The Minister's statement today will do nothing to improve the efficiency of that centre, no matter to what part of the private sector it goes. Great distress and dismay is being caused. The staff themselves see this as an irresponsible move that will result in lack of the authority that is needed to deal with the situation.

**Mr. Howard:** I am happy to endorse the hon. Gentleman's comments about the excellence of the Wigan skillcentre. I hope that he will do his best to assure the staff that these proposals, if looked at constructively, will be seen to be giving them a tremendous opportunity for the future—enabling them to build on the excellence of the centre, and ensuring that it can provide training of even higher quality.

**Mr. Robert Hayward (Kingswood):** Will my right hon. and learned Friend clarify what he said about regional offices? I am not quite sure that it was heard in all parts of the House. His announcement—particularly the part about retention of land and development gain—will be greatly welcomed in the Bristol skillcentre. That announcement not only clarifies the position for the immediate future, but indicates the intention for at least three years, and probably a lot longer. Does my right hon. and learned Friend agree that it is necessary to make it clear to management in all industries that there is a need to train all people, regardless of their age and their skills, and whatever the system?

**Mr. Howard:** I agree entirely with everything that my hon. Friend has said. I am grateful to him for his observations. The regional centres do not fit in with the management structure that Astra has proposed, and they will therefore be closed. My hon. Friend will be aware that the regional centre in his area is located in the skillcentre itself. As I said earlier, every effort will be made to redeploy the staff.

Several Hon. Members rose—

**Mr. Speaker:** Order. Hon. Members will be aware that, after this, there is to be an important debate on public expenditure, as well as a ten-minute Bill. I will allow questions to continue until 4.15 pm so that as many Members as possible may be called. I ask hon. Members to be brief.

**Mr. Iwan Wyn Jones (Ynys Môn):** Does the Secretary of State accept that, as an inevitable consequence of his decision, small rural skillcentres will feel extremely vulnerable? Does he accept that training needs in rural communities are vastly different from those in urban areas? Does he agree that, in order to meet those needs, we need a comprehensive and coherent plan to ensure that the economy, which in many parts of the United Kingdom is very fragile indeed, is given an opportunity to grow from within? Does he accept the view of many people who are involved in training in rural areas that, because of the fragility of the economy there, we must have public support for training? Will he assure people living and working in rural areas that, under this proposal, the Government's commitment to training in those areas remains undiminished?

**Mr. Howard:** I can certainly give the hon. Gentleman the assurance for which he asked in the latter part of his question. It is true that there are particular training needs in rural areas. One of the great advantages of the training and enterprise councils is that they will be locally based and will therefore be able to adjust the training that is made available under their auspices to the needs of the area. That cannot but help to ensure that the needs of rural areas are properly reflected. The hon. Gentleman must know of the tremendous amount of public support that will go into training. Very nearly £3 billion will be made available to the training and enterprise councils in their first year of operation.

Those who work in the skillcentre in the hon. Gentleman's constituency should not feel vulnerable. The very fact that they are included in the management buyout bid shows the considerable confidence that the management team has in the viability of that skillcentre.

**Mr. Dave Nellist (Coventry, South-East):** Will the Secretary of State give a specific guarantee that services and jobs at the Coventry skillcentre will be retained after the disgraceful privatisation that he has announced today? Since his statement contained no assurances on the quality of future training—I rule out the Mickey Mouse employment training and youth training schemes—have we not lost today public accountability for training standards in Britain? If the senior managers will be so good under privatisation, why have they cocked things up in the past three or four years so that a quarter of the skillcentres are having to be closed? The whole thing stinks.

**Mr. Howard:** The hon. Gentleman's remarks about employment training and YTS will be regarded as nothing less than an insult to those millions of people who have benefited from those schemes during the few years that they have been in operation. The best assurances that any sensible person could want with regard to the Coventry skillcentre is that it will be run by those with experience of training, with commitment and dedication to training, operating under a regime which will provide every incentive for them to provide the best possible quality

training in response to the needs of the private sector. I do not expect the hon. Gentleman, imprisoned as he is in the dogma that is being abandoned even in eastern Europe in recent weeks, to see the good sense of the proposal, but I am confident that others will.

**Mr. Gerry Steinberg (City of Durham):** I am delighted that the Durham skillcentre will remain open, but I am not so delighted that it is being privatised. On a number of occasions I have had the pleasure to visit the skillcentre, which gives excellent training and I shall be disappointed if the measures announced today affect that. Will the Minister confirm that employees at the skillcentre will be involved in its management and that all jobs will be safeguarded? Will the Minister ensure that the rights of civil servants at the Durham skillcentre, some of whom have worked there for 30 years, will be protected?

**Mr. Howard:** Many of the rights will be protected by the regulations to which I referred in my statement, and the hon. Gentleman will be able to give his constituents assurances based on those regulations. In many respects, the arrangements will go further than those regulations provide. For instance, the regulations do not cover pensions, and I am sure that the hon. Gentleman will have been interested in what I said about pensions earlier. It is the management buyout team's intention to involve staff to the greatest possible extent. I mentioned the possibility of participation in the business in my statement. It is to those intentions and objectives that the hon. Gentleman should look for the assurances for which he asked, and I am confident that, in large measure, they will be available.

**Mr. Mike Watson (Glasgow, Central):** I want to press the Minister on two points which have been dealt with already. One is the question of quality assurance on which he has given an inadequate answer. The Minister talked of incentives. My first question is—

**Mr. Speaker:** Order. In view of the pressure on time, may we have one question?

**Mr. Watson:** What if the incentives prove inadequate? How does the Minister propose to measure or monitor quality assurance? If that does not measure up appropriately, what sanctions does he propose to operate? It is all very well talking about training needs, but what about quality assurance for those receiving the training?

**Mr. Howard:** If one reflects on the history of the matter, it is astonishing to suppose, as the hon. Gentleman does in his question, that the only way to obtain quality assurance is through public sector involvement, public sector instruction or public sector monitoring. We are much

more likely to obtain improvements in quality by transferring the centres to the private sector where they will have every incentive to provide the higher quality standards that I want to see.

**Mr. Elliot Morley (Glanford and Scunthorpe):** Presumably the management of the skillcentres will manage the new company, the management who oversaw a £30 million loss. I do not suppose that in the private sector it will have a magic wand with which to reduce those losses. Is the Minister confident that a national system of skillcentres will be retained and that such centres as the one in my own constituency will be protected to ensure at a national level the quality and provision of training?

**Mr. Howard:** I remind the hon. Gentleman of what I said in my statement about the investment that the management buyout team intends to make—some £11 million in the first three years alone. I remind him that the company will be free of the constraints under which it has been operating in the public sector. I also remind him of the incentives which will be available to it to improve its standards in the private sector; we know that demands for training are bound to increase in the years ahead. In those circumstances, there is every reason to suppose that this will prove a considerable success and that the standards of training provided will increase.

**Mr. Tam Dalyell (Linlithgow):** On a point of order, Mr. Speaker. As a distinguished QC himself, could the Minister have a word with the Solicitor-General, who came very courteously to the debate on the Property Services Agency and Crown Suppliers Bill and the very complex issues of the Transfer of Undertakings Protection of Employment Regulations 1981? He will know better than most that the law of detriment is very complex. Could he discuss with the unions concerned, before laying the orders, exactly what the difficulties are, so that they do not have to employ expensive QCs as happened in relation to the PSA and the Crown Suppliers?

**Mr. Howard:** I am sure that the consultation which is about to take place with the trade unions and the employees will be far ranging, and it may well embrace the complex question to which the hon. Gentleman has referred.

Several Hon. Members rose—

**Mr. Speaker:** Order. I apologise to the Front-Bench spokesmen whom I have not been able to call. I hope that they will find some other opportunity to refer to this matter.



## Points of Order

4.17 pm

**Mr. Cranley Onslow** (Woking): On a point of order, Mr. Speaker. You will remember that during Question Time today there was an unusual amount of disorderly noise. In the course of one of the quieter moments during that noise, the right hon. Member for Manchester, Gorton (Mr. Kaufman) made a grossly offensive remark about my right hon. Friend the Prime Minister—[*Interruption.*]

**Mr. Speaker:** Order. I must hear this, because I did not hear the remark that is alleged to have been made.

**Mr. Onslow:** It was clearly heard on the Conservative Benches, I suspect it may have been heard on the tapes, but I wonder whether you heard it, Mr. Speaker. If you did, it seems to me that it is a remark which you should invite the right hon. Gentleman to withdraw.

**Mr. Speaker:** Order. I have already said that I did not hear it, so I cannot call upon the right hon. Gentleman to withdraw it. I do not know what he said.

I hope that the House will reflect carefully on the disorderly way in which Prime Minister's Question Time proceeded today. The cut and thrust of debate is one thing, and the whole House subscribes to that, but noise and disruptions of the kind that we have heard today bring no credit upon us. Certainly personal abuse of any kind is not in the tradition of the Chamber.

**Mr. Gerald Kaufman** (Manchester, Gorton): As a courtesy to the House, Mr. Speaker, may I notify you that the Opposition have decided to make a change in the business for the Opposition day tomorrow. We shall now start with a debate on Government policy on South Africa. That will proceed until 7 pm, and we shall then take the business already announced, which is a debate on rail fares and services.

Several Hon. Members *rose*—

**Mr. Speaker:** I call Mr. Quentin Davies—[*Interruption.*] Order. I hope that tomorrow's debate will proceed in better order.

**Mr. Quentin Davies** (Stamford and Spalding): Further to that point of order, Mr. Speaker. I hope that I may be able to help you. I distinctly heard the hon. Member for—

**Mr. Speaker:** Order. We cannot go back to what was said at Question Time. I did not hear what was said; everyone else may have, but it did not come through my amplifier. Nor did I hear what the Prime Minister is alleged to have said earlier, which caused so much disruption in the Chamber.

I think that we should reflect on the fact that we are now seen on television. Scenes of the kind that we witnessed this afternoon, which will have been seen and heard by television viewers, bring no credit on us.

**Mr. Tam Dalyell** (Linlithgow): On a point of order, Mr. Speaker. I have received a most courteous letter from the Editor of *Hansard* pointing out that last night's *Hansard* reported, in column 117, that Mr. Colin Wallace had been acquitted in 1971. I should have read "convicted in 1981".

The Minister of State for the Armed Forces has most courteously come to the Chamber to hear me make the correction.

The Ministry of Defence has considerable resources. It employs people to correct Ministers' speeches, unlike Back Benchers on both sides of the House. Such carelessness is symptomatic of this whole affair, and is entirely unacceptable to the House of Commons.

**Mr. Speaker:** The hon. Gentleman has raised the matter in the best traditions of the House. I, too, have received a copy of the letter from the Editor of *Hansard*, in which the Editor—again, in the best traditions—takes responsibility for the error.

**The Minister of State for the Armed Forces** (Mr. Archie Hamilton): Further to that point of order, Mr. Speaker. I am sorry that the error was not picked up, and I am grateful to the hon. Member for Linlithgow (Mr. Dalyell) for his remarks. I am also grateful to the Editor of the *Official Report*. Perhaps I did not speak clearly enough.

**Sir William Clark** (Croydon, South): Further to the point of order raised by my right hon. Friend the Member for Woking (Mr. Onslow), Mr. Speaker. I understand that the remark made by the right hon. Member for Manchester, Gorton (Mr. Kaufman) was heard on television; it was certainly heard on both sides of the House, although I accept that you may not have heard it, the right hon. Gentleman implied that my right hon. Friend the Prime Minister should have spent 27 years in prison. Although you did not hear the remark, Mr. Speaker, do you not agree that that is unparliamentary language and that the right hon. Gentleman should withdraw it?

**Mr. Speaker:** The House knows that I have no power to have such statements withdrawn. Let me say that I hope that we can proceed without personal abuse.

**Mr. Quentin Davies:** Further to that point of order, Mr. Speaker.

**Mr. Speaker:** Order. I do not think that it can be further to that point of order. In any case, I called the hon. Gentleman during Question time.

**Mr. Peter Hardy** (Wentworth): On a point of order, Mr. Speaker. May I seek your assistance and advice on a matter of grave importance in my constituency? More than 2,700 drums of contaminated waste have been dumped in my constituency, and a smaller quantity of the same consignment has been dumped in the constituency of my right hon. Friend the Member for Morley and Leeds, South (Mr. Rees). A number of my hon. Friends, some of whose constituencies are close to mine and in close proximity to the material—[*Interruption.*]

**Mr. Speaker:** Order. This point of order is addressed to me. [Interruption.] This is exactly what I was talking about a few moments ago. If Members continue to barrack—for that is what they are doing—it is impossible to hear the point of order being raised with me. What is the hon. Gentleman's point of order?

**Mr. Hardy:** The waste has been with us a long time, but not for 27 years, which might be attractive to Conservative Members.





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Secretary of State

Paul Gray Esq  
 Private Secretary  
 10 Downing Street  
 LONDON  
 SW1

Prime Minister ①

Consistent with  
 the terms of  
 the statement?

CH

12/2

Yes not

12 February 1990

Dear Paul

#### SKILLS TRAINING AGENCY

The Secretary of State has asked me to circulate the attached draft statement on the Skills Training Agency. He still hopes to be able to make the statement on Tuesday 13 February as originally planned, but final negotiations between the proposed purchasers and our advisers have been very protracted. If it proves impossible to make the statement tomorrow he would hope to be able to deliver it on Wednesday 14 February.

I am copying this letter to Murdo MacLean (Chief Whip's Office), Gillian Kirton (Privy Council Office), Carys Evans (Treasury), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Stephen Crowne (DES), Martin Stanley (DTI) and Roger Bright (DoE).

Yours ever

Bryony

**BRYONY LODGE**  
 Private Secretary



**CONFIDENTIAL**  
 Employment Department - Training Agency  
 Health and Safety Executive - ACAS



## SKILLS TRAINING AGENCY

With permission, Mr Speaker, I would like to make a statement about the future of the Skills Training Agency.

The Skills Training Agency (STA) provides training through a network of 60 Skillcentres. It has experienced considerable financial problems over the years. It has broken even only once in the last five years, with a trading loss of about £20 million in 1988/89. This was in spite of an arrangement, up to 1987, whereby fixed amounts of training were purchased from the STA by the public sector. This arrangement was criticised by the Public Accounts Committee, and ended in 1987.

In March of last year my predecessor decided, on the basis of a feasibility study, that the STA should be offered for sale. Throughout the sale process it has been made plain that the Government's interest is in receiving bids from those who wish to run a training business.

I have now received advice from Deloitte Corporate Finance on the final offers received. In the light of that advice, I have agreed terms of sale with three bidders. Their offers together cover 47 Skillcentres, plus the STA's Head Office, Mobile Training Service, sales teams and colleges. The main successful bidder is Astra Training Services Limited, a company formed by a management buyout team in the STA Head Office. I am placing in the Library full details as to which parts of the STA I propose to sell, and to whom, together with the Government's objectives for the sale.

This is an extremely satisfactory outcome to the sale process. It enables the creation of a viable private sector network of training provision with good coverage of major centres of population in England, Scotland and Wales. Over three quarters of the Skillcentres will be sold.



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This will also be the first successful management buyout bid in the Civil Service. The management buyout team know the business, and have detailed plans, backed by professional advice, to develop training both for unemployed and for employed people in a way which responds to the needs of employers. Their plans include investment of over £11 million in the first three years, and opportunities for staff to participate more fully in the business through an employee share ownership scheme.

The existing 5 Regional Offices, and 13 Skillcentres, are not included in this sale package. The Regional Offices do not feature in the management structure envisaged by Astra, and were not part of their bid. The 13 Skillcentres are poorly utilised, and at some, no training is currently taking place. I propose to close down the training businesses in these parts of the agency, and wherever possible the staff will be redeployed to other posts. Alternative arrangements will be made to allow trainees to complete training in progress.

In addition to producing a substantial private sector training network, I expect the course of action I am announcing today to yield a positive return to the Exchequer. The sale of the training business will involve a payment from the Government to Astra of some £11 million. This is a price determined in the sale process through negotiation and in competition with other bids. It reflects the costs of turning around a business which is currently unprofitable and creating training businesses with good prospects of viability.

The successful bidders do not wish to purchase all STA sites, so the sale of the training businesses will leave the Government still holding some interest in property, including the sites of the unsold Skillcentres. I propose to offer these remaining property interests for sale. Having obtained professional valuations, Deloitte expect the net proceeds from these sales to exceed by a significant margin the payments from the Government to the training business purchasers.

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My officials will now consult STA staff and their trade union representatives on the implications of my statement for staff, including the measures I have taken to give effect to Ministerial undertakings about pension and other arrangements for staff who transfer into the private sector. In due course I shall lay orders before the House to ensure that when the sales are concluded staff who transfer are protected by the Transfer of Undertakings (Protection of Employment) Regulations 1981.

In conclusion, Mr Speaker, I would like to pay tribute to staff who have continued to work unstintingly for the STA's success through a potentially unsettling period. For them, for the agency's customers, and for the STA contribution to our national training effort, the uncertainty of the recent past is now over and there are sound prospects for the future.





*me*  
*ak*

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

12 February 1990

*Dear Mr. Bainbridge,*

SKILLS TRAINING AGENCY

The Prime Minister has seen your Minister's letter of 7 February to the Chief Secretary enclosing a first draft of a statement on the Skills Training Agency. She has also seen the subsequent comments from the Chief Secretary and the Minister of State (Welsh Office). She is content with the proposal to make a statement on the lines set out in your Minister's letter.

I am copying this letter to Jim Gallagher (Scottish Office), Stephen Williams (Welsh Office), Stephen Crowne (Department of Education and Science), Martin Stanley (Department of Trade and Industry), Roger Bright (Department of the Environment) and Carys Evans (Chief Secretary's Office).

*Yours sincerely,*  
*Paul Gray*  
(PAUL GRAY)

S. Bainbridge, Esq.,  
Department of Employment.

*pm*



PRIME MINISTER

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SKILLS TRAINING AGENCY

It was mentioned in Cabinet yesterday that Michael Howard was planning to make a statement on Tuesday about the future of the Skills Training Agency (STA).

This follows the announcement last March in which bids for STA were invited. Tim Eggar's letter at Flag A now proposes that the solution should be to privatise the bulk of the STA via an offer from a management buy-out team. Together with the sale of some of the Skill Centres to some smaller offers, this would result in the sale of 47 of the existing 60 Skill Centres; the remainder would be shut down.

This seems a good outcome, and has the advantage that it would be the first successful management buy-out from within the Civil Service. A safeguard has been built in to provide for claw-back if the new management decide to sell off any of the surplus property.

The proposal is supported by the Welsh Office (Flag B) and by the Chief Secretary (Flag C).

Content for Michael Howard to proceed with a statement on this basis on Tuesday?

RACG.  
PAUL GRAY  
9 February 1990

Yes



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Treasury Chambers, Parliament Street, SW1P 3AG

Tim Eggar MP  
Minister of State for Employment  
Department of Employment  
Caxton House  
Tothill Street  
London  
SW1

9 February 1990

Dear Minister

SKILLS TRAINING AGENCY

Thank you for your letter of 7 February about the privatisation of the STA. You recommend selecting the management buy-out team (Astra), together with two much smaller bidders, as the preferred purchasers for the bulk of the STA network, and to close the remainder. As you point out, this course of action does not offer the highest NPV, but I agree with you that it best meets the agreed overall privatisation objectives. My officials will of course need to agree with yours the precise wording of any announcement but, subject to that, I agree to your proceeding on the basis set out in your letter.

2. There are however a couple of further points I should like to register with you. First, we have to recognise that there can be no certainty that Astra will succeed in pulling through to longer term viability, given the STA's present financial position. No doubt you are satisfied that their prospects are reasonable, and that they have the required financial backing. But we will need to avoid overplaying those prospects in anything we say publicly, if we are to avoid the risk of moral commitment to stand behind the company.

3. Second, I am pleased to note that you remain on course to complete the STA disposal within the timetable I agreed with Norman Fowler last year. To do this, you will of course need to take quick and decisive action to deal with the unsold parts of the network, including surplus staff.

4. I am copying this letter to the Prime Minister, Malcolm Rifkind, Peter Walker, John MacGregor, Nicholas Ridley and Chris Patten.

Yours sincerely

Aileen Campbell

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



Manpower

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PE 23







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SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

*15 FEB 1990*

CONFIDENTIAL

Tim Eggar Esq MP  
Minister of State for Employment  
Department of Employment  
Caxton House  
Tothill Street  
LONDON  
SW1H 9NF

*NBA*

*RCCG  
92/2  
9*

February 1990

#### SKILLS TRAINING AGENCY

*flap*

Thank you for copying to me your letter of 7 February to Norman Lamont about the privatisation of the Skills Training Agency.

I am content with your proposal to accept the ASTRA bid (together with 2 smaller bids); and with the terms of your draft announcement. This course of action will best meet our agreed objectives nationally, and in the Scottish context they provide a future for the training business and staff of all 6 skillcentres in Scotland. Like Wyn Roberts, I take the view that none of the other courses of action set out in your letter could be contemplated for Scotland.

Copies of this letter go to the Prime Minister, Norman Lamont, Peter Walker, John MacGregor, Nicholas Ridley and Chris Patten.

MALCOLM RIFKIND





PANPOWER

SEMS

# 23





**TRAINING  
AGENCY**

Training Agency  
National Training Task Force  
Caxton House  
Tothill Street  
London SW1H 9NF  
Telephone 01 837 2795

Chairman: Brian G Wolfson

6 February 1990

*Pine note (C)*

*Rec'd  
a/r*

*d/r*

The Rt. Hon. Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London  
SW1A 2AA

*mt*

*Dear Prime Minister,*

Just a note to thank you for your initiative in organising last Friday's Seminar.

My colleagues and I were particularly encouraged by the broad level of support for Training and Enterprise Councils. We have no doubt at all that with your continued encouragement and support Training and Enterprise Councils can make a major impact, not only in lifting our national training effort, but also in pulling together initiative from a number of Government departments to maximise the benefit to all.

Many many thanks again for your encouragement and interest. Rest assured that the National Training Task Force will continue to do all it can through Training and Enterprise Councils and otherwise to assist the Government.

Sincerely

*[Handwritten signature]*



file

PRIME MINISTER

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## SKILLS TRAINING AGENCY

It was mentioned in Cabinet yesterday that Michael Howard was planning to make a statement on Tuesday about the future of the Skills Training Agency (STA).

This follows the announcement last March in which bids for STA were invited. Tim Eggar's letter at Flag A now proposes that the solution should be to privatise the bulk of the STA via an offer from a management buy-out team. Together with the sale of some of the Skill Centres to some smaller offers, this would result in the sale of 47 of the existing 60 Skill Centres; the remainder would be shut down.

This seems a good outcome, and has the advantage that it would be the first successful management buy-out from within the Civil Service. A safeguard has been built in to provide for claw-back if the new management decide to sell off any of the surplus property.

The proposal is supported by the Welsh Office (Flag B) and by the Chief Secretary (Flag C).

Content for Michael Howard to proceed with a statement on this basis on Tuesday?

PACG.

PAUL GRAY

9 February 1990





10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 February 1990

CORRESPONDENCE WITH PROFESSOR PETER TOYNE

Following the training seminar on 2 February, Peter Toyne has now sent the attached letter dated 7 February to the Prime Minister suggesting a specific means of improving the supply of teachers in science and mathematics. He refers to discussions with Mersey Television and says he would be happy to discuss the possibilities with the Prime Minister.

I doubt if the Prime Minister would wish to hold such a meeting; but equally I think she would want to send a substantive reply to Professor Toyne's letter. I should therefore be grateful if it were possible for the Department to make contact with Professor Toyne and establish little more about what he has in mind; and then provide a suitable draft reply for the Prime Minister to send to him. It would be helpful to have this by Friday 23 February.

I am copying this letter to Clive Norris (Department of Employment).

Paul Gray

John Ratcliff Esq  
Department of Education and Science.





R912

The Rt Hon Mrs Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
LONDON  
SW1A 0AA

Professor Peter Toyne BA FRSA FBIM  
Rector  
Rodney House, 70 Mount Pleasant, Liverpool L3 5UX  
Telephone 051-207 3581 ext 2525  
FAX 051-709 0172

PT/SPW/1.57

7th February 1990

Dear Prime Minister

Thank you very much indeed for inviting me to participate in last Friday's seminar on training. I am sure we all felt that it was a most productive day and that it will lead to some real action in this vitally important area.

You will remember the brief discussion we had in the final session about the possible use of distance learning and interactive video in the specific context of trying to train inspiring teachers in science and mathematics. I am sure there are real possibilities here and I have had some initial discussions with Phil Redmond (Chairman and Chief Executive of Mersey Television) who would be very keen to join with me in trying to develop something appropriate. I should be only too happy to discuss the possibilities with you should you feel you would like to take the idea forward.

Once again, may I thank you for a stimulating and thoroughly exciting day.

Yours sincerely

Peter Toyne  
Rector





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10 DOWNING STREET  
LONDON SW1A 2AA

Not Ack'd

*From the Private Secretary*

8 February 1990

LETTER FROM MR BOB REID FOLLOWING THE TRAINING SEMINAR

I enclose a letter dated 5 February from Mr Bob Reid of Shell to the Prime Minister. This follows up comments he made at the 2 February training seminar, and he now formally sets out a number of proposals from Shell.

I think it would be appropriate for the Prime Minister to send a substantive response to Mr Reid, and I should be grateful if, in conjunction with the Department of Employment, you could prepare a suitable draft, to reach me by Thursday, 15 February.

I am copying this letter and enclosure to Clive Norris (Department of Employment).

PAUL GRAY

John Ratcliff Esq  
Department of Education and Science

ITG

Y SWYDDFA GYMREIG  
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WHITEHALL LONDON SW1A 2ER  
Tel. 01-270 3000 (Switsfwrdd)  
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Oddi wrth y Gweinidog Gwladol



WELSH OFFICE  
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WHITEHALL LONDON SW1A 2ER  
Tel. 01-270 3000 (Switchboard)  
01-270 (Direct Line)

From The Minister of State

CT/12055/90

7 February 1990

Dear Tim,

SKILLS TRAINING AGENCY

You copied to Peter Walker, who is out of the country at the moment, your letter of 7 February to Norman Lamont about the privatisation of the Skill Training Agency.

I agree with your view that the ASTRA bid, together with the two much smaller offers, should be accepted. This is the only one which includes the four Welsh Skills Centres and the Cardiff Bay Outreach Centre. This bid will fulfil our commitment to sell to purchasers who are intent on carrying on a training business while at the same time realising an acceptable level of proceeds. None of the three other courses of action with higher net present values could be seriously contemplated in Wales because of their closure implications.

I am copying this letter to the Prime Minister, Norman Lamont, Malcolm Rifkind, John MacGregor, Nicholas Ridley and Chris Patten.

Yours sincerely  
WR

WYN ROBERTS

Tim Eggar Esq MP  
Minister of State for Employment  
Department of Employment  
Caxton House  
Tothill Street  
London SW 1





10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

7 February 1990

This is to confirm that the meeting on training which we discussed this morning will take place on Tuesday 20 February at 1130. The meeting is likely to last 1½ hours.

I am copying this letter to the Diary Secretaries to the Secretary of State for Education and Science, the Chief Secretary, the Secretary of State for Trade and Industry, the Chancellor of the Duchy of Lancaster, Sir Robin Butler and Richard Wilson (Cabinet Office).

(MRS. AMANDA PONSONBY)

Nicholas Drane, Esq.,  
Department of Employment.



10 DOWNING STREET

Paul

Taken.  
Aug  
7/2

You've seen  
Tim Eggar's letter  
but you haven't seen  
his draft statement  
which D. Employment  
have just sent over.

Dore

7/2/90





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

Telephone 01-273 5804/5  
Telex 915564 Fax 01-273 5821

Minister of State  
Tim Eggar MP

*NBPA what  
Team agreed.  
Rec 6  
7/2*

Rt Hon Norman Lamont MP  
Chief Secretary  
HM Treasury  
Parliamentary Street  
Whitehall

7 February 1990

*Mr Norman,*

**SKILLS TRAINING AGENCY (STA)**

Michael Howard has asked me to write to you about the position on the privatisation of the STA.

.. As you know, Norman Fowler announced last March that he had asked Deloitte to prepare to offer the STA for sale. Since then the offer for sale has been advertised (attracting over 200 initial expressions of interest), a shortlist of bidders selected, and final offers received. We have now received Deloitte's report on the outcome of the sale process, and their recommendation as to the course of action we should adopt. (A copy of the report has already been supplied to your officials.)

Sixteen final offers were received, proposing purchases ranging from the whole of the STA down to parts of an individual Skillcentre's business. To permit comparison Deloitte have analysed the various courses of action open to us in the light of the offers. Each course of action takes into account the future of the whole of STA, including both the sale of parts to one or more purchasers and the closure of any unsold parts. Deloitte have then assessed each course of action against the six key objectives which were agreed with your officials last September.

The offer which best meets our main objective of moving as much as possible of the training business into the private sector, and which shows a positive net present value, is that from the management buyout team in STA ("Astra"). Together







with 2 much smaller offers, this would result in the sale of 47 out of 60 Skillcentres together with the STA's Head Office, Mobile Training Service, sales force and two colleges. Only the 5 Regional Offices and 13 Skillcentres (some currently unused) would remain unsold, and these would be closed, with an estimated 400 surplus staff some of whom would be made redundant.

Astra offered two options. One was to buy the training businesses and purchase most of the property; the other involved leasing most properties, the freehold of which would then be sold to property companies as an investment. In both cases the sale of the training businesses would be at a negative price (reflecting STA's current trading losses of £2½m a month), but this would be more than outweighed by the proceeds (net of closure costs) from the sale of properties, including those where an unsold part of STA had been closed.

Michael Howard and I have carefully considered the relative advantages of the Astra purchase and lease courses of action. Both courses of action yield a positive net present value, of £21.6m for the leasehold option and £16.7m for the purchase option. Deloitte have advised that the leasehold option has a number of disadvantages. The lease structure offered by Astra is complex; the timetable would be delayed by the need to negotiate and agree the leases; and the decline in the property market might well mean a lower price for the properties than an immediate sale would bring. Deloitte's strong advice is that the purchase option is preferable, and we agree with this. We would therefore propose that we agree terms with Astra on the basis of the purchase option described.

This is a far better outcome than originally seemed likely, combining as it does the successful achievement of our objective of transferring into the private sector as much as possible of the STA's training business with a substantial positive return for the Exchequer. I believe it offers a viable private sector training business, giving good coverage of all major centres of population (all of the Skillcentres in Scotland and all of those in Wales would be sold, in addition to the majority of those in England). We would have the first successful management buyout from within the Civil Service, and Astra envisages opportunities for the staff who transfer to participate more fully in the success of the business through new performance related pay arrangements and an employee share ownership scheme.

One point of which you should be aware is the nature of the Astra offer in respect of property. They valued the 33 sites they wished to buy at considerably less than our independent valuation of £50m. The offer in respect of property is about £31m. In my view we should accept this and justify it as necessary to achieve our objectives. Astra have agreed that a



CONFIDENTIAL



clawback provision should apply to all 33 sites which will ensure that they cannot make immediate gains by selling sites at their existing use value. Clawback provisions will also apply to ensure that the Government shares in any development gain.

Three other courses of action offer higher net present values: closure of the whole of STA, and the sale of 9 or 20 Skillcentres to a number of bidders with closure of the balance. Given our objective of transferring as much as possible of the STA to the private sector I believe none of these are acceptable politically. Even the sale of 20 Skillcentres would close all but one of the Skillcentres in Scotland and Wales and in total would mean closing over two thirds of the STA, containing some 1,800 staff, in return for a net present value only £4.9m higher than that available from the course of action proposed.

I therefore seek your agreement that we instruct our advisers and officials to tell Astra and the 2 smaller bidders that they have been selected as preferred purchasers, and to sign agreements with them as soon as possible. Once that has been done Michael Howard would propose to make an announcement along the lines of the attached first draft, so that officials can proceed with the consultation exercise which, to discharge our legal obligations, must precede completion of the sale, and with the closure of those - parts of STA which have not been sold. I think we are all agreed on the need to proceed with all this as quickly as possible, given the financial losses STA is sustaining, and so far we remain on course to complete the process on the timetable Norman Fowler agreed with you last year.

I am copying this letter to the Prime Minister, Malcolm Rifkind, Peter Walker, John MacGregor, Nicholas Ridley and Chris Patten.

*W. Brown*



ce. p. 11

FIRST DRAFT OF A STATEMENT

## SKILLS TRAINING AGENCY

With permission, Mr Speaker, I would like to make a statement about the future of the Skills Training Agency.

The Skills Training Agency provides training through a network of 60 Skillcentres. In March of last year my predecessor told the House that the agency had broken even financially only once in the previous five years, and that he had asked Deloitte Haskins and Sells to prepare to offer the agency for sale by private tender, open to all interested parties.

Throughout the sale process Deloittes have made plain that the Government's interest is in receiving bids from those who wished to run a training business.

I have now received Deloittes' advice on the final offers received. In the light of that advice, and the Government's objectives for the sale, I have agreed terms of sale with three bidders. Their offers together cover 47 Skillcentres, plus the STA's Head Office, Mobile Training Service, sales teams and colleges. The main successful bidder is Astra, a company formed by a management buyout team in the STA Head Office. I am placing in the Library full details as to which parts of the STA I propose to sell, and to whom.

This is an extremely satisfactory outcome to the sale process. It promises the creation of a viable private sector network of training provision with good coverage of major centres of population in England, Scotland and Wales. Over three quarters of the Skillcentresd will be sold.



CONFIDENTIAL

This will also be the first successful management buyout bid in the Civil Service. The management buyout team know the business, and have detailed plans, backed by professional advice, to develop training both for unemployed and for employed people in a way which responds to the needs of employers. Their plans include investment of over £11m in the first three years, and opportunities for staff to participate more fully in the success of the business through an employee share ownership scheme.

The existing 5 Regional Offices, and 13 Skillcentres, are not included in this sale package. The Regional Offices do not feature in the management structure envisaged by Astra, while the utilisation of the 13 Skillcentres is poor - at some, indeed, no training is currently taking place. I propose to close unsold parts of the agency, and wherever possible to redeploy the 400 or so staff to other posts. Surplus property will then be disposed of.

In addition to producing a substantial private sector training network, I expect the course of action I am announcing today to yield a positive return to the Exchequer. The sale of the training business will involve a payment from the Government to Astra, of some £11m. This is a price determined in the sale process through negotiation and in competition with other bids. It reflects the costs of turning around a business which is currently unprofitable, and creating training businesses with good prospects of viability.

The successful bidders do not wish to purchase all STA sites, so the sale of training businesses will leave the Government still holding some interest in property. I propose to offer these remaining property interests for sale. Having obtained professional valuations, Deloitte expect the net proceeds from these sales to exceed the payments from the Government to the training business purchasers.

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My officials will now consult STA staff and their trade union representatives on the implications of my statement for staff, including the measures I have taken to give effect to Ministerial undertakings about pension and other arrangements for staff who transfer into the private sector. In due course I shall lay orders before the House to ensure that when the sales are concluded staff who transfer are protected by the Transfer of Undertakings (Protection of Employment) Regulations 1981. I pay tribute to staff who have continued to work unstintingly for the STA's success through a potentially unsettling period. For them, for the agency's customers, and for the STA contribution to our national training effort, the uncertainty of the recent past is now over and there are sound prospects for the future.





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

Telephone 01-273 3000/01-273 5826  
Telex 915564 Fax 01-273 5821

With the compliments of the  
Permanent Secretary

*Paul Gray,*

*Slides used by Brian  
Lofson at seminar 2/2  
enclosed as requested*

*Mono Nive  
5/2/90*

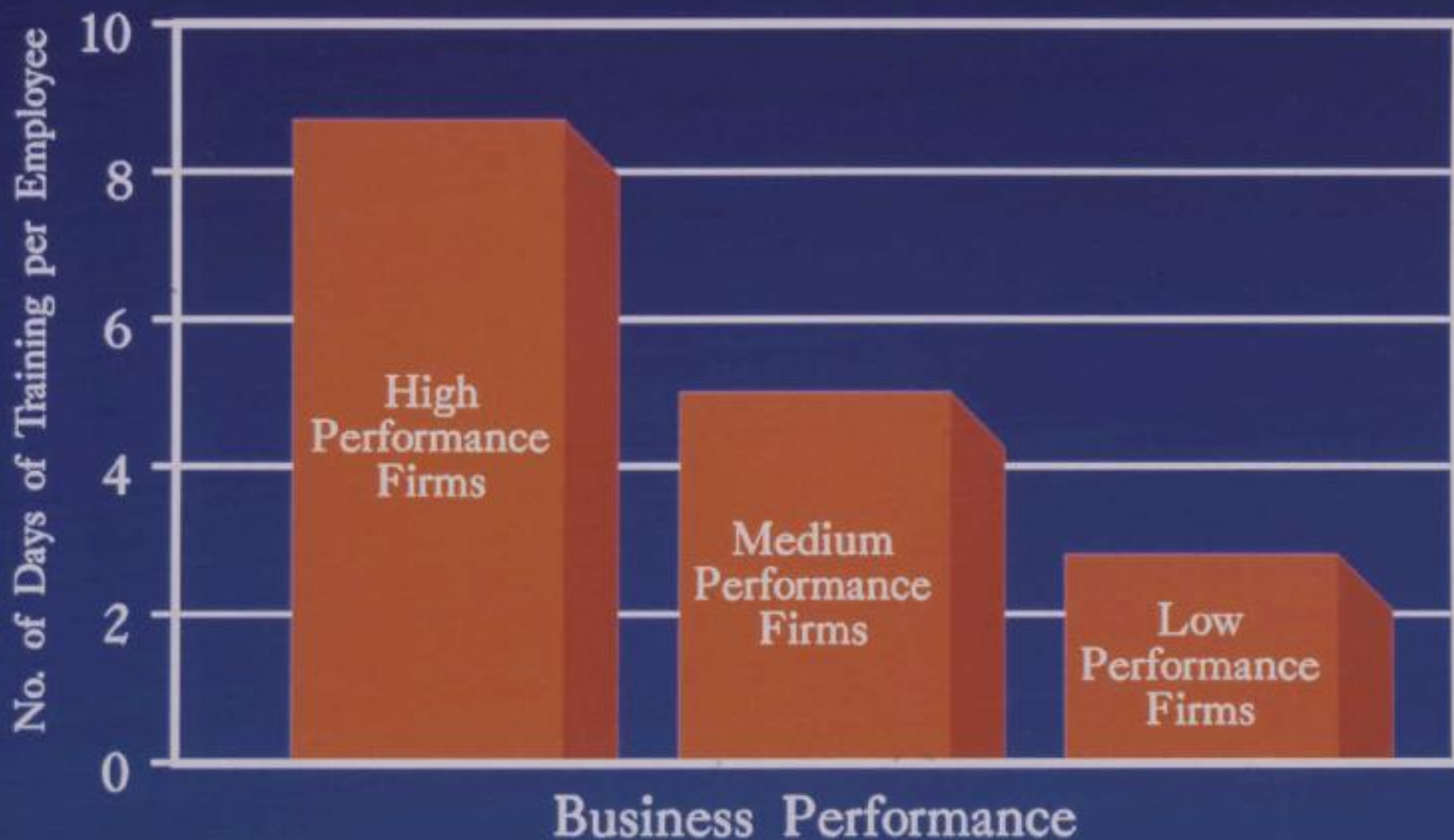


Employment Service - Training Agency  
Health and Safety Executive - ACAS

MR. BRIAN WOLFSON

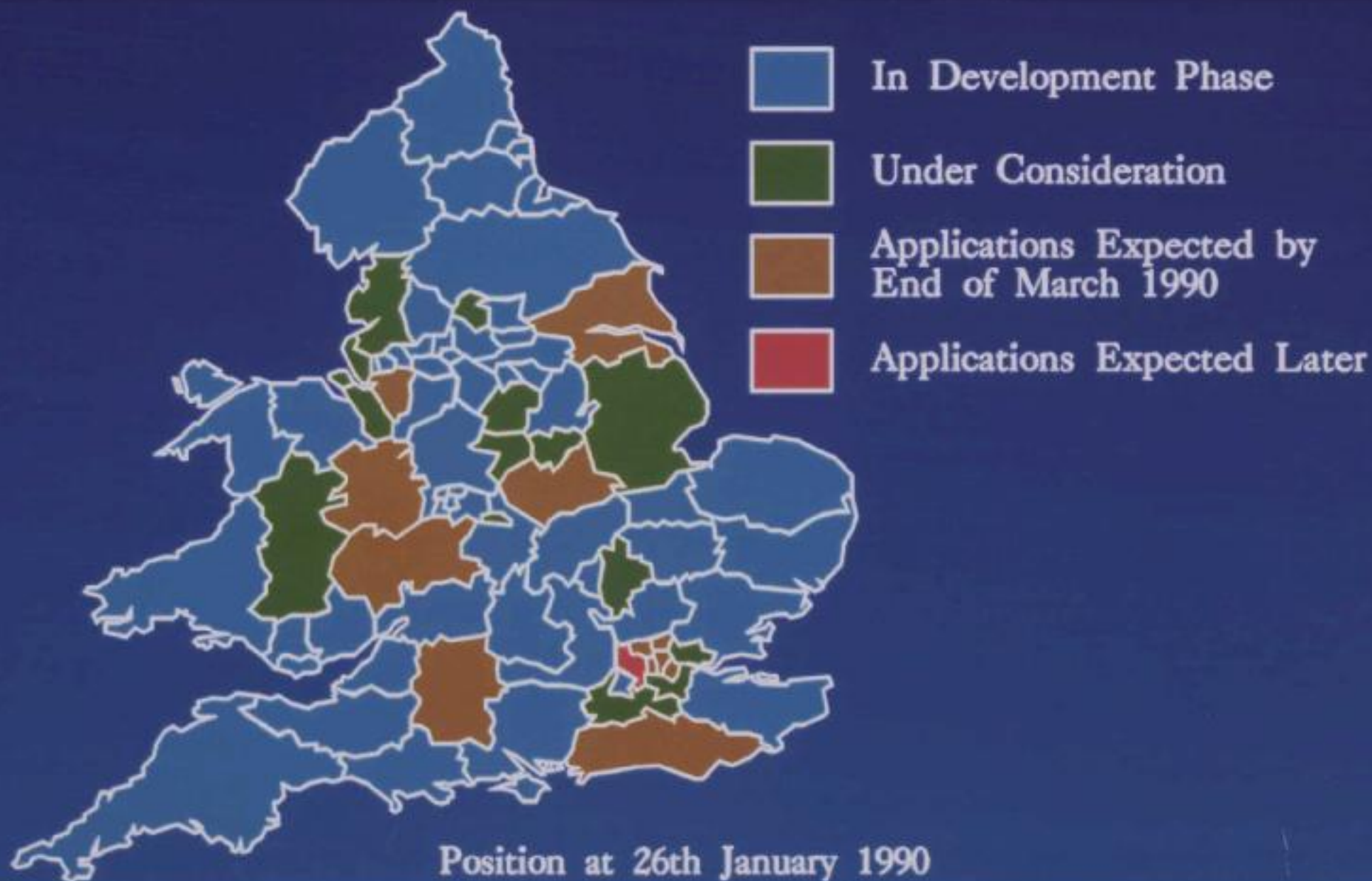


# Business Performance & Training



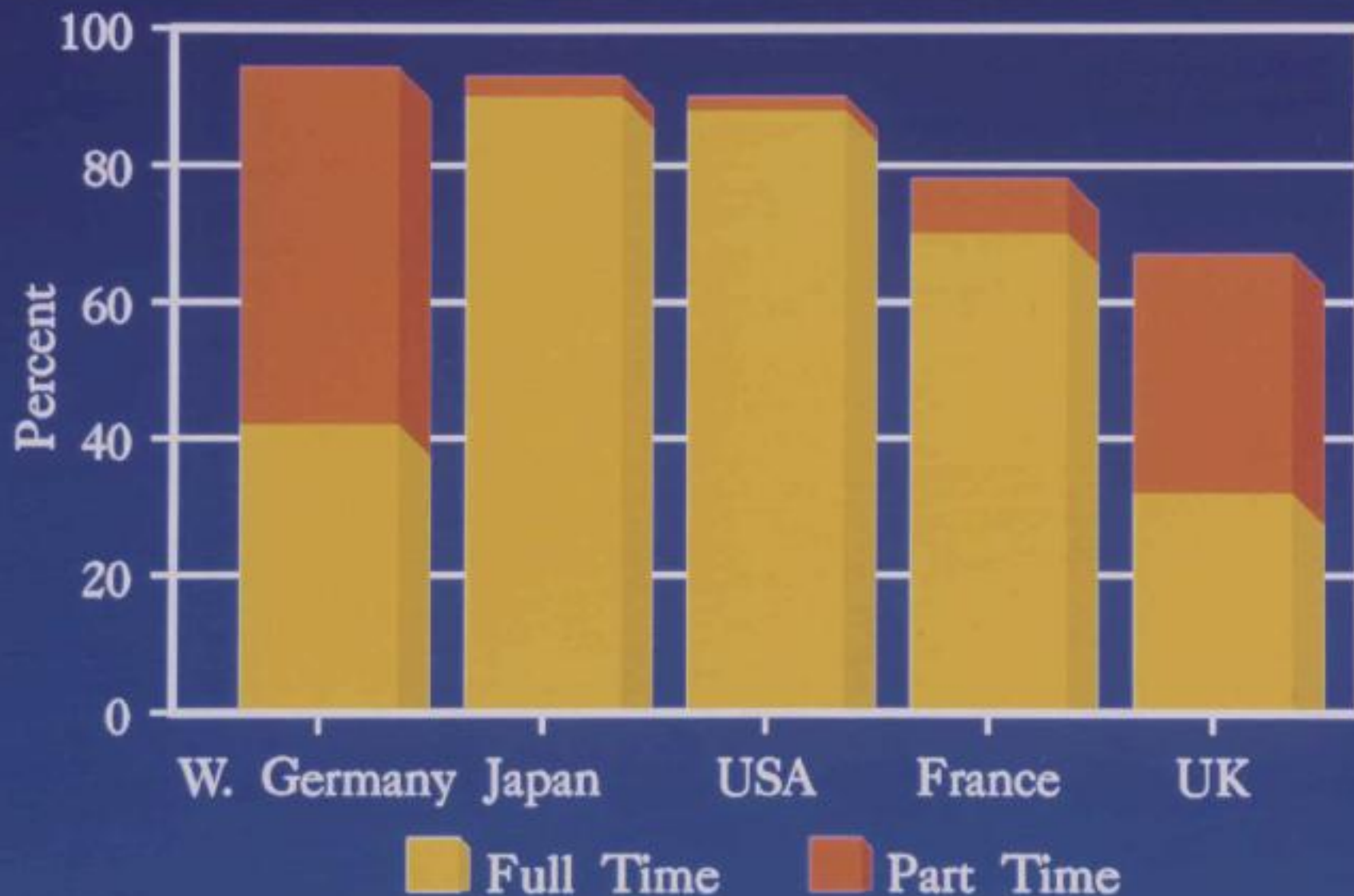
Source: Adult Training in Britain, IFF Research Ltd, 1985

# Training and Enterprise Councils



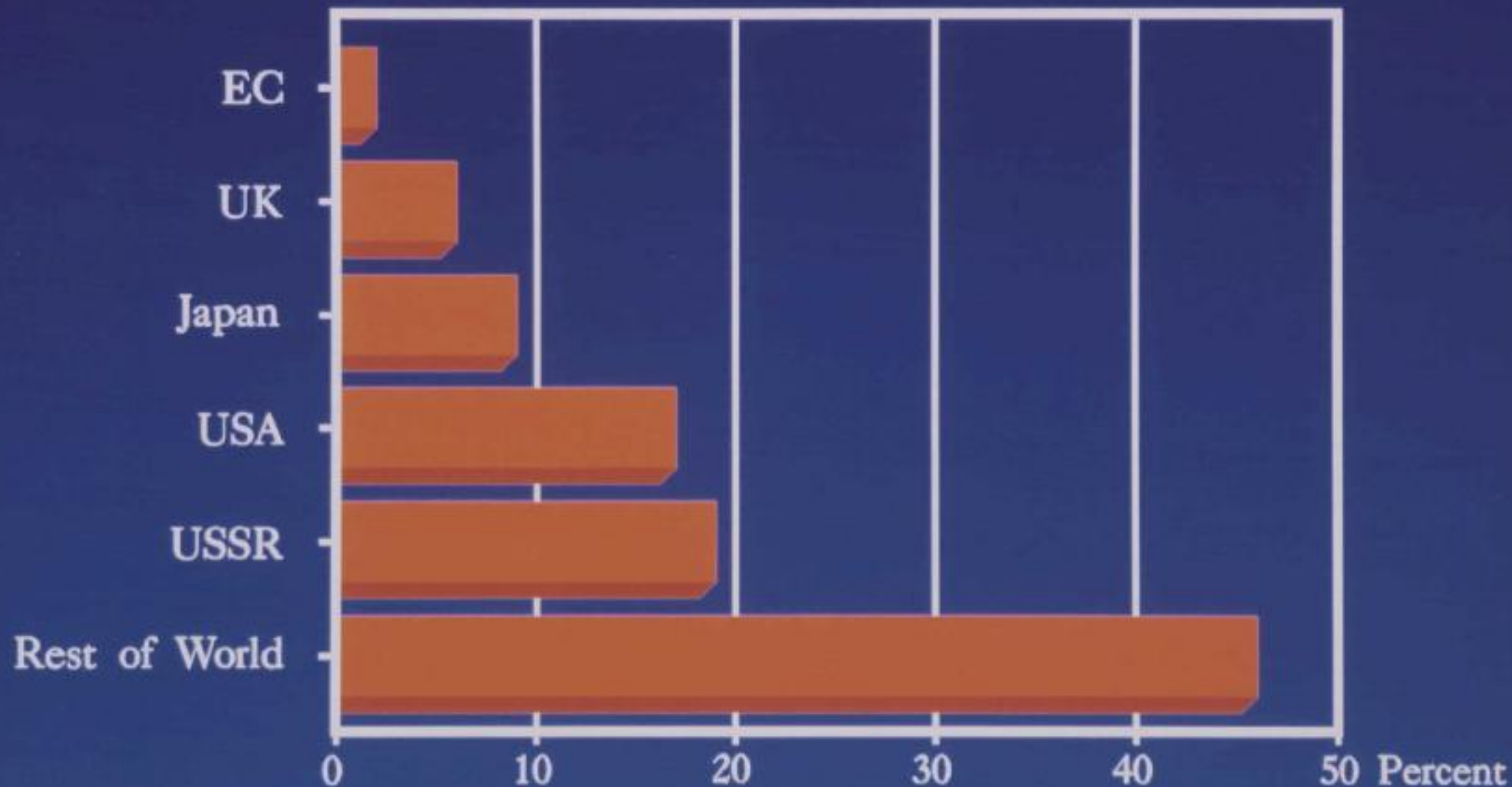


## Per Cent of 17 year olds in Education or Training, 1988



Source: Training in Britain, Training Agency, 1989

# Projected Change in Population 1987 - 2010

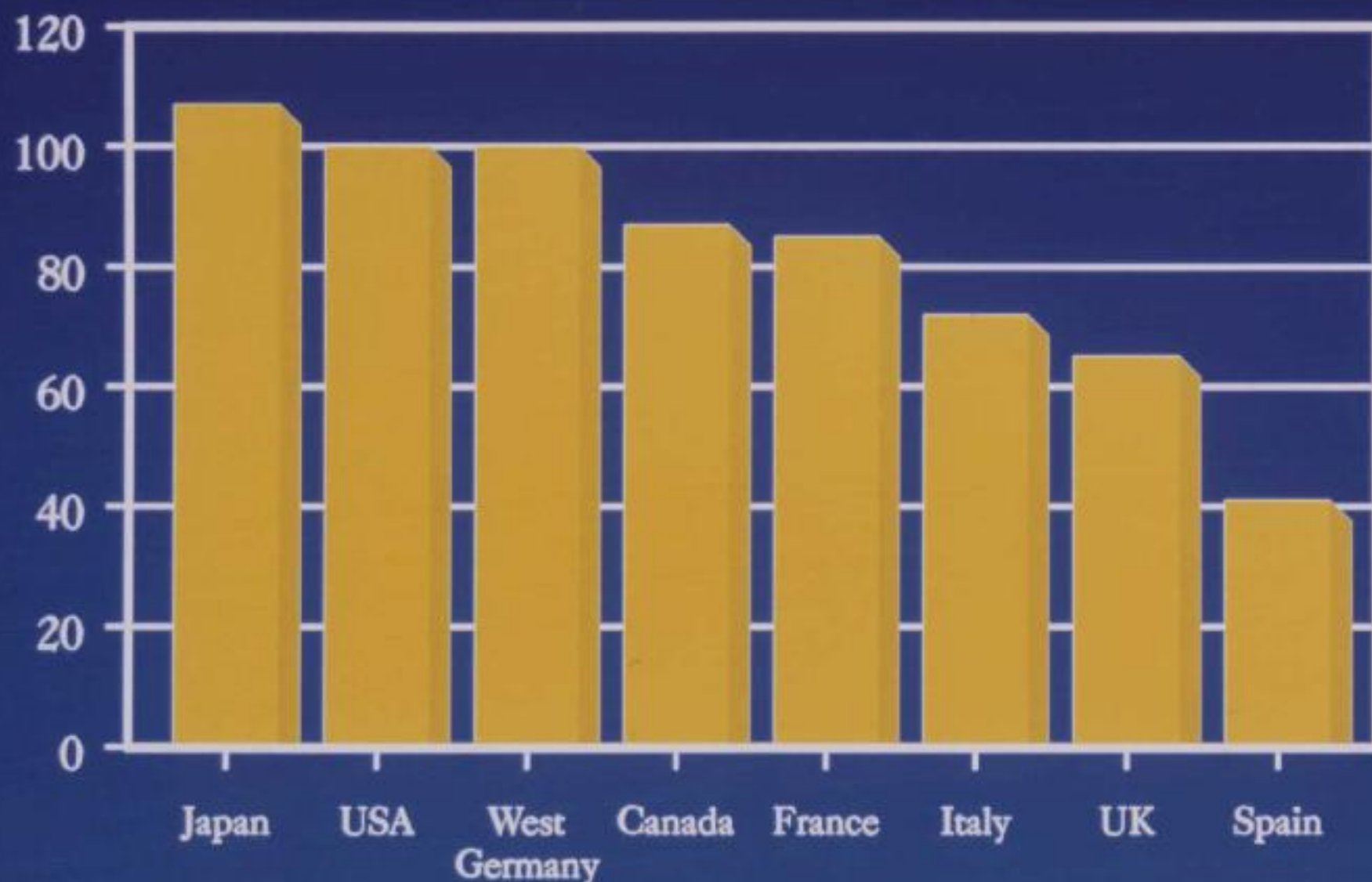


Source: Statistical Office of the European Communities



# GDP Per Person, 1988

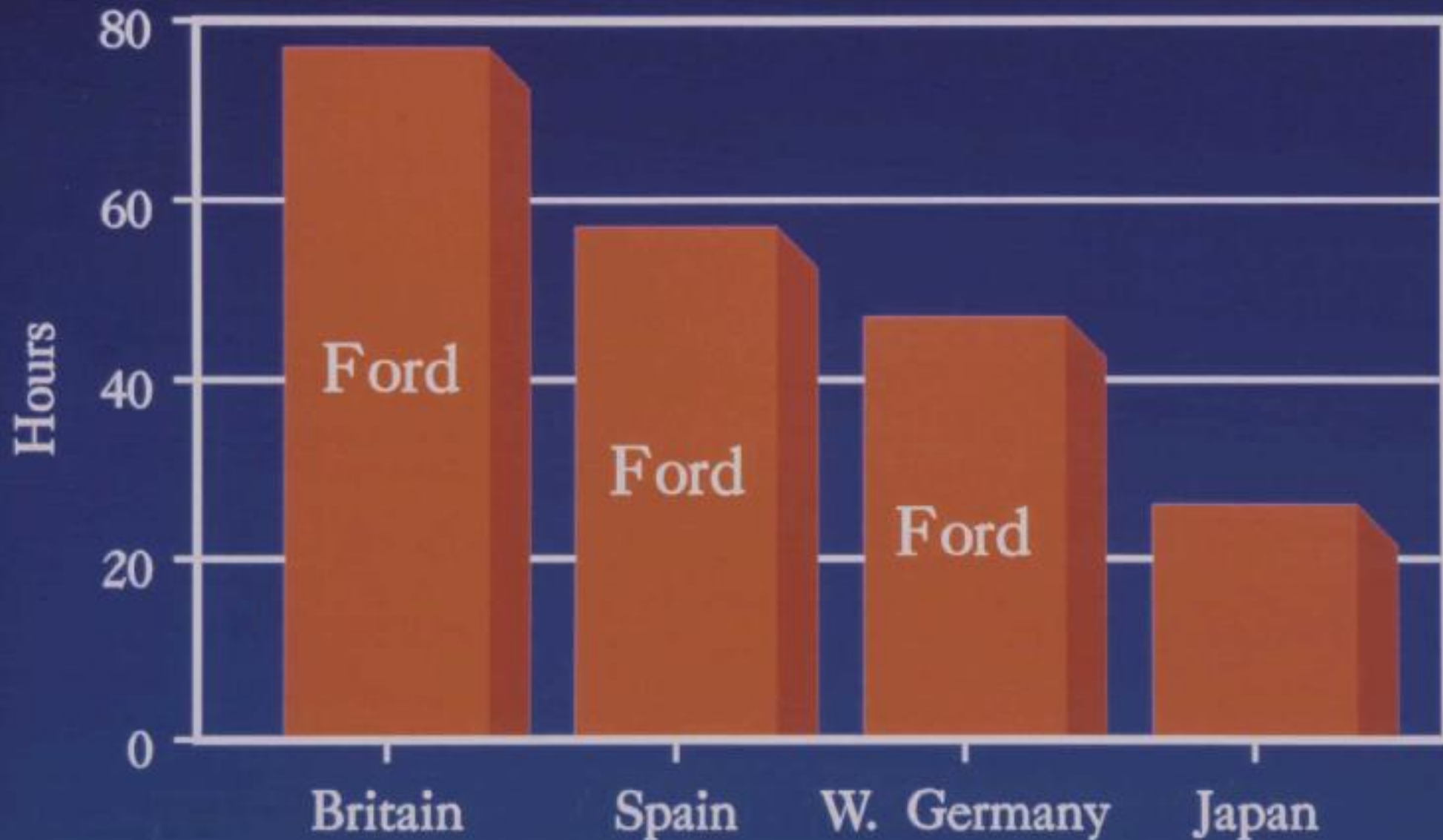
## USA = 100



Source: OECD In Figures, 1989 Edition

Using current exchange rates

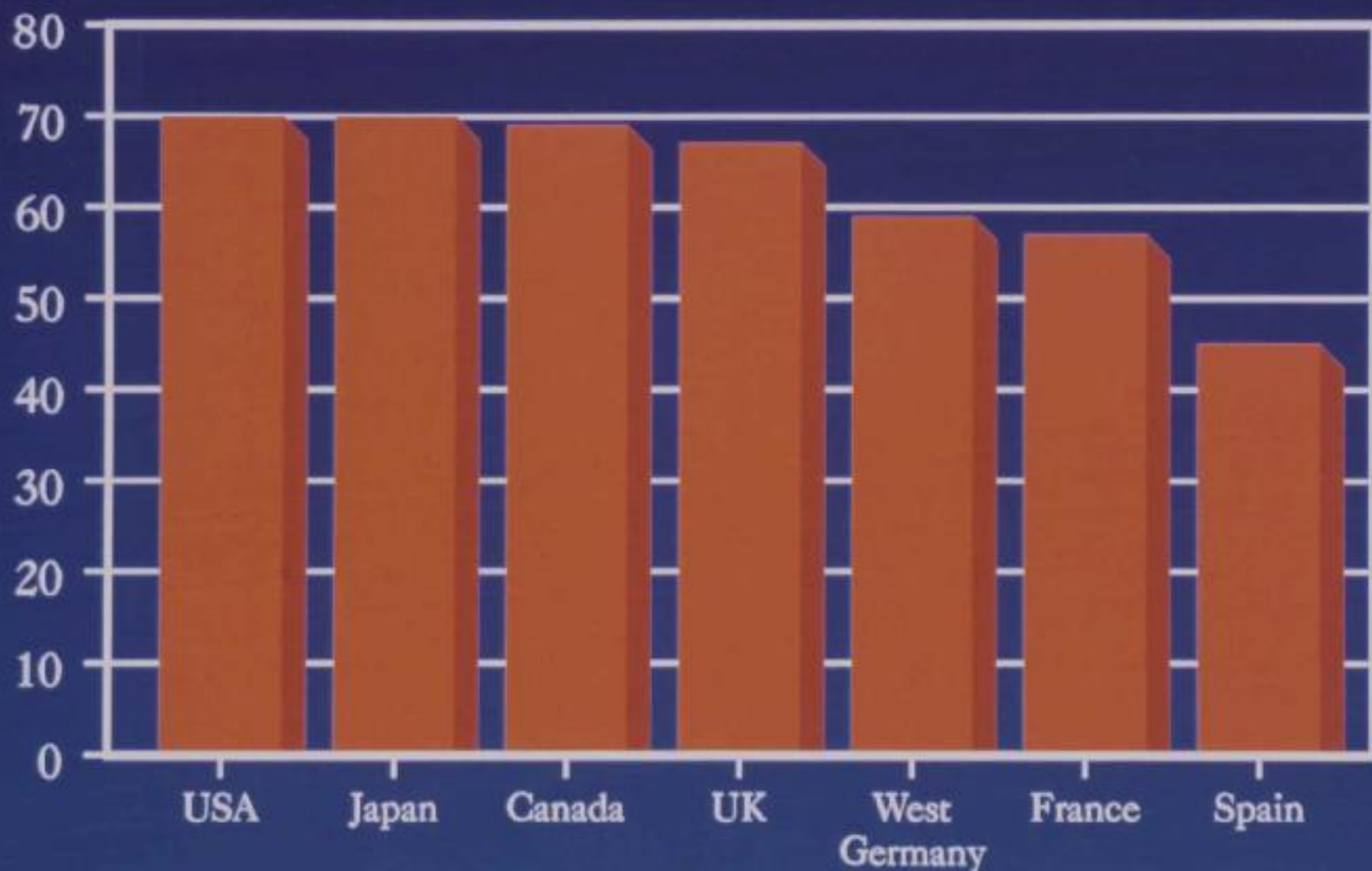
# Hours to Produce a Car



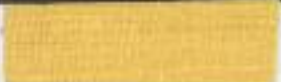
Source: Sunday Times, 14 January 1990



# Employment as Per Cent of Population of 15 - 64 Year Olds



Source: OECD In Figures, 1989 Edition



DR. HERMANN SCHMIDT



## VOCATIONAL TRAINING IN THE FRG

### - INFRASTRUCTURE -

- (1) Powerful employers' associations concert the view of employers.
- (2) National minimum standards of training are assured by more than
  - 200 chambers
  - 1800 colleges of further education
  - 600 group training centres maintained by small companies,
- (3) the training committees at the chambers include employers, trade unions and college teachers.

## VOCATIONAL TRAINING IN THE FRG

### - TRAINING POLICY -

- (1) The DUAL SYSTEM has a fundamental stability and a long term outlook. It is a permanent issue of the political debate.
- (2) The decision-making process usually starts in the Federal Institute of Vocational Training (tri-partite), which is the government's advisory body.
- (3) An important training policy instrument is the Annual National Report on the State of Training in Germany which is intensively discussed in the Institute before it passes the Federal Cabinet.



VOCATIONAL TRAINING IN THE FRG  
- INNOVATIONS -

- (1) Rapid changes in technology and uncertainty in business have brought about reorientation in our training aims.
- (2) Throughout the last decade we have carried out some 200 pilot projects in some 600 companies and colleges.
- (3) We are feeding the results of these projects into the mainstream of training:

We stress those capabilities which enable young people to contribute to change in the future, in order to

- be able to position oneself for new work structure and methods of production,
- move between enterprises,
- maintain mobility through continuing education and training.

## VOCATIONAL TRAINING IN THE FRG

### - SMALL COMPANIES -

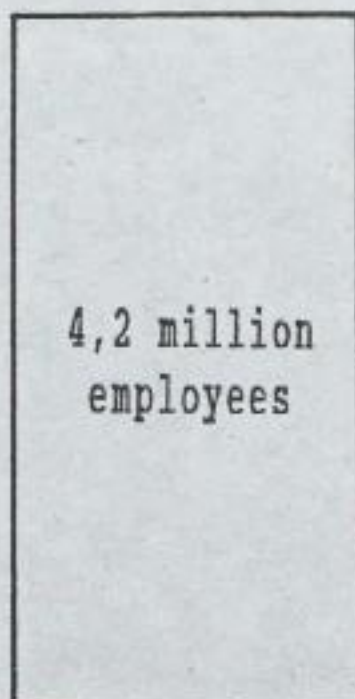
- (1) More than 2/3 of all trainees are trained in companies with less than 50 employees.
- (2) One of our main preoccupations is to help them to produce high quality products and services through well trained workers and supervisors.
- (3) Federal Government has contributed some 2 billion DM over the last 15 years (about 2/3 of the total investment) to the Federal Institute so that we can help plan and set up group training centres with specialist instruction and state of the art technology.



In Company Training Costs  
in the FRG - 1989 -

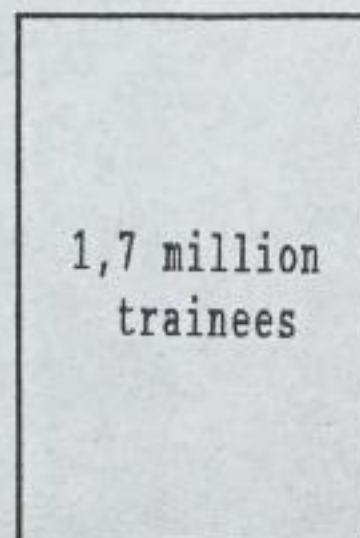
estimated

DM  
30 billion



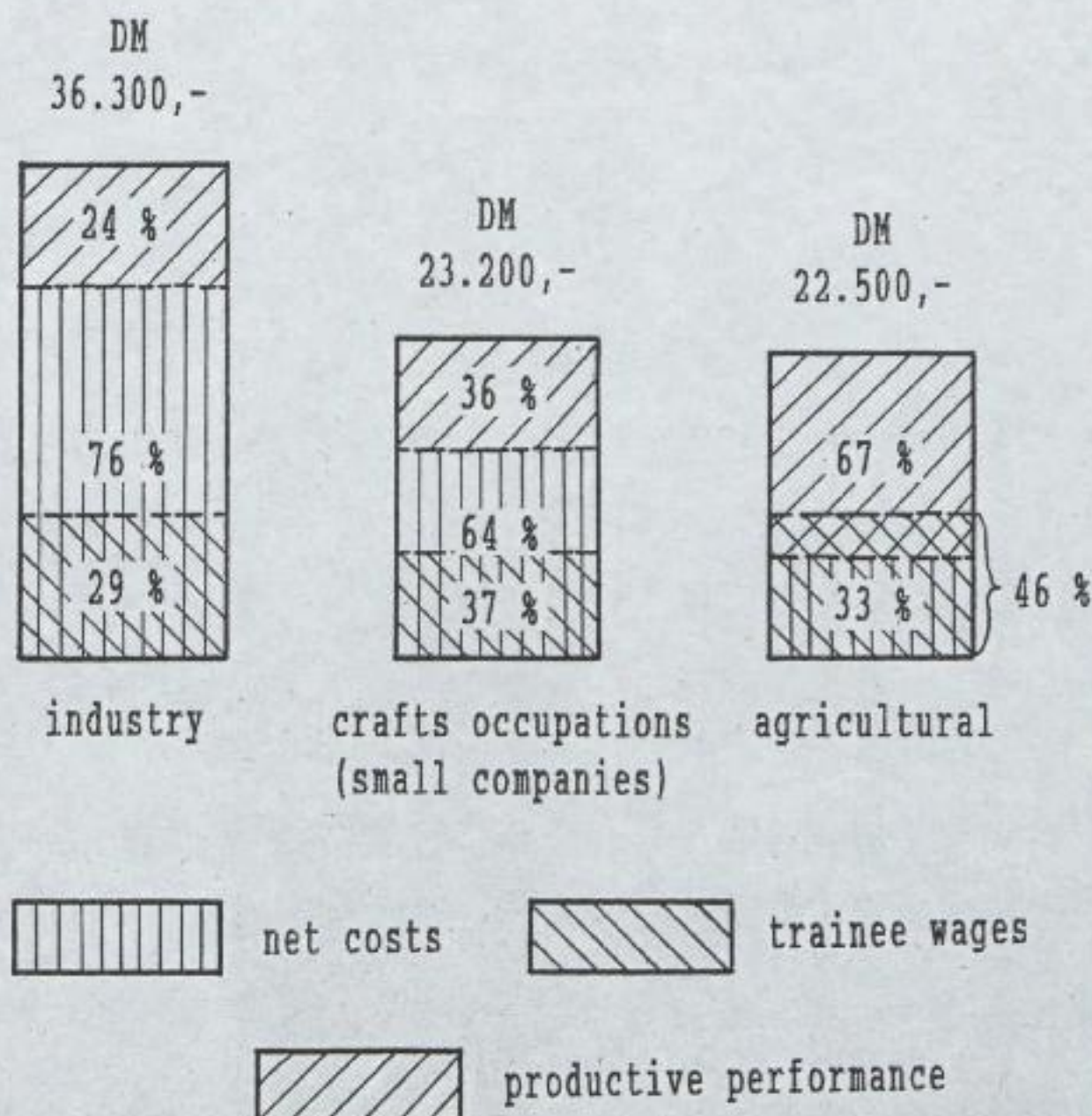
further  
training

DM  
23 billion



initial  
training

# In Company Initial Training Costs in the FRG -1989 -





In Company Initial  
Training Costs in the FRG  
- 1989 -

breakdown of  
total costs

---

● trainee wages	48 %
● training personnel costs	41 %
● training material	11 %
	<hr/>
	100 %

# In Company Training Costs in the FRG -1988 -

gross salaries : total costs



5,6 %

DM 51 billion

gross salaries  
and wages

total in company  
training costs  
(initial and further)



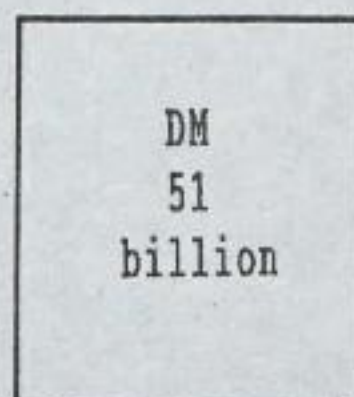
# In Company Training Costs in the FRG -1988 -

capital investment : training costs  
(human capital  
investment)



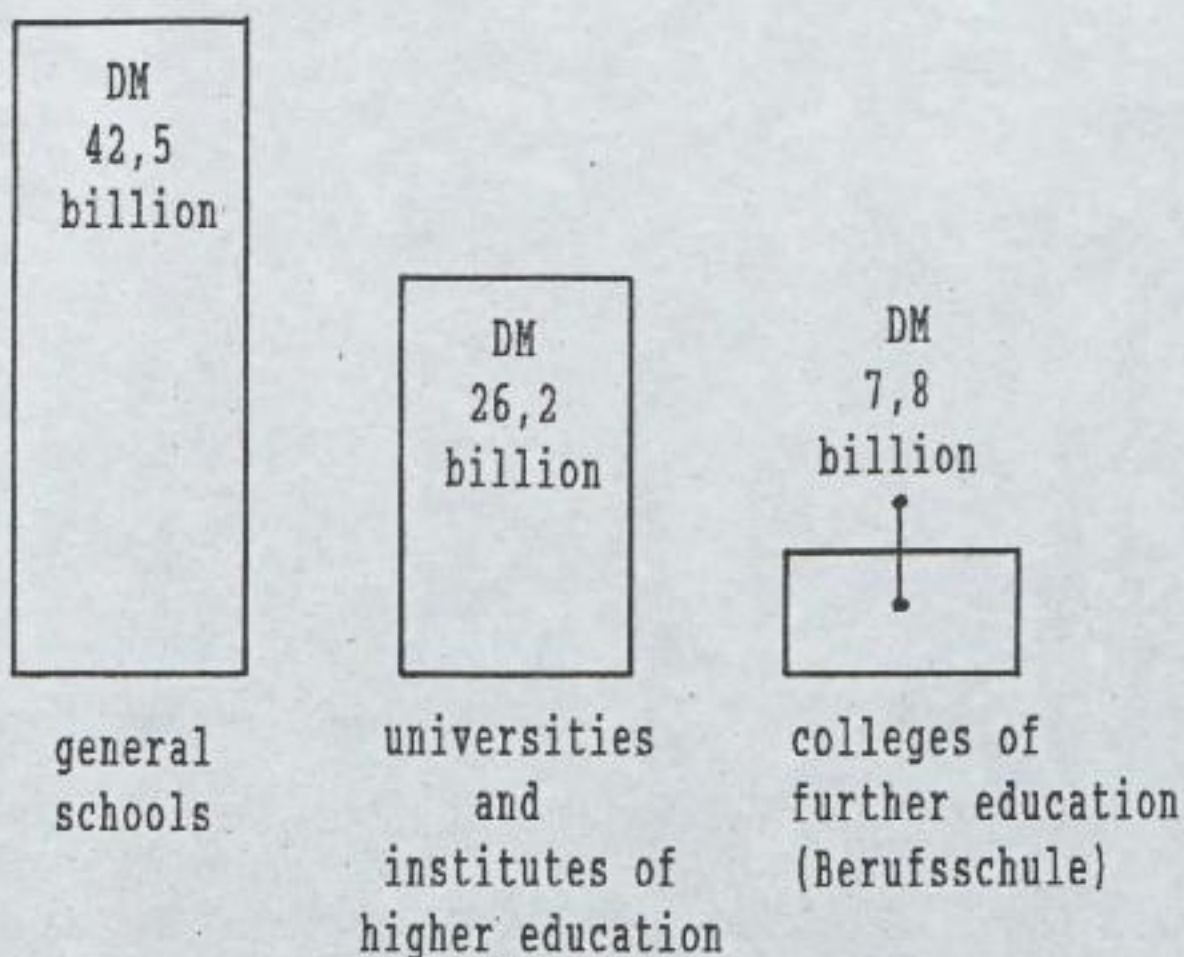
capital  
investment

12,2 %



total  
training costs  
(human capital  
investment)

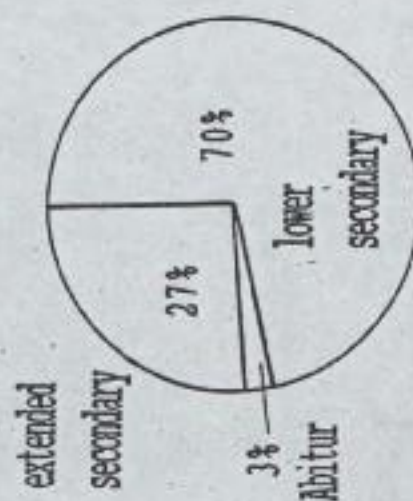
# Public Education Costs in the FRG - 1988 -





# Educational background of trainees in the dual system

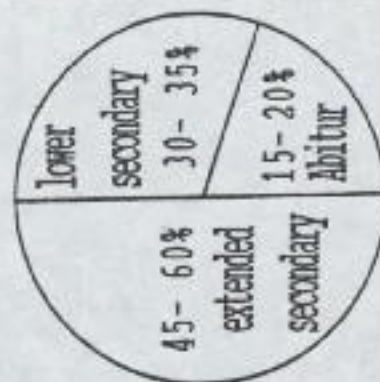
1970



1987



2000



# Vocational training - present and past

	Young women aged 25-35	Older woman over 65	Young men aged 25-35	Older men over 64
Apprenticeship or technical college	62 %	27 %	66 %	62 %
Higher education	10 %	1 %	14 %	7 %
No voc. training	28 %	72 %	20 %	31 %

Source: Globus G 6671



MR. MICHAEL ROWARTH



# **Message 1**

## **The Bad News**

UK under-performing in training



**UK 16 year old worse off  
compared with German 16 year old in**

Generally

Number of Educational  
Qualifications

Level of Educational  
Qualifications

Specifically

Mathematics

Foreign Languages

Economic Awareness





## **UK**

50% leave FTE at 16

A further 15% leave FTE at 17

## **Germany**

66% in the dual system

8% in full-time vocational  
education and training



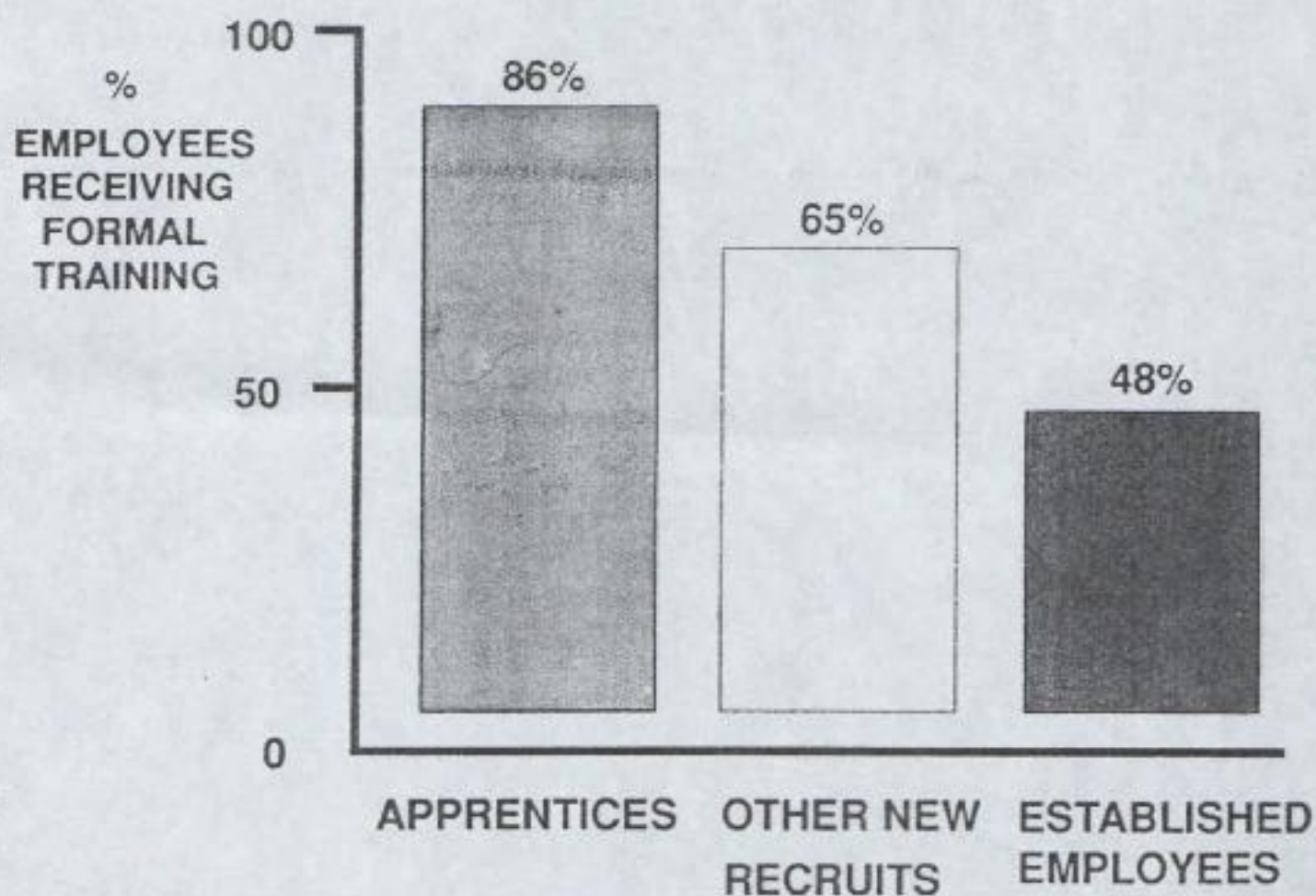


## **Manufacturing Sector**

33% employees receive training

## **Public Sector**

60% employees receive training





## Service Sector

Hotel occupations estimated  
numbers qualifying in 1987

	<b>UK</b>	<b>Germany</b>
Management	1950	820
Supervisory Craft	2200	8300
Hotel Assistants	1350	1800
	<hr/>	<hr/>
	<b>5500</b>	<b>10920</b>
	<hr/>	<hr/>





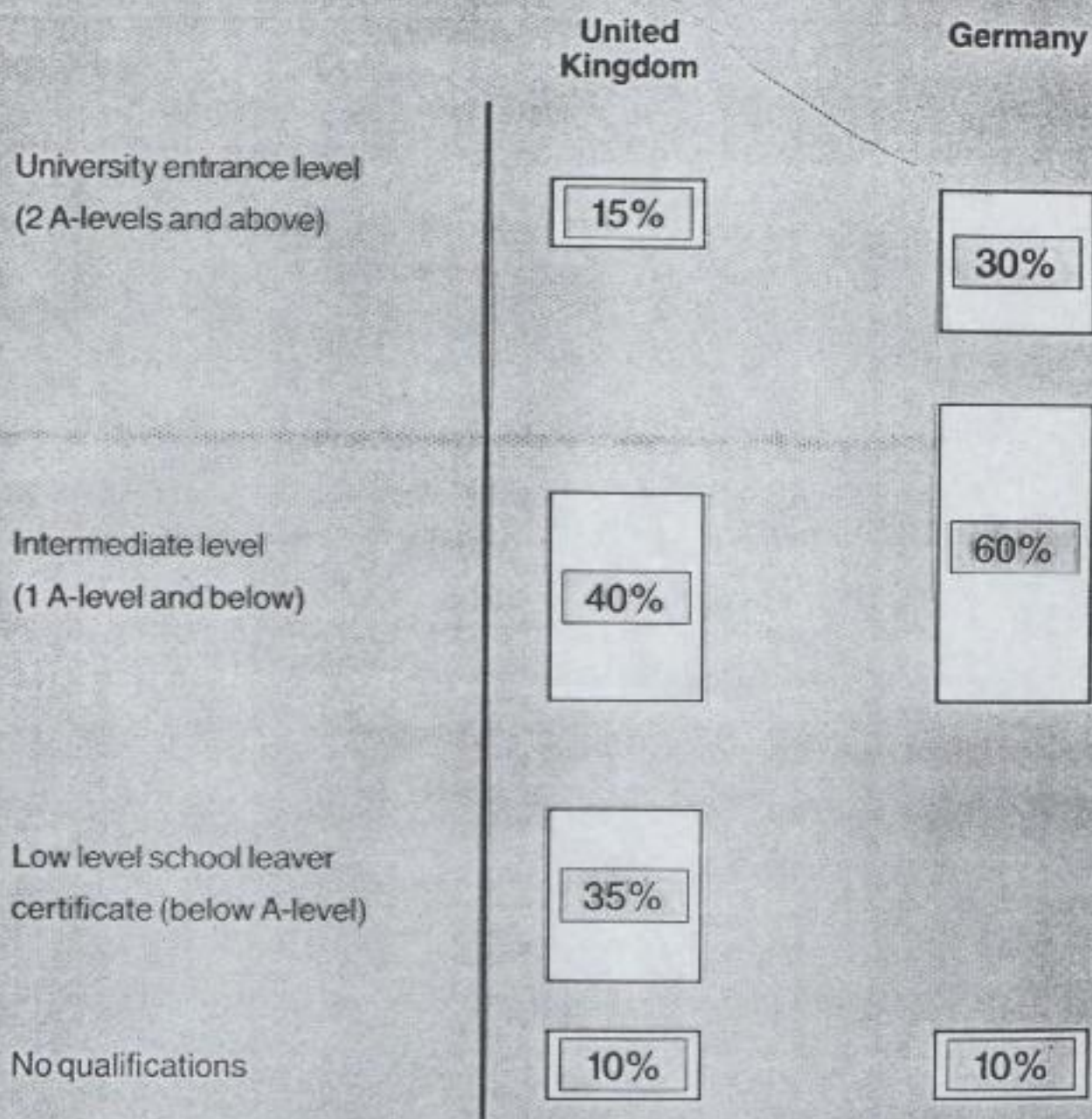
## **YTS 1989**

**Entering employment : 70%**

**Achieving a qualification : 40%**



## Highest Qualifications of School Leavers







## **Message 2**

# **The Good News**

The act is coming together





**Education Reform Act begins to  
bite**

**National Curriculum Council  
brings new rigour and discipline**

**Staying on rates improving in  
School and Further Education**





**TECs have taken the tide**

**The jargon jungle is being cleared**

**Training providers improving in  
quality**





**Industry/Government is of one voice**

**Government Departments  
working closely together**

**Urgency is in the air**



## **MESSAGE 3 : Priorities for Action**

- o MAINTAIN COURSE - BUT ACCELERATE**
- o COUNSELLING - FOR LIFE**
- o COLLEGES**
- o SUPERVISORS**
- o SMALL FIRMS**

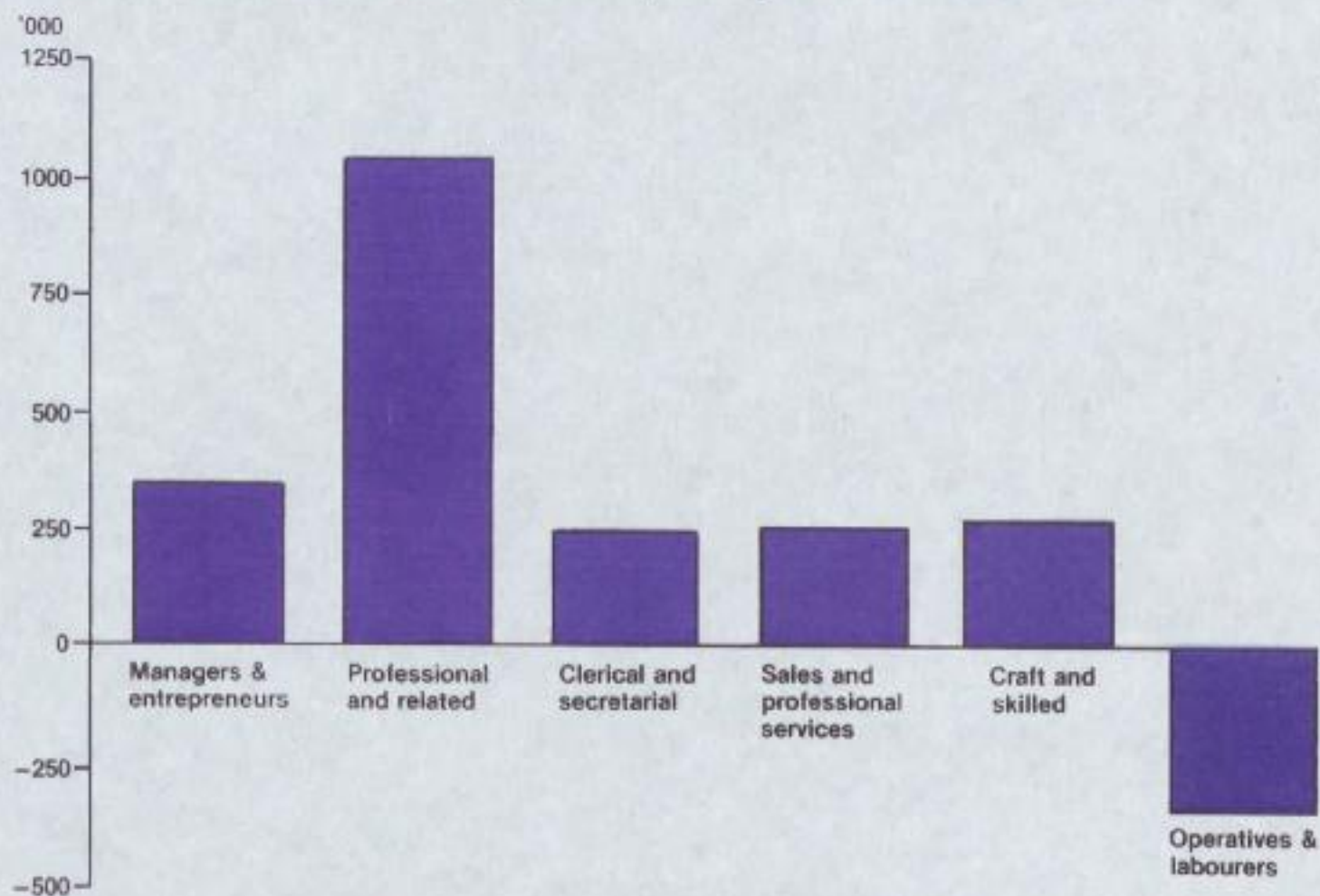


MR. BOB HORTON

# DEMAND: More People Needed at a Higher Level



**Change in Employment: By Occupation, 1987—1995**

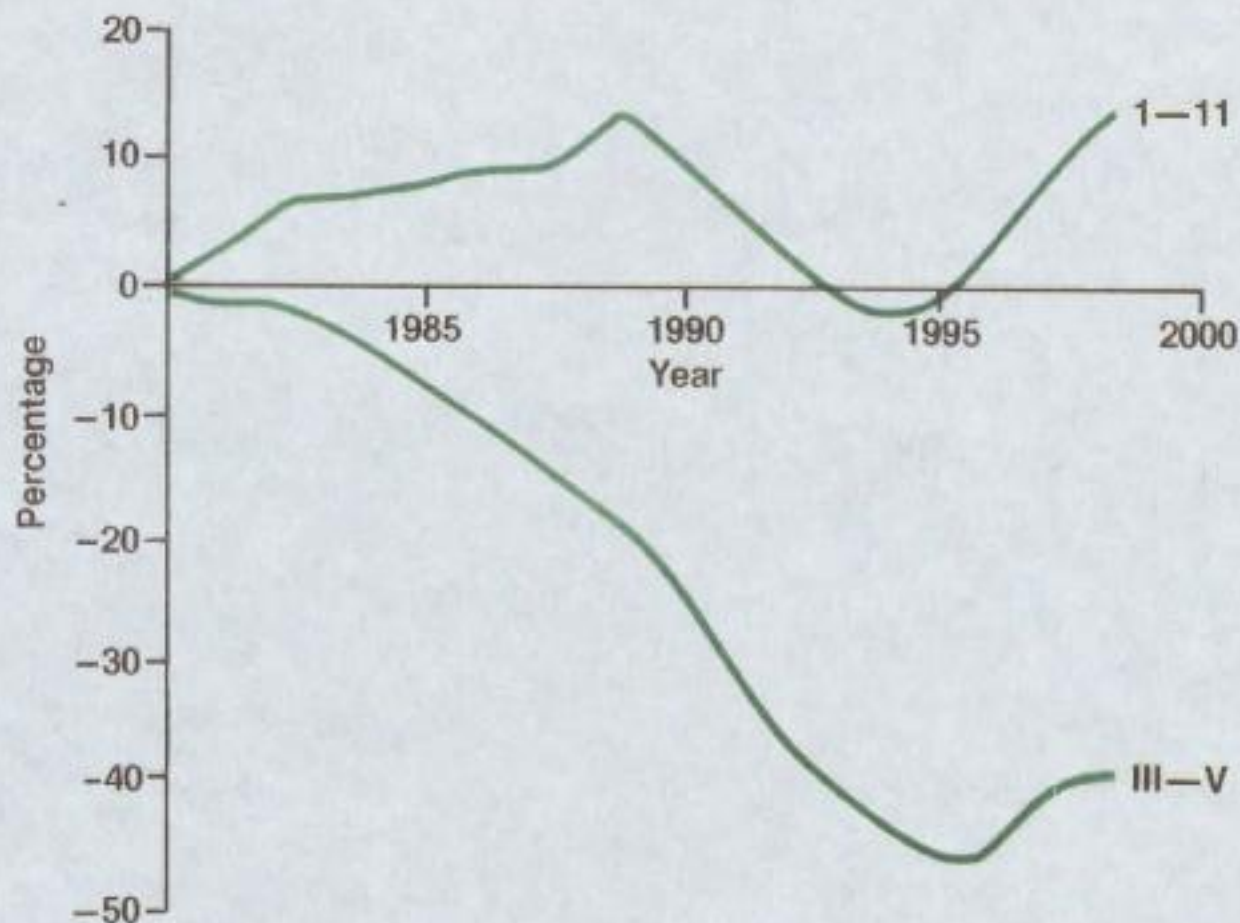


Source: Warwick Institute of Employment Research



<b>FULL TIME</b>	<b>16</b>	<b>17</b>	<b>18</b>
Australia	71	50	25
Canada	95	77	53
France	78	68	52
Germany	69	43	33
Japan	92	77	50
Sweden	91	85	52
<b>UK</b>	<b>50</b>	<b>35</b>	<b>20</b>
USA	94	87	55
<b>PART TIME</b>	<b>16</b>	<b>17</b>	<b>18</b>
Australia	11	17	23
Canada	10	10	10
France	9	10	4
Germany	31	49	47
Japan	3	3	2
Sweden	1	1	4
<b>UK</b>	<b>41</b>	<b>27</b>	<b>22</b>
USA	-	1	3

## Eighteen Year Olds by Social Class



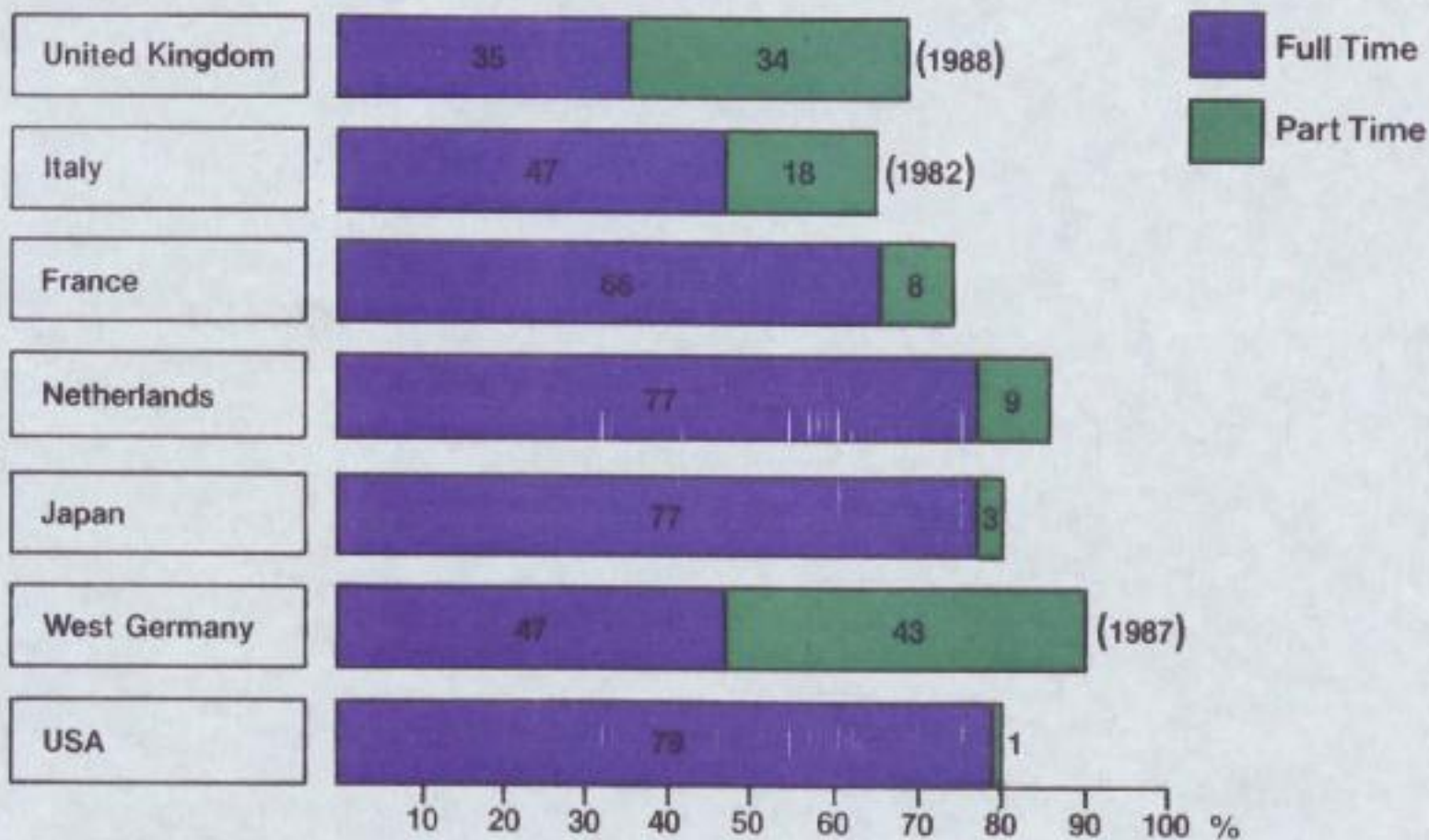
Working  
class  
danger

Source Material: Working Paper The Royal Society 1983



FULL TIME	16	17	18
Australia	71	50	25
Canada	95	77	53
France	78	68	52
Germany	69	43	33
Japan	92	77	50
Sweden	91	85	52
UK	50	35	20
USA	94	87	55
PART TIME	16	17	18
Australia	11	17	23
Canada	10	10	10
France	9	10	4
Germany	31	49	47
Japan	3	3	2
Sweden	1	1	4
UK	41	27	22
USA	-	1	3

# Education and Training 16-18 in Selected Countries, 1986



*1/3 lost  
from FE  
permanently  
+ quality  
vs. France*

Source: "Education Statistics for the UK, 1989". Includes UK private FE and non-FE YTS



## UK Market Blockages

---



- Benefits of more education and training unrecognised
- Ignorance and short term perspectives of many employers
- "Poverty of aspiration" of many young people
- UK market forces too slow moving

cannot  
afford a  
protracted  
debate  
-  
others of the  
moving  
wheel.

## Help the Market Work Better



- Extension of national curriculum to age 18
- Promote status of non-academic skills
- Education/training credits for all 16 year olds
- Management of own career
- Promote further education
- Don't rubbish the system; recognise and invest in the best

- wants
- numeracy
- literacy
- flexibility
- adaptability
- 18 ch

---

degrees &  
over-  
education

---

system  
over st  
—  
benchmark  
vs. bas

### Role in Tecs.

Monomials,  $\frac{1}{k}$  of them, ...



## 1. Demand

The slide shows the increase in different types of employment over a relatively short time span. Those with the greatest increase are those requiring most qualifications. The need is not just to upskill everyone, but also to upskill a substantial number to a very marked degree.

## 2. Supply

### 2.1. Demographic chart

This indicates that the greatest pressure will be on those parts of the labour market which traditionally recruit at 16 and 18. The resulting rise in price of youth labour may discourage many otherwise capable people from furthering their education and training (NB. example of market forces not working for the best). This market is likely to remain volatile for some years - plenty of risks and opportunities - we need to manage the situation cleverly.

### 2.2. Education and Training comparative figures

- . 1/3 of 16 year olds in UK are lost from further education - the evidence is that most never return - a permanent cost for the rest of society.
- . Both slides show the comparatively poor position of the UK. In addition, the slides do not measure quality, eg. UK part-time provision hardly compares with that of West Germany (Dual system).

### 2.3. Engineering (NB. This slide has two overlays)

In the UK we tend to concentrate on educating "the officers" and neglect the other "ranks". It is a similar story with other sectors of employment besides engineering.

### 3. Market Blockages

- . Point about volatile youth labour market already made.
- . NB. Poor qualification levels of much of current stock of British management as highlighted by the Management Charter Initiative.
- . "Poverty of Aspirations" is a quote from Ernest Bevin, used by Christopher Ball in his Interim Report.
- . The market is too slow moving to keep up with international competition, which (eg. France) is committing more public investment in the quality of its workforce. We cannot afford a protracted argument over who pays.

### 4. Helping the Market

Probably best not to sound too prescriptive - better to offer these as suggestions for debate.

The key point is to broaden the base of achievement by improving general education up to 18 and beyond.

You can make the points about what industry wants, ie. numeracy, literacy + a range of other skills and qualities, especially flexibility and adaptability to change (NB. remember dangers of over-vocationalism at a time of rapid change).

You can welcome the Government's acceptance (and indeed raising) the CBI targets for qualifications for young people (Norman Fowler's speech at "Business in the Cities" Conference on 6 December 1989)

However, the FE system is overstretched (see brief extract from the report to the governors of Newham College in inner-city London) and needs the resources to do the job. Today's leader in The Independent makes the point about resources most pertinently (also attached).





From the office of  
**Sir Denys Henderson**

Chairman

**ICI Group Headquarters**

9 Millbank  
London SW1P 3JF

Telephone 01-834 4444  
Telex 21324 ICIHQ G  
Fax 01-834 2042

Mr P Gray  
Private Secretary  
10 Downing Street  
London  
SW1A 2AA

6 February 1990

Dear Mr Gray

Further to our telephone conversation yesterday, I enclose annotated copies of the slides used by Sir Denys Henderson for his presentation at the Training Seminar on 2 February

Yours sincerely

*Mayaet Jonas*

(Miss) M A Jonas

**SIR DENYS HENDERSON**



# ICI IN 1988



## World

Sales	£ 12 billion
Research	£600 million
Employees	130,000

## UK

- Research, technology and manufacturing core
- 40% sales ex UK assets : £3 billion exports
- £400 million research
- 54,000 employees
- 4000 recruits, including 800 graduates, annually
- 75% graduate recruits are scientists and engineers

**UK Education and training, particularly of scientists and engineers, a key factor for success**

Govt Research  
Councils £1000m

Third to half of  
all employees have  
technical base  
(estimate)

## UK SCIENCE AND ENGINEERING GRADUATES



- Demand increased by 30% during 1980's  
- similar growth forecasts for 1990's → 20-30% range

### Concerns

- Japan produces twice as many engineers  
USA produces 40% more scientists - per head population

- UK university applications down 10-20% since mid 1980's  
Approaching one applicant per place

science 10%  
eng 20%

- Issues of Both Quantity and Quality ?

Enterprise culture

- 5-10,000 shortfall of maths and science teachers  
forecast for mid 1990's  
- Inadequate teaching capacity to rectify

DES figures seem to  
be increasing  
eg 1988 chemistry teacher  
training has 40%  
vacancies

NB Demographic trends will cause further pressures

Applications for  
business/social science  
are up 10-20% with  
2 to 3 applicants/place



## ICI SELF HELP - INTERNAL



### Training

- **Formal courses for young people** *about 1,000*  
(eg. apprentices, process youths, office staff)
- **Ongoing job skills for all staff**

*Normal job training as people develop, new technology is used*

### Education

- **Open learning opportunities** - *Voluntary. Very popular*  
(eg. leading to supervisory or technical qualifications)
- **Graduate core programme** - *For all graduates, world wide*  
(Business, management, professional and personal)
- **Safety and Health** - *For all employees*
- **Total Quality**
- **Business and Marketing**

**TOTAL ANNUAL SPEND £50M APPROX**

*About 5% of total wages and salary bill UK*

*4 year apprenticeships  
- our choice. The time  
we think is optimum*

## ICI SELF HELP - EXTERNAL



- **Youth Training Schemes** *ca. 2,000 young people*
- **Science and engineering student sponsorships**
- **Sponsored science teachers training**
- **Teacher tasters for D.E.S.**
- **Science teacher secondment to ICI**
- **Science publications and videos**
- **GCSE science curriculum support** *on CFCs; Agriculture; Polyurethanes and general teaching help*
- **School and workplace visits**
- **School links** *Includes more than 500 Governors*
- **TEC and other support schemes** *Teesside has ICI secondee as Chief Executive*

*300 and rising*

*About 10 per year*

*6 with us for 12 months, every year*

*30,000 copies STEAM/year*

*Arranged by every site*

*All major sites involved*

**ANNUAL SPEND £1 Million**



## TWO KEY ISSUES IN THE 1990s



**How To :**

- 1. Attract quality young people to science and engineering careers in sufficient numbers**
- 2. Ensure adequate supply of quality teachers in maths, science and technology subjects**

# ACTION NEEDED



**Joint Task Force, comprising Business/Government/  
Education, to Determine Urgently -**

Large number of initiatives  
Not focused or nationally led  
Coherence vital to attract attention  
and secure action  
? Prime Minister to make statement

## 1. Coherent statement of strategy

Regard Young People as Customers

- Less academic, more relevant 'A' levels
- Wider choice 'B' levels
- More work experience
- Joint promotion by Business/Government
- Market research to reinforce success
- Better career advice

## 2. Effective and consistent processes to attract young people to science and engineering careers

## 3. Mechanisms to attract, train, motivate and retain sufficient quality teachers in maths, science and technology

- Standards, pay, status, morale
- Better facilities (labs), better care and maintenance resource

**Essential to raise UK education in science and technology to best international standards**

Plea - training is key part of wealth creation process, not end in itself





10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

Dear Mr. Rowarth

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. I am most grateful to you for making it such a successful day.

Yours sincerely

Raghu Shalita

Michael Rowarth, Esq.

2



DA

10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

Dear Mr. Schmidt-

I am writing to express my sincere thanks to you for attending our Training Seminar last Friday and for making such a valuable contribution to it. It was extremely helpful to have such an authoritative explanation of the arrangements in Germany, which added greatly to the value of our subsequent discussions. I am most grateful to you for making it such a successful day.

Kind regards.

Yours sincerely

Nagant Shah

Dr. Hermann Schmidt

B





10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

Dear Mr. Wolfson

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. Thank you too for bringing out so clearly at the end of our last session some of the main themes that had emerged. I am most grateful to you for making it such a successful day.

Yours sincerely

Nargant Daltin

Brian Wolfson, Esq.

LV



10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

Dear Sir Denys

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. I am most grateful to you for making it such a successful day.

Kind regards,

Yours sincerely

Roger Liddle

Sir Denys Henderson

21





10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

*Dear Mr. Collier,*

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. I am most grateful to you for making it such a successful day.

*Yours sincerely*

*Nargant Shalita*

Andrew Collier, Esq.

21



DA

10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

Dear Professor Toyne.

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. I am most grateful to you for making it such a successful day.

Yours sincerely

Margaret Thatcher

Professor Peter Toyne

2





10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

DA

6 February 1990

Dear Mr. Horton,

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. I am most grateful to you for making it such a successful day.

Yours sincerely  
Margaret Thatcher

Bob Horton, Esq.

21



10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

6 February 1990

Dear Mr. Gibson,

I am writing to express my thanks for your major contribution to the Training Seminar last Friday. We had an extremely useful series of discussions and that owed a lot to the ideas you and the other opening speakers shared with us. I am most grateful to you for making it such a successful day.

Yours sincerely

Raymond Shallice

Ian Gibson, Esq.

SL



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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

6 February 1990

*Dear Sir,*

FOLLOW-UP TO SEMINAR ON TRAINING

I am obtaining from the various speakers at last Friday's seminar copies of the viewfoils and summary notes they used, and will be circulating these in due course. Meantime, the Prime Minister would be grateful if your Secretary of State and the Secretary of State for Employment could now prepare a joint paper setting out their proposals for carrying forward Government policy in the light of the seminar. This would be for discussion in the first instance in a small group of Ministers which the Prime Minister will chair.

Some of the ground for this paper was covered by the proposals for training credits which it was agreed at the Prime Minister's meeting on 25 January could be worked up jointly by the two Departments on the basis of existing resources without the need for extra Government expenditure. These proposals will need to address the problem, which emerged at the seminar, of ensuring that the training and qualifications which 16-18 year olds might choose to undertake under a credit system are broadly in line with the needs of employers. They will also need to address the balance between full-time and part-time training for 16-18 year olds and the need to ensure this provides broad-based learning and the acquisition of useful qualifications.

More generally, the Prime Minister would like the joint paper to concentrate on practical ways of achieving better results in training from the large volume of resources and the variety of organisations already in this field. This should include the possibility of action on points touched on at the seminar, such as the following:

- (i) The need to speed up the length of time which it takes to secure qualifications, particularly through apprenticeships.
- (ii) The desirability of simplifying the present jungle of post-school programmes and qualifications (eg NVQ 1, 2, 3, 4, 5; B.Tech; City and Guilds; TVEI; YTS) which are difficult to understand and do not seem to be channelled effectively or coherently; and to relate these post-school arrangements to the national curriculum.

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- (iii) The scope for greater use of and flexibility in open learning, such as video packages, both generally and to assist women to return to work.
- (iv) The desirability of encouraging more training in mid career, eg for those moving into supervisory roles and of ensuring that training keeps up with new developments, eg the need for "mechatronics" and the parallel pursuit of product development with engineering research.
- (v) What action, if any, is needed to stimulate levels of training in small firms.
- (vi) The need to increase the number of good teachers in mathematics, science and engineering.
- (vii) The future of the Careers Service.

*SE* Finally, the Prime Minister would like ideas from your Secretary of State and the Secretary of State for Employment on what she might say in the major speech on training which it was suggested at the seminar that she might make. She is minded to agree to make such a speech, possibly in June or July, provided that policy is sufficiently far advanced by then.

I am copying this letter to Martin Stanley (Department of Trade and Industry), Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Carys Evans (Chief Secretary's Office), Clive Norris (Department of Employment) and to Sir Robin Butler and Richard Wilson (Cabinet Office).

*Yan,  
Paul*

PAUL GRAY

Stephen Crowne, Esq.  
Department of Education and Science



The Prime Minister  
10 Downing Street  
London  
SW1

R7/2

5 February, 1990

*John Roper Minister,*

YOUR TRAINING SEMINAR

4 Thank you very much for a most interesting day on Friday. In the afternoon you were right to insist that we should move towards positive action to improve the present situation. In this connection, it may be helpful if I outline the areas where Shell would be ready to contribute.

First let me emphasise our belief that major employers like ourselves should be working together collaboratively so as to make the maximum possible impact on the problems identified during your Seminar. The need is even greater now that the New Curriculum calls for a step change in the quantity of relevant work-related curriculum material. We are already taking steps in this regard and my colleagues are in touch with Alan Howarth at the Department of Education and Science.

More specifically, Shell would be happy to undertake the following:

- Either through the suggested National Science Task Force, or an alternative vehicle, to play an active part in developing distance learning materials for science teaching at GCSE and 'A' level. (The Shell Education Service already has extensive experience in this field, all of which we would be ready to share with other employers.)
- To participate in an experiment with the new TECs, aimed at providing careers advisers for schools from the TECs - i.e., the world of work, as distinct from teaching. (In a straightforward, practical way, this should enhance the growing links between employers and schools.)
- To participate in the development and provision of management training for school heads, having first considered the appropriateness of the currently rather rigid, hierarchical management structures of most schools. (This idea came up in discussion with John McGregor.)

In conclusion, I believe that one of the main achievements of your Seminar was to lock in the support of industrialists for a major effort to improve the quality and relevance of education, training and continuing self-development and, given this, to identify where the principal weaknesses are. It may be significant that in the past two months, through the Urban Learning Foundation in Tower Hamlets, visits to schools have been arranged for nearly 50 chief executives whose understanding of the problems and desire to be involved in their solution have been transformed.

Yours sincerely,

Jon King



12712



A J Collier MA Chief Education Officer  
J B Earnshaw BA Deputy Chief Education Officer  
PO Box 61 County Hall Preston PR1 8RJ  
Facsimile (0772) 263630

P. Gray, Esq.,  
Private Secretary,  
10 Downing Street,  
LONDON. SW1A 2AA

Please ask for	Mr. Collier
Telephone (0772)	263646
Your ref	
Our ref	AJC/KMCB
Date	5th February, 1990.

Dear Mr Gray,

SEMINAR ON TRAINING

In response to your telephone message today I enclose copies of the transparencies which I used for my presentation. I also enclose a brief summary of the main points of my talk.

Yours sincerely,  
Andrew Collier

MR. ANDREW COLLIER



## WHAT DO WE PROVIDE?

### GCE A Levels

- entry to Universities & Polytechnics
- entry to employment

### full-time and part-time vocational

- entry to employment
- further study/training
- support for employers' training

### short courses, consultancy

### Broad Occupations

- Technology, Business Studies

### Specific Occupations

- motor vehicle  
electrical engineering  
catering  
printing  
hairdressing  
secretarial  
graphic design



# **WHO ARE THE PROVIDERS?**

**Companies training employees in-house**

**Independent Trainers**

**Local Education Authority Colleges and Schools**

**Higher Education institutions**



# **RESPONDING TO NEEDS**

## **A Level and general education (alongside schools)**

- employer influence, through  
TVEI, Compacts, Core Skills (to come)

## **Vocational education/training**

- strong national employer influence (City & Guilds)
- national framework, local employer modification (BTEC)
- local employer specific (employer training, short courses, consultancy)

## **Seeking out and listening to employers**

- market research
- training needs analysis

## **Leverage through selective DES /TA /LEA funding**

**Future - TECs   LEA plans   College governors**

# **FLEXIBILITY**

## **Training to customer requirements**

- |                               |   |   |
|-------------------------------|---|---|
| <b>Partner Company Scheme</b> | - | <b>training needs analysis</b><br><b>computer / technology</b><br><b>access</b> |
|                               |   | <b>business training.</b>   |

## **Open learning**

- |                                 |   |  |
|---------------------------------|---|--|
| <b>Flexible Training Centre</b> | - | <b>Information technology</b>                |
|                                 |   | <b>Customer care</b>                         |
|                                 |   | <b>Statistical process</b><br><b>control</b> |
|                                 |   | <b>Small businesses</b>                      |
|                                 |   | <b>Management and</b><br><b>supervisory</b>  |
|                                 |   | <b>Technical</b>                             |



# **ISSUES FOR PROVIDERS**

**NVQ level 3 for 50%**

**NVQ level 2 for all**

**Quality, breadth, adaptability**

**16-19                      - full-time participation and demography**

**Lifetime training - credits**

**Untapped resources - women, ethnic minorities**

**Competing in the market -      the right product at the right  
price**

**Working with TEC's**

**LANCASHIRE  
Education  
RESOURCES**

TRAINING SEMINAR, 2ND FEBRUARY, 1990

SESSION 4 - PROVIDERS - PRESENTATION BY ANDREW COLLIER, CHIEF EDUCATION OFFICER, LANCASHIRE.

1. Local Education Authorities, through colleges and schools, represent one category of education and training providers working alongside and in competition with others.

Colleges provide general education, full-time and part-time vocational education, including support for employers training courses, short courses and consultancy.

Vocational education may be broadly occupational preparing for a range of jobs, or highly specific.

2. Employer influence on general education in colleges and school sixth forms comes through
  - the Technical and Vocational Education Initiative
  - Compacts
  - the development of core skills.

The aim is to develop skills which help to make students more employable and positive attitudes towards industry through work experience and other practical approaches, alongside the academic programme.

(The discussion on core skills now getting under way may lead to the identification of a common range of skills for all post-16 education - a national skills curriculum.)

Core skills are also important for vocational courses but there is an added employer influence on course content.

Some courses are strongly influenced by employers nationally on an industry basis.

Some courses may have a national framework set by national employers but with scope for motivation locally to meet local employer needs.

Some courses may be tailor-made to suit local employer needs.

We have not always been as good as we should have been at responding to local employer needs. This has been partly because local needs have not been well expressed by employers, and partly because designing specific courses for local demand is more difficult than running standard national courses.

In recent years considerable effort has been invested with pump-priming funding from DES/Training Agency/LEAs to develop much improved market



research skills in the colleges, and there is now a much better response. (Colleges themselves have not been unwilling to undertake this activity, but an essential ingredient has been the activity of external agencies such as Lancashire's Responsive Colleges unit which now sells its marketing materials nationwide.)

More needs to be done building on the successful work of the last five years and important factors in making further progress are

- Training and Enterprise Councils. These will provide a focus for stating more clearly the needs of the local labour market.
  - The Local Education Authority planning mechanism under the Education Reform Act. Local Education Authorities allocate substantial funds to colleges and in their planning process can and should insist on a substantial element of work for local employers being included in college programmes.
  - College Governors. The increased numbers of local employer representatives will set the right tone.
3. With increased responsiveness has come increased flexibility. Again, more needs to be done but there are many good examples on which to build. These include
- A partner company scheme at a local college (Blackburn). Thirty-three companies have signed up and paid up to make use of the technology centre on a flexible basis with a range of business software, computer aided design and manufacturing systems, and access to training needs analysis and business training courses.
  - Another college (Accrington & Rossendale) has developed open learning materials, one example being a manual for people working in the footwear repair trade. The manual has sold well nationally and is now being re-written for publication in the United States.
  - Philips, Training Agency, Blackburn College and Lancashire LEA have jointly established a Flexible Training Centre in industrial premises which provides training for local industry. This includes the use of inter-active video equipment (a brochure is enclosed herewith).

#### 4. Issues for Providers

- 4.1 The World Class targets that by 1995 50% of 19 year olds should have achieved a national vocational qualification at level 3, and all should have achieved level 2, represent an exciting challenge. It is a very attractive concept to aim at a qualification level which can cover a wide range of skills and have a rough equivalence with general academic education (GCSE and A level). There is a further attraction in having a common target which can be achieved by different routes, i.e. by full-

time study, or part-time study in association with training.

- 4.2 Quality, breadth and adaptability are of fundamental importance. There remains a tension between the general view of employers, and particularly major employers, that breadth of skills is important in training with an emphasis on adaptability and future transferability of skills, and the views of some local employers who are still aiming at highly specific skills for particular jobs.

The approaching dramatic fall in the numbers of 16-19 year olds presents particular challenges. Should we aggressively market full-time education for this age group, building on recent trends of an increase in participation rates? Will employers offer high wages to 16 year olds for jobs without training? (Will vouchers personal to the individual young person provide an incentive for employers who are reluctant to train, given that young people have the confidence to press their employer to allow them to use the voucher?)

- 4.3. (We should be providing more opportunities for lifetime training. Could a voucher system be extended to cover older people?)
- 4.4 Faced with the possibility of labour shortages, some Training and Enterprise Councils are already looking at untapped resources, for example women and people from ethnic minority communities not already in the labour market. What more can providers do to help prepare people for entry or re-entry into employment?
- 4.5 A major issue for all providers is establishing a working relationship with Training and Enterprise Councils which promises to be a particularly exciting challenge.





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(091) 417 8416  
(091) 415 1977

A10/IG/n1

5 February 1990

Mr Paul Gray  
Private Secretary  
Economic Affairs  
10 Downing Street  
London  
SW1A 2AA

Dear Mr Gray

I enclose copies of the transparencies/notes I used in Friday's seminar. I have also attached a transparency on Simultaneous Engineering, which I explained verbally at the time - the graphic presentation is, I think, an even better explanation than the brief one that I made.

Yours sincerely

Ian Gibson  
Managing Director and Chief Executive

MANPOWER  
JUNE

MANPOWER  
JUNE

MANPOWER  
JUNE

MANPOWER  
JUNE



MR. IAN GIBSON



## APPLICATION

1. EARLY EMPLOYMENT AND 'QUALIFICATION'
  - SHOP FLOOR, SUPERVISION, TECHNICAL
2. ONWARD TRAINING
  - THROUGHOUT ORGANISATION, VALUABLE ALSO AT PROFESSIONAL ENGINEERING AND COMMERCIAL LEVELS
3. DEVELOPMENTAL
  - THROUGHOUT ORGANISATION. ESSENTIAL TO SUPPORT 'SIMULTANEOUS ENGINEERING' - REQUIRES BROAD KNOWLEDGE BASE AND OVERLAPPING CAPABILITIES

## ASPECTS IN NISSAN

- |                  |  |
|------------------|--|
| INDUCTION        | • PHILOSOPHY, TQM, PDCA, KAIZEN  |
| PRODUCTION STAFF | • LONG INTRODUCTION/QUALIFICATION - ACHIEVEMENT MEASURED AGAINST TARGETS<br>• PROBLEM SOLVING AND KAIZEN TECHNIQUE |
| SUPERVISION      | • MANAGEMENT TECHNIQUES & TEAM BUILDING<br>• LEADERSHIP DEVELOPMENT  |
| MAINTENANCE      | • MULTI-SKILL  |
| PROFESSIONAL     | • TECHNICAL SKILLS<br>• DEVELOPMENTAL ASSIGNMENTS  |

AND SUPPLIERS

LINE MANAGEMENT RESPONSIBILITY INCLUDING PROVISION





### HOW TO ADDRESS

1. STRATEGY FOR PEOPLE
  - MANPOWER, TYPE, CAPABILITY DERIVED FROM BUSINESS PLAN
2. SURVEY TO ESTABLISH NEEDS
  - LINE MANAGEMENT ROLE
3. DEVELOP RESOURCE
  - STAND ALONE
  - EXTERNAL 'JOINT VENTURE' WITH INSTITUTIONS
4. MEASURE, FEEDBACK
  - APPLY PDCA PRINCIPLE BASED ON VALUE TO BUSINESS

REMEMBER SUPPLY BASE



## GERMAN/JAPANESE MOTOR INDUSTRY

- EARLY EMPLOYMENT AND 'QUALIFICATION'
- RE-TRAINING/UP-SKILLING/BROADENING
- DEVELOPMENTAL

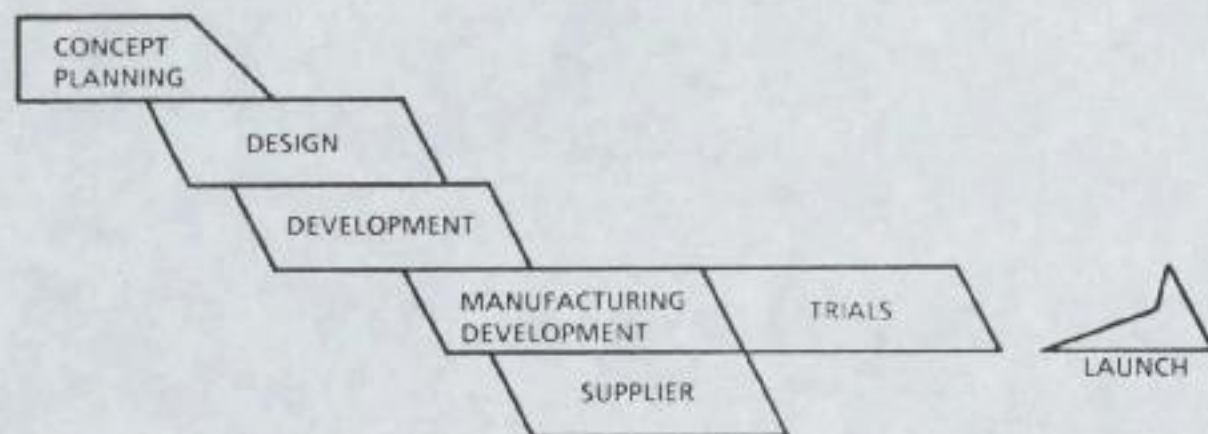
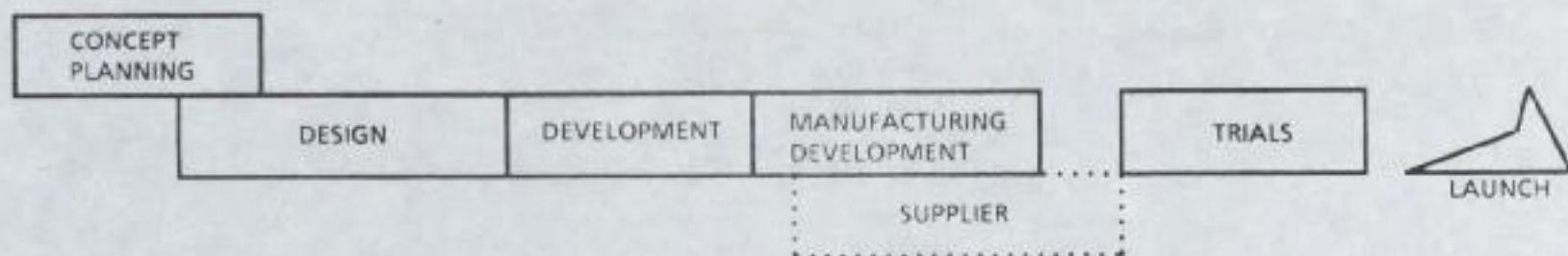
### BENEFITS

1. QUALITY - KNOWLEDGE AND SKILL ENHANCE ACHIEVEMENT LEVELS
2. PRODUCTIVITY - IMPROVEMENT TECHNIQUES AND FLEXIBILITY
3. PLANNING, PROBLEM AVOIDANCE, RECOVERY BETTER THROUGH EXTENDED RESOURCE
4. MOTIVATION - TWO WAY COMMITMENT





## SIMULTANEOUS ENGINEERING





**WEMBLEY PLC**

London W1A 2HS Telephone 01-902 8833 Box Office 01-902 1234 Telex 8811735 Fax No 01-903 2546

Chairman's Office

5 February 1990

Sir Robin Butler, KCB, CVO.  
Secretary of the Cabinet  
Cabinet Office  
70 Whitehall  
London  
SW1A 2HS



Mr. R.T.J. Wilson

Due to you rather  
than me.

PERB

G.2.

Just a brief note of thanks for what I am sure  
was a fair amount of background support.

Kindest personal regards

Sincerely

Brian G Wolfson

At [unclear]  
Mr [unclear]  
Or rather to you I think.  
By 7/2



BA

PRIME MINISTER

FOLLOW-UP TO TRAINING SEMINAR

You will want to consider how to organise the follow-up work to Friday's training seminar.

I suggest the first step should be to reconvene the small group of Ministers which met before the seminar; to go straight to E(A) would be unwieldy.

If you agree, I might write out to Departments in the terms attached commissioning a joint paper from the Department of Education and Science and Department of Employment, asking them to ensure this covers some of the key points emerging from the seminar.

The letter stresses the need for a joint paper by two Departments. To underline that message, I propose alternately addressing the top copy of letters on this subject to the two Departments. My last letter, following the earlier internal meeting, was addressed to Employment; so I propose sending this one to Education.

Content for me to write out in the terms attached?

PAUG.

PAUL GRAY

5 February 1990

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is not

C:\ECONOMIC\TRAIN3.DAS



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DRAFT



C.1 ECONOMIC  
TRAIN 2. DAS

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

5 February 1990

FOLLOW-UP TO SEMINAR ON TRAINING

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Some of the ground for this paper was covered by the proposals for training credits which it was agreed at the Prime Minister's meeting on 25 January could be worked up jointly by the two Departments on the basis of existing resources without the need for extra Government expenditure. These proposals will need to address the problem, which emerged at the seminar, of ensuring that the training and qualifications which 16-18 year olds might choose to undertake under a credit system are broadly in line with the needs of employers. They will also need to address the balance between full-time and part-time training for 16-18 year olds and the need to ensure this provides broad-based learning and the acquisition of useful qualifications.

More generally, the Prime Minister would like the joint paper to concentrate on practical ways of achieving better results in training from the large volume of resources and the variety of organisations already in this field. This should include the possibility of action on points touched on at the seminar, such as the following:

- (i) The need to speed up the length of time which it takes to secure qualifications, particularly through apprenticeships.
- (ii) The desirability of relating to the national curriculum and simplifying the present jungle of post-school programmes and qualifications (eg NVQ 1, 2, 3, 4, 5; B.Tech; City and Guilds; TVEI; YTS) which are difficult to understand and do not seem to be channelled effectively or coherently.

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- (iii) The scope for greater use of and flexibility in open learning, such as video packages, both generally and to assist women to return to work.
- (iv) The desirability of encouraging more training in mid career, eg for those moving into supervisory roles and of ensuring that training keeps up with new developments, eg the need for "mechatronics" and the parallel pursuit of product development with engineering research.
- (v) What action, if any, is needed to stimulate levels of training in small firms.
- (vi) The need to increase the number of good teachers in mathematics, science and engineering.
- (vii) The future of the Careers Service.

Finally, the Prime Minister would like ideas from your Secretary of State and the Secretary of State for Employment on what she might say in the major speech on training which it was suggested at the seminar that she might make. She is minded to agree to make such a speech, possibly in June or July, provided that policy is sufficiently far advanced by then.

I am copying this letter to Neil Thornton (Department of Trade and Industry), Carys Evans (Chief Secretary's Office), Clive Norris (Department of Employment) and to Sir Robin Butler and Richard Wilson (Cabinet Office).

PAUL GRAY

Stephen Crowne, Esq.  
Department of Education and Science

# Exeter College

Prime Minister (4)  
Reg 7/2

Hele Road Exeter Devon EX4 4JS

Phone (0392) 77977

Principal: J G Capey MA MSc PhD

Devon Education Committee

Direct dial (0392) 27 3511

Please ask for Dr Capey

Date 5 February 1990

## PERSONAL

The Rt Hon Mrs M Thatcher MP  
Prime Minister  
10 Downing Street  
LONDON  
SW1A 2AA

f7/2 mr

Dear Prime Minister

### Training Seminar 2 February 1990

I am writing to thank you most sincerely for holding the training seminar on Friday last and to say how much I appreciated the opportunity of being able to participate. I found it to be a most rewarding experience and a great privilege. I hope you also found it worthwhile.

May I personally thank you for giving so much of your time to this important matter.

Yours sincerely

John Capey

J G Capey  
Principal

Exeter College



Recd. M. Wisker (4)

JENNIFER WISKER

Chief Education Officer  
Somerset

Recd  
6/2

February 5<sup>th</sup> 1990

6/2

Re. Hon. Mrs. Margaret Thatcher.

Dear Mrs Thatcher, Training Seminar 3 Feb 1990

Thank you for inviting me to your Training Seminar. I found it a very worthwhile day. Exchanging views on this vital topic with you, your ministers and heads of industry was most stimulating. I am sure a positive agenda for action will swiftly follow.

It is essential that we establish a culture of working and learning for life in schools, colleges and in employment. That we are endeavouring to achieve in Somerset through our "Curriculum for life" and our partnership with the Training and Enterprise Council.

We did not mention the Youth Service on Friday. With its new direction mapped out by Mr Howard it does have a significant role to play in the development of leadership and general management skills in young people.

Yours sincerely,

Jennifer Wisker

**Lancashire  
County  
Council**



A J Collier MA Chief Education Officer

J B Earnshaw BA Deputy Chief Education Officer

PO Box 61 County Hall Preston PR1 8RJ

Facsimile (0772) 263630

The Right Hon. The Prime Minister,  
Mrs. Margaret Thatcher, M.P.,  
10 Downing Street,  
LONDON. SW1A 2AA

Please ask for  
Telephone (0772)  
Your ref  
Our ref  
Date

Mr. Collier  
263646  
AJC/KMCB  
5th February, 1990.

Dear Prime Minister,

I am writing to thank you very much indeed for inviting me to the Seminar on Training at Downing Street last Friday, and for the excellent lunch.

I found the occasion stimulating and interesting and it was a great privilege to be there. I wish you success with your development of training policies.

Yours sincerely,

Andrew Collier



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2nd February 1990

R6/2

Prime Minister (4)

Recd  
2/2

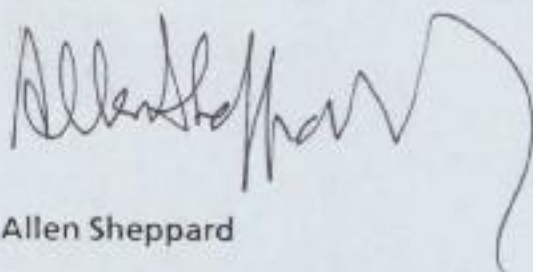
The Rt. Hon. Margaret Thatcher, MP,  
The Prime Minister,  
10 Downing Street,  
London SW1.

mb

Dear Prime Minister,

Today's seminar was an excellent one - thank you for the opportunity of participating.

Yours sincerely,



Allen Sheppard

....adding value



1 February 1990

cebu

TRAINING SEMINAR

There are two particular points worth bearing in mind at tomorrow's seminar.

First, Government priorities. There are separate sessions on Young People and Employees in Employment. The priority as far as governmental policy is concerned should be young people. In medical parlance youth training represents prevention, adult training a cure. If we get youth training right, adult training is more likely to look after itself. But if we concentrate on adult training we are in danger of fire-fighting perpetually without tackling the root causes of the skills gap.

For example, there is little evidence to suggest that West Germany carries out more adult training than the UK. But what adult training it does do is more effective because the basic skills produced by their youth training system, are higher. If youth training in the UK is effective it will cost employers less to re-train people later in life. They are therefore likely to do more of it.

Second, differentials. There are certain basic principles which it will be important for the seminar not to lose sight of. One of the most important is that training either by individuals or firms will only take place when the yield from it is greater than the cost.

The key here is differentials. The trade unions have bid up trainee pay so that the differences between craftsman and apprentice wages have been squeezed. Moreover these



differentials are narrower in the UK than in many of our competitors. In Germany, for example, foremen are paid around 70 per cent more than manual workers, in Britain the gap is around 40 per cent.

The employers at the Seminar need to be asked how we can tackle this problem

The EETPU offer an interesting example of one way in which this problem can be tackled. In 1982 it jointly developed and agreed with employers a new apprenticeship scheme for the Electrical Contracting Industry. Under the new scheme the wages for first year apprentices were reduced from £42 per week to £28 per week (to bring them into line with YTS allowances). The length of the scheme was also cut. Apprentices now become craftsmen after achieving specified minimum standards, rather than after serving five years under the old scheme. The results have been dramatic. Employers training costs have been cut, and the numbers trained increased. Before the scheme was introduced the annual intake of apprentices in the electrical contracting industry was around 400. It is now around 3000.

Have employers sought to develop similar schemes in other industries and with other unions? If not, how can they be encouraged?



ANDREW DUNLOP



CONFIDENTIAL

Paul Gray

As promised.

✓ By - 5/2

DRAFT LETTER FROM PAUL GRAY TO PRIVATE SECRETARY TO SECRETARY OF STATE FOR EDUCATION

SEMINAR ON TRAINING: 2 FEBRUARY 1990

The Prime Minister has asked me to obtain copies of the viewfoils used by the various speakers at Friday's seminar. I will be circulating these in due course.

In the meantime the Prime Minister would be grateful if your Secretary of State and the Secretary of State for Employment could now work up a joint paper setting out their proposals for carrying forward Government policy in the light of the seminar, for discussion in the first instance in a small group of Ministers which she will chair.

Some of the ground for this paper is already covered by the proposals for training credits which it was agreed at the Prime Minister's meeting on 25 January should be worked up jointly by the two Departments on the basis of existing resources without the need for extra Government expenditure. These proposals will need to address the problem, which emerged at the seminar, of ensuring that the training and qualifications which individual 16-18 year olds might choose to undertake under a credit system are broadly in line with the needs of employers. The proposals will also need to address the balance between full-time and part-time training for 16-18 year olds, including perhaps the question

of compulsion. *all ensuring this is an effective "learning" process and leads to the acquisition of effective qualifications.*

More generally, the Prime Minister would like the joint paper to concentrate on practical ways of achieving better results in training from the enormous volume of resources and the variety of organisations already in this field. She would like this to include the possibility of action on points touched on at the seminar, such as the following:

- i. the need to speed up the length of time which it takes

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to secure qualifications, particularly through apprenticeships;

ii. the desirability of simplifying the present jungle of programmes and qualifications (eg NVQ 1, 2, 3, 4, 5; B.Tech; City and Guilds; TVEI; YTS) which at present are baffling to the layman and do not seem to be channelled effectively or coherently;

iii. the need to produce more good teachers in maths, science and engineering;

iv. the scope for greater use of video packages for training programmes, both generally and to assist women to return to work;

v. the future of the careers ~~counselling~~ service;

vi. the desirability of encouraging more training in mid-career and of ensuring that that training keeps up with new developments, eg the need for "mechatronics", and the parallel pursuit of product development with engineering research.

Finally, the Prime Minister would like ideas from your Secretary of State and the Secretary of State for Employment on what she might say in the major speech on training which it was suggested at the seminar that she might make. She is minded to agree to make such a speech, possibly in June or July, provided that policy is sufficiently far advanced by then.

I am copying this letter to Neil Thornton (Secretary of State for Trade and Industry's Office), Carys Evans (Chief Secretary's Office) and Clive Norris (Secretary of State for Employment's Office) and to Sir Robin Butler and Richard Wilson (Cabinet Office).



PRIME MINISTER

TRAINING SEMINAR

Tomorrow we have the Training Seminar, starting with coffee at about 1015 and running through until about 1600.

I attach two folders:

(i) Folder 1 includes notes covering the arrangements for the day, namely:

- summary list of those attending plus some detailed notes on the outsiders;
- the programme for the day;
- the lunch seating plan.

(ii) Folder 2 includes some background papers:

- Michael Howard's paper for last week's internal meeting;
- John MacGregor's paper;
- Robert Jackson's note;
- the summary briefing sheets prepared by the Department of Employment;
- the earlier brief by Brian Griffiths and Andrew Dunlop;
- a new summary note by Andrew Dunlop;
- my record of last week's internal meeting.

Training is not an end-product.  
Part of process etc.

B/Gout / LSA

Sheldon

Peter Chay

Sheldon

Mr Hill

Mr Roscoe

Mr. Smith

Dr. Smith

Michael Green

From  
S. LSA

Canon Johnson  
not signed

16-18 Aug.

F. G. Smith



# Quality of Repose

What they give to people  
containing that.

Travis is other technique  
Protein soup.

- Protein Avoidance.

Plan new Products

If you are worried that much  
in them - you are  
the future.

Shorter Product Cycle.  
Plan. development

Plan  
Do  
Check  
Adjust

Build new

1 year shop floor products.

Reduce achievement

Carry message through to suppliers

### Logistics

We meet in the L-shaped room in No.12. I am having this laid out informally, in a way in which hopefully everybody can see each other without too much turning round. But there will be a small top table in the corner where you might like to sit together with Messrs. Howard and MacGregor and the relevant opening speakers for each session. A number of the opening speakers will be using the overhead projector and screen.

Coffee will be available to greet people from 1015 in the No.12 ante-room. We will also have tea available there from about 3.30.

At lunch we have five small tables. On either side of you you will have Dr. Hermann Schmidt, the Head of the German Federal Institute for Vocational Training, and Ian Gibson from Nissan UK. This should give you an opportunity to discover what we can learn from the German and Japanese approaches. Others on your table are David Nickson, Allen Sheppard, Brian Wolfson, Bob Reid (Shell and soon to be British Rail) and Dr. John Capey (the Principal of Exeter College of Further Education).

We have scheduled lunch for 1315, so if the morning sessions overrun there is no need to break for drinks until say 1300. When we do break for lunch you might want to look after the only lady outside guest, Jennifer Wisker, the Chief Education Officer of Somerset. I suggest having post-lunch coffee in the Pillared Room, to give you an opportunity to talk to a few more people.

### Handling

You might like to start the day with some short introductory comments before inviting Brian Wolfson, the Chairman of the National Training Task Force, formally to introduce the first session. Points you could make are:

- Last few years have seen key reforms and innovations in education and training, e.g. national curriculum, training



Qualification by Experience

Master  $\equiv$  accident

Partly  
of class

B5

A5.

Hybrid student work

Practitioner

Tutor { Skill / Knowledge / Able to work independently.  
Communication  
Competent

Minimum Standards

Sir Henry Ross. Cap between { Low (E. part)  
+ Accident

Dr. Jane Quay - Provide instruction outside the system

David Nilsson - Switch on Employers -

Got Commitment -

College & F. L.

Employers influence by T. JET, Competence / Core  
Skills

Investments

Competitiveness - Committee  
attended - to every detail

- 3 -

$\frac{1}{3}$  of hours in per head

and enterprise councils. - 1500 Chief Executives -  $\frac{1}{3}$  of total employed -

Management  
Institutions  
Providers.  
Goals

These reforms will take many years to work through. But crucial to be looking ahead and considering how UK is to improve its training record further.

Therefore thought it would be helpful to bring together representatives from business world, education and government to exchange views on the right way forward. But Ministers are here mainly to listen not to talk.

- Hope we can keep content of discussions private, so we can all speak freely. But will be acknowledging publicly that the Seminar has taken place.
- You have all seen programme for the day. Divided into four main sessions - Why Training?, Young People, Employees in Employment, and Providers - though they will inevitably overlap. Most grateful to those of you who have agreed to introduce the sessions. Hope that the greater part of each session can be given over to general discussion; and scope to continue that informally over lunch.

If a date  
has been  
agreed  
for j.m.

In introducing each of the speakers you may like to draw on the summary biographical notes attached. The running order is:

- Session 1 - Brian Wolfson (only one speaker in this session).
- Session 2 - Bob Horton followed by Michael Rowarth.
- Session 3 - Ian Gibson followed by Peter Toyne.
- Session 4 - Andrew Collier followed by Sir Denys Henderson.

PLG.

PAUL GRAY

1 February 1990

C:\WPDOCS\ECONOMIC\SEMINAR (ecl)

Priority - Management  
to make people to  
use training

Unions - Anti-Training



Bob Horton

'Sludge Speck'

Danger Sign

Supervisor - First person  
who looks after new entrants

How you perform with  
the system you have

Henry - system very young.  
Industry has adopted Andrew's greater

or wife lamp system

Consent view of employees - to do working

Mat. R - Standard - 200 units

Min - Standards

In-company working oriented

1800 Fulton Ed<sup>2</sup>  $\frac{1}{3}$  enter dual system

38% - have been in system

600 for lamp color  
for small & medium size

before for working -

6-8 weeks per year 75,000

lumber lumber

lamp plates

Brian Wolfson

Chairman of Wembley plc

Chairman, National Training Task Force

Chairman, EDC for the Leisure Industries

Board Member, Foundation for Management Education

was Chairman, British Institute of Management

Member, Advisory Board, Wharton Centre for International  
Studies, University of Pennsylvania

Board Member, Joseph H Lawder Institute, University of  
Pennsylvania

Chairman, Ashridge, MBA Programme



BIOGRAPHICAL NOTES ON NON-GOVERNMENT MEMBERS OF SEMINAR

Andrew Collier

Chief Education Officer, Lancashire County Council  
President and Treasurer, Society of Education Officers  
Director, East Lancashire TEC  
Member, Council of Lancaster University  
Honorary Treasurer of the Schools Curriculum Award  
Member, National Training Task Force  
Advisor, Council of Local Education Authorities  
Advisor, Education Committee/Policy Committee of Association  
County Councils

Ian Gibson

Managing Director and Chief Executive, Nissan Motor  
Manufacturing (UK) Ltd

Sir Denys Henderson

Chairman, Imperial Chemical Industries plc  
Member, CBI President's Committee  
Member, Opportunity Japan Campaign Committee  
Chairman, Court of Governors, Henley Management College  
former Member, BBC's Consultative Group on Industrial and  
Business Affairs

Robert Horton

Chairman designate, BP Co plc  
Vice Chairman, British Institute of Management  
Member, University Funding Council

Michael Rowarth

Principal, Newcastle College  
past President, Association of Principals of Colleges  
Member, Management Board of Further Education Unit  
Member, BTEC Education Liaison Committee  
Member, National Training Task Force  
former President, Association for College Management  
Chairman, City & Guilds Examinations Committee  
Chairman, Association of Colleges of Further and Higher  
Education

Professor Peter Toyne

Rector, Liverpool Polytechnic  
Member, Merseyside Enterprise Forum  
Member, Business Opportunities on Merseyside  
Member, Further and Higher Education Committee, General Synod  
Board of Education  
Member, Central Services Unit, Careers in Higher Education  
Member, Higher Education Foundation  
Chairman, CNAA Access Courses Recognition Group  
Chairman, CNAA Committee for Credit Accumulation and Transfer  
Chairman, ECCTIS 2000 Board (newly formed)  
Member, British Council, Committee for International  
Co-operation in Higher Education  
Chairman, Local BBC Radio Council

One individual given information  
cannot help but take  
responsibility

New Contract for Bond. State

Our sides aren't all lined

Go to Customs - in Bond's collection

Assume we are leaving.  
-not enough about

leaving leaving



## MINISTERS

Prime Minister

Mr. Howard

Mr. MacGregor

Mr. Baker

Mr. Lamont

Mr. Eggar

Mr. Jackson

## OTHER NON-GOVERNMENT REPRESENTATIVES

Professor Kumar Bhattacharyya,  
Warwick University

Dr. John Capey, Principal,  
Exeter College of Further  
Education

Professor Sir Frederick  
Crawford, Vice-Chancellor,  
Aston University

Charles Darby, Bass and TEC  
Chairman for Birmingham

Michael Green, Carlton  
Communications. *Open College*

David Gwyther, Showerings and  
TEC Chairman for Somerset

Sir Bryan Nicholson, Post  
Office Chairman of CBI Task  
Force on Training

Sir David Nickson, Scottish  
Development Agency

Dr. David Quarmbay, Sainsburys

Bob Reid, Chairman of Shell UK  
and British Rail Chairman  
designate

Sir Melvyn Rosser, Training  
Enterprise and Education  
Advisory Group

Dr. Hermann Schmidt, German  
Federal Institute for  
Vocational Training

Allen Sheppard, Grand  
Metropolitan and National  
Training Task Force

Dr. Stan Siebert, Birmingham  
University

Ms. Jennifer Wisker, Chief  
Education Officer, Somerset

Lord Young

## OPENING SPEAKERS

Brian Wolfson, Chairman of  
National Training Task Force

Bob Horton, Chairman of BP

Dr. Michael Rowarth, Principal  
of Newcastle College

Ian Gibson, Chief Executive of  
Nissan UK

Professor Peter Toyne, Rector  
of Liverpool Polytechnic

Andrew Collier, Chief  
Education Officer for  
Lancashire County Council

Sir Denys Henderson, Chairman  
of ICI

## OFFICIALS

Sir Geoffrey Holland (D/Emp)  
Mr. Roger Dawe

John Caines (DES)  
John Vereker

Richard Wilson (CO)

Andrew Dunlop (Policy Unit,  
No.10)

Paul Gray (No.10)

*Ch. & the Party*  
*Keep - David Nelson -*  
*Peter Schen*



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Chairman, CNAA Committee for Credit Accumulation and Transfer  
Chairman, ECCTIS 2000 Board (newly formed)  
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Chairman, Local BBC Radio Council



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Board Member, Foundation for Management Education

was Chairman, British Institute of Management

Member, Advisory Board, Wharton Centre for International  
Studies, University of Pennsylvania

Board Member, Joseph H Lawder Institute, University of  
Pennsylvania

Chairman, Ashridge, MBA Programme

**Professor Sushantha Bhattacharyya**

Lucas Professor of Manufacturing Systems Engineering, Warwick University  
Creator, Integrated Graduate Development Scheme programme  
Director, Computer Aided Design Centre for training of management  
Trustee, Sidney Stringer School

**John Capey**

Principal, Exeter College of Further Education

**Professor Sir Frederick Crawford**

Vice Chancellor, Aston University  
Member, City of Birmingham, Education Committee  
Vice Chairman, Parliamentary and Scientific Committee

**O C Darby**

Managing Director, Bass Inns and Taverns Ltd  
Chairman, Birmingham TEC  
former Chairman, West Midlands Industrial Development Association  
Council Member, Aston University

**Michael Green**

Chairman and Chief Executive, Carlton Communications plc  
Chairman, Open College  
Director, Hambros Advanced Technology Trust

**David Gwyther**

Managing Director, Showerings Ltd  
Chairman, Somerset TEC  
Member, Council of Monkton Combe School Society

**Sir Bryan Nicholson**

Chairman, Post Office  
Chairman, CBI Task Force on Vocational Education and Training  
Member, Council of Institute of Manpower Studies  
former Chairman, Manpower Services Commission

**Sir David Nickson**

Chairman, Scottish Development Agency  
Director, Scottish and Newcastle Breweries  
Member, National Training Task Force  
Chairman, Top Salary Review Body  
Member, CBI Council  
Chairman designate, Scottish Enterprise

**Dr David Quarmby**

Joint Managing Director, J Sainsbury plc  
Governor, James Allen's Girls School  
Member, British Institute of Management  
Member, London Education and Business Partnerships  
Director, South London TEC



Bob Reid

Chairman and Chief Executive, Shell UK  
Chairman designate, British Rail  
Chairman, British Institute of Management  
Chairman, Foundation for Management Education Development  
Chairman, National Forum for Management Education and Development  
Governor, St Edwards School, Oxford  
Council Member, Independent Schools Careers Organisation  
Member, Council for Industry and Higher Education  
Chairman, Association for Management Education and Training in Scotland

Sir Melvyn Rosser

Chairman, HTV Group plc  
Member, National Training Task Force  
was Commissioner, Manpower Services Commission  
Chairman, Training Enterprise and Education Advisory Group for Wales  
President, University College of Wales, Aberystwyth  
Chairman, Urban Development Grant Panel, Welsh Office

Dr Hermann Schmidt

Director, Federal Institute for Vocational Training

Allen Sheppard

Chairman and Group Chief Executive, Grand Metropolitan plc  
Member, National Training Task Force  
Governor, London School of Economics  
Member, CBI  
Member, British Institute of Management  
Deputy Chairman, Business in the Community

Stan Siebert

Lecturer, University of Birmingham  
Co-author, The Market for Labour (John Addison)  
Co-author, Labour Economics (D Carline)  
Co-author, Earnings: A Life Cycle Prospectus (S Polachek)

Jennifer Wisker

Chief Education Officer, Somerset  
Member, Board of Management of Further Education Unit  
Member, National Curriculum Council  
Director, Somerset TEC

REVISED SEATING PLAN FOR LUNCH ON

SEMINAR ON TRAINING

TABLE A

THE PRIME MINISTER  
Dr. Hermann Schmidt  
Sir David Nickson  
Mr. Robert Reid  
Dr. John Capey  
Mr. Brian Wolfson  
Mr. Allen Sheppard  
Mr. Ian Gibson

TABLE B

RT HON. MICHAEL HOWARD  
Mr. Michael Howarth  
Rt. Hon. Lord Young of Graffham  
Mr. David Gwyther  
Sir Melvyn Rosser  
Mr. John Caines  
Mr. Charles Darby

TABLE C

RT HON KENNETH BAKER  
Ms Jennifer Wisker  
Mr. Richard Wilson  
Sir Bryan Nicholson  
Mr. Tim Eggar  
Professor Kumar Bhattacharyya  
Sir Geoffrey Holland  
Professor Sir Frederick Crawford

TABLE D

RT HON JOHN MACGREGOR  
Professor Peter Toyne  
Mr. Michael Green  
Mr. Paul Gray  
Dr. David Quarmby  
Mr. Roger Dawe  
Mr. Robert Horton

TABLE E

RT HON. NORMAN LAMONT  
Mr. Andrew Collier  
Mr. Andrew Dunlop  
Mr. Robert Jackson  
Dr. Stan Siebert  
Mr. John Vereker  
Sir Denys Henderson



PROGRAMME

1015	Assemble for coffee	<u>Opening Speakers</u>
1030	Session 1: Why Training?	Brian Wolfson
1115	Session 2: Young People	Bob Horton, followed by <i>B.P.</i> Michael Rowarth
1200	Session 3: Employees in Employment	Ian Gibson, followed by Peter Toyne
1245	Drinks	
1315	Lunch	
1445	Session 4: Providers	Andrew Collier, followed by Sir Denys Henderson



10 DOWNING STREET

Itaka

Rosch

Gibson

Togo

Colme

Hedera





EC

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

31 January 1990

SEMINAR ON TRAINING: 2 FEBRUARY

I apologise that, due to an oversight, you were not sent a copy of the list of those attending Friday's Seminar and the programme for the day. These are now enclosed.

Paul Gray

Miss Carys Evans,  
H.M. Treasury.

## MINISTERS

Prime Minister

Mr. Howard

Mr. MacGregor

Mr. Baker

Mr. Lamont

Mr. Eggar

Mr. Jackson

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No.10)

Paul Gray (No.10)





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

Paul Gray, Esq  
10 Downing Street  
LONDON SW1

31 January 1990

*PA*

*Gray Paul*  
Training Seminar: 2 February

I thought the Prime Minister would find it helpful to have brief notes about each of the outsiders attending this seminar.

These I attach. I have included only items of direct relevance to the subject matter. The notes have been confirmed with the offices of each of the individuals.

I will leave it to you to determine whether or not to circulate copies. If it were my decision, I think I would have copies made and available to those attending to pick up as they arrived.

I hope this is helpful.

*Yours m.*

*Cum*





A.J. Collier MA Chief Education Officer  
J.B. Earnshaw BA Deputy Chief Education Officer  
PO Box 61 County Hall Preston PR1 8RJ  
Facsimile (0772) 263630

P. Gray, Esq.,  
Private Secretary,  
10 Downing Street,  
LONDON.  
SW1A 2AA

Please ask for	Mr. Collier
Telephone (0772)	263646
Your ref	
Our ref	AJC/KMCB
Date	29th January, 1990.

*Dear Mr Gray,*

TRAINING SEMINAR, 2ND FEBRUARY

I am writing to thank you very much for your letters of 19th and 26th January about the seminar to be held at Downing Street on Friday, 2nd February. This is just to confirm that I am looking forward to attending, and to making the first comments in the fourth session.

I would certainly like to take up your suggestion of arriving a few minutes before 10.15 a.m. in order to see the arrangements in the seminar room. I am planning to use the overhead projector.

*Yours sincerely,*

*Andrew Collier*





MANPOWER : Sams P123



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10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

file  
(C: Training)

bc: B9

Andrew  
Dunlop

26 January 1990

Dear Chris,

TRAINING

The Prime Minister held a meeting yesterday as a preliminary to the forthcoming training seminar on 2 February. Those present were your Secretary of State, the Secretaries of State for Trade and Industry and Education and Science, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Minister of State for Employment, Sir Geoffrey Holland and Mr Roger Dawe (Department of Employment), Mr John Caines (Department of Education and Science), Mr Richard Wilson (Cabinet Office) and Professor Brian Griffiths and Mr Andrew Dunlop (Policy Unit).

The papers before the meeting were your Secretary of State's minute to the Prime Minister dated 23 January and the Secretary of State for Education and Science's minute of 24 January. Your Secretary of State also handed round at the beginning of the meeting some briefing notes headed "Training Facts".

The following main points were raised in discussion:

- The employer representatives attending the seminar were all people who were enthusiastic about the importance of training. In that sense they may not be representative of the generality of British industry, but they were key individuals whose views should be sought. It was essential however to recognise that training was not necessarily a good thing in its own right; training had to be effective by being geared towards the key objectives of improved productivity and performance. It was all too easy to focus on the quantity of training, but what was important was to focus on its quality.
- Work was already underway to develop the possibility of introducing a scheme for training credits. The aim of such an approach would be to develop training that was industry orientated - for example through the leadership of Training and Enterprise Councils - and market driven. Trainees would be able to encash their credits with a range of providers - employers, public sector educational institutions and private sector training organisations. As well as enabling a market based approach, credits could maximise the degree of

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CHS



individual responsibility for training and fire the enthusiasm of young people. It was however important to avoid any approach which simply multiplied the number of new training schemes or programmes which did not produce effective training and were not adequately linked to jobs; make work schemes must be avoided. On the other hand credits, if properly developed, should be the antithesis of subsidised Government training programmes, with the central feature that money followed the trainee. Careful consideration would, however, need to be given to the costs of any proposals for credits. The risk was that Government expenditure could become substantially greater than at present, particularly bearing in mind the large proportion of existing Government expenditure on training which in practice represented income support.

- Other countries seemed to have training systems which involved the development of a wider range of skills and aptitudes. It was important to shift UK training in that direction, where possible with the support of trade union leaders, so that people became multi-skilled and developed useful transferable skills. The traditional UK apprenticeship system contained serious weaknesses which still had to be fully overcome, for instance the length of time required to achieve qualifications. This was particularly important given that the most critical shortage of skilled labour appeared to be at technician level. It was crucial that pay systems allowed for adequate differentials to provide the necessary incentives for technician training. Valuable work was being undertaken under the auspices of the National Council for Vocational Qualifications in extending beyond school age the kind of qualification structure now emerging from the national curriculum.
- The proposed national training objectives set out in annex A to your Secretary of State's paper had developed from the work of the CBI task force. It was argued that this could provide a useful framework for the TECs to use in putting into effect their business plans. On the other hand it was felt that such objectives were far too general and carried too much of a corporatist flavour. Indeed they could be positively unhelpful if they came to be treated as artificial targets against which the Government was judged. The important requirements were to have arrangements which ensured people had the opportunity to gain appropriate qualifications and which did not treat training as an objective in its own right but rather as a means to generate productivity improvements.
- Difficult issues were involved in the balance between full-time and part-time training for post 16-year olds. It was for consideration whether greater emphasis should be given to part-time training for this age group.



- A large pool of potentially valuable manpower, some 6,000 in total, was currently engaged in the careers service. But it was far from clear that present arrangements made good use of this potential. There was a case for a radical look at the present system.
- The purpose of the 2 February seminar was not for Ministers to seek to reach immediate policy conclusions, but to provide an opportunity for them to hear the views of the outside representatives on the sort of issues set out by your Secretary of State and the Secretary of State for Education and Science. Following the seminar Ministers would obviously need to consider the policy implications. But at the seminar the aim should be to encourage the outside representatives to do the talking.

Summing up the discussion the Prime Minister said that the group had had a useful preliminary discussion of some of the key issues in advance of the seminar. It was agreed that Ministers should aim to use the seminar to obtain the maximum input from the outside representatives; internal policy discussions would follow later. The Government representatives would not be circulating any papers before or at the seminar. In the light of the points made in the discussion it was clear that there were serious doubts about the usefulness of emphasising national training objectives on the lines set out in annex A to your Secretary of State's paper, and this kind of approach should not therefore be emphasised. It was essential to devise a policy which achieved results, not just training programmes. The meeting had noted that work was continuing to develop proposals for a scheme of training credits and it was agreed that this should be on the basis of existing resources, without the need for extra Government expenditure.

I am copying this letter to Neil Thornton (Department of Trade and Industry), Stephen Crowne (Department of Education and Science), Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Carys Evans (Chief Secretary's Office), Clare Durkin (Minister of State's Office, Department of Employment), Sir Geoffrey Holland and Roger Dawe (Department of Employment), John Caines (Department of Education and Science), and to Sir Robin Butler and Richard Wilson (Cabinet Office).

*Yan.  
Paul*

Paul Gray

Clive Norris Esq  
Department of Employment.



PRIME MINISTER

BA

TRAINING SEMINAR: FRIDAY 2 FEBRUARY

We have now finalised the invitation list and programme for next Friday, as below.

I also attach a draft seating plan for the lunch together with some suggested menus.

Content with the seating plan?

See amendments.

Which menu would you prefer?

B

PRUG

mt

Paul Gray

26 January 1990

## MINISTERS

Prime Minister

Mr. Howard

Mr. MacGregor

Mr. Baker

Mr. Eggar

Mr. Jackson

## OTHER NON-GOVERNMENT REPRESENTATIVES

Professor Kumar Bhattacharyya,  
Warwick University

Dr. John Capey, Principal,  
Exeter College of Further  
Education

Professor Sir Frederick  
Crawford, Vice-Chancellor,  
Aston University

Charles Darby, Bass and TEC  
Chairman for Birmingham

Michael Green, Carlton  
Communications

David Gwyther, Showerings and  
TEC Chairman for Somerset

Sir Bryan Nicholson, Post  
Office Chairman of CBI Task  
Force on Training

Sir David Nickson, Scottish  
Development Agency

Dr. David Quarmby, Sainsburys

Bob Reid, Chairman of Shell UK  
and British Rail Chairman  
designate

Sir Melvyn Rosser, Training  
Enterprise and Education  
Advisory Group

Dr. Hermann Schmidt, German  
Federal Institute for  
Vocational Training

Allen Sheppard, Grand  
Metropolitan and National  
Training Task Force

Dr. Stan Siebert, Birmingham  
University

Ms. Jennifer Wisker, Chief  
Education Officer, Somerset

Lord Young

## OPENING SPEAKERS

Brian Wolfson, Chairman of  
National Training Task Force

Bob Horton, Chairman of BP

Dr. Michael Rowarth, Principal  
of Newcastle College

Ian Gibson, Chief Executive of  
Nissan UK

Professor Peter Toyne, Rector  
of Liverpool Polytechnic

Andrew Collier, Chief  
Education Officer for  
Lancashire County Council

Sir Denys Henderson, Chairman  
of ICI

## OFFICIALS

Sir Geoffrey Holland (D/Emp)  
Mr. Roger Dawe

John Caines (DES)  
John Vereker

Richard Wilson (CO)

Andrew Dunlop (Policy Unit,  
No.10)

Paul Gray (No.10)



PROGRAMME

1015 Assemble for coffee

Opening Speakers

1030 Session 1: Why Training?

Brian Wolfson

1115 Session 2: Young People

Bob Horton, followed by  
Michael Rowarth

1200 Session 3: Employees in  
Employment

Ian Gibson, followed by  
Peter Toyne

1245 Drinks

1315 Lunch

1445 Session 4: Providers

Andrew Collier, followed  
by Sir Denys Henderson

DRAFT SEATING PLAN FOR LUNCH ON FRIDAY, 2 FEBRUARY

SEMINAR ON TRAINING

TABLE A

THE PRIME MINISTER  
Dr. Hermann Schmidt  
Ms Jennifer Wisker  
Mr. Robert Reid  
Dr. John Capey  
Mr. Brian Wolfson  
Mr. Charles Darby  
Mr. Ian Gibson

TABLE B

RT HON. MICHAEL HOWARD  
Dr. Michael Howarth  
Rt. Hon. Lord Young of Graffham  
Mr. David Gwyther  
Sir Melvyn Rosser  
Mr. John Caines  
Mr. Allen Sheppard

TABLE C

RT HON KENNETH BAKER  
Sir David Nickson  
Mr. Richard Wilson  
Sir Bryan Nicholson  
Professor Kumar Bhattacharyya  
Sir Geoffrey Holland  
Professor Sir Frederick Crawford

TABLE D

RT HON JOHN MACGREGOR  
Professor Peter Toyne  
Mr. Michael Green  
Mr. Paul Gray  
Dr. David Quarmby  
Mr. Roger Dawe  
Mr. Robert Horton

TABLE E

MR. TIM EGGAR  
Mr. Andrew Collier  
Mr. Andrew Dunlop  
Mr. Robert Jackson  
Dr. Stan Siebert  
Mr. John Vereker  
Sir Denys Henderson



PRIME MINISTER

Lunch on Friday, 2 February  
Seminar on Training

I attach three suggested menus  
from Government Hospitality Fund for  
your lunch next Friday.

Which menu would you prefer please?

Sue Goodrich, 1 of

---

'B'

26 January 1990

/

SUGGESTED MENUS FOR THE LUNCH ON FRIDAY, 2 FEBRUARY DURING THE  
SEMINAR ON TRAINING

Menu A

Assorted Melons with Mint Sorbet

Breast of Chicken  
Watercress and Leek Sauce  
Parisienne Potatoes  
Seasonal Vegetables

Chocolate Roulade  
Hot Chocolate

Coffee

Menu B

Fillet of Pink Trout with Nicoise Salad

✓ Loin of Lamb with Basil Mousse  
Roast Potatoes  
Seasonal Vegetables

Plum and Almond Flan  
Creme Fraiche

Coffee

Menu C

Salad of Scallop Bacon and Green Beans

Paupiettes of Veal with Apricots and Pistachios  
Dauphinoise Potatoes  
Seasonal Vegetables

Lemon and Lime Soufflé  
Shortbread Biscuits

Coffee





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

File  
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ECL

*Dear Clive,*

TRAINING SEMINAR: 2 FEBRUARY

I enclose for information copies of the letters I have now sent to outsiders attending next Friday's Seminar together with the programme for the day.

I am copying this letter and enclosures to the Private Secretaries to the Secretary of State for Education and Science, the Chancellor of the Duchy of Lancaster, the Minister of State, Department of Employment (Mr. Eggar), the Parliamentary Under-Secretary of State, Department of Education and Science (Mr. Jackson), Sir Geoffrey Holland and Roger Dawe (Department of Employment), John Caines and John Vereker (Department of Education and Science), Richard Wilson (Cabinet Office) and Andrew Dunlop (No.10 Policy Unit).

*Yours,  
Paul*

Paul Gray

Clive Norris, Esq.,  
Department of Employment.

MEM



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

Paul Gray

mem





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

Paul Gray

## MINISTERS

Prime Minister

Mr. Howard

Mr. MacGregor

Mr. Baker

*Mr. Eggart*  
Mr. Eggart

Mr. Jackson

## OTHER NON-GOVERNMENT REPRESENTATIVES

Professor Kumar Bhattacharyya,  
Warwick University

Dr. John Capey, Principal,  
Exeter College of Further  
Education

Professor Sir Frederick  
Crawford, Vice-Chancellor,  
Aston University

Charles Darby, Bass and TEC  
Chairman for Birmingham

Michael Green, Carlton  
Communications

David Gwyther, Showerings and  
TEC Chairman for Somerset

Sir Bryan Nicholson, Post  
Office Chairman of CBI Task  
Force on Training

Sir David Nickson, Scottish  
Development Agency

Dr. David Quarmby, Sainsburys

Bob Reid, Chairman of Shell UK  
and British Rail Chairman  
designate

Sir Melvyn Rosser, Training  
Enterprise and Education  
Advisory Group

Dr. Hermann Schmidt, German  
Federal Institute for  
Vocational Training

Allen Sheppard, Grand  
Metropolitan and National  
Training Task Force

Dr. Stan Siebert, Birmingham  
University

Ms. Jennifer Wisker, Chief  
Education Officer, Somerset

Lord Young

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Bob Horton, Chairman of BP

Dr. Michael Rowarth, Principal  
of Newcastle College

Ian Gibson, Chief Executive of  
Nissan UK

Professor Peter Toyne, Rector  
of Liverpool Polytechnic

Andrew Collier, Chief  
Education Officer for  
Lancashire County Council

Sir Denys Henderson, Chairman  
of ICI

## OFFICIALS

Sir Geoffrey Holland (D/Emp)  
Mr. Roger Dawe

John Caines (DES)  
John Vereker

Richard Wilson (CO)

Andrew Dunlop (Policy Unit,  
No.10)

Paul Gray (No.10)



PROGRAMME

1015	Assemble for coffee	<u>Opening Speakers</u>
1030	Session 1: Why Training?	Brian Wolfson
1115	Session 2: Young People	Bob Horton, followed by Michael Rowarth
1200	Session 3: Employees in Employment	Ian Gibson, followed by Peter Toyne
1245	Drinks	
1315	Lunch	
1445	Session 4: Providers	Andrew Collier, followed by Sir Denys Henderson



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Sir Denys,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,  
Paul Gray*

Paul Gray

Sir Denys Henderson





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Collier,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,  
Paul Gray*

Paul Gray

Andrew Collier, Esq.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Professor Toyne,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,  
Paul Gray*

Paul Gray

Professor Peter Toyne





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Gibson,*

**TRAINING SEMINAR: 2 FEBRUARY 1990**

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,  
Paul Gray*

Paul Gray

Ian Gibson, Esq.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Dr. Rowarth,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,  
Paul Gray*

Paul Gray

Dr. Michael Rowarth





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Horton,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,*  
*Paul Gray*

Paul Gray

Robert Horton, Esq.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Wolfson,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015. If you would like to arrive a few minutes earlier than that in order to see the arrangements in the Seminar room you will be very welcome to do so; we are arranging for an overhead projector and screen to be available if you wish to use one.

*Yours sincerely,  
Paul Gray*

Paul Gray

Brian Wolfson, Esq.





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Professor Bhattacharyya,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,*

*Paul Gray*

Paul Gray

Professor Kumar Bhattacharyya



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Dr. Capey,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Dr. John Capey





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Sir Frederick,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Professor Sir Frederick Crawford



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Darby,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Charles Darby, Esq.





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Green,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Michael Green, Esq.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Gwyther,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

David Gwyther, Esq.





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Sir Bryan,*

**TRAINING SEMINAR: 2 FEBRUARY 1990**

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Sir Bryan Nicholson



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Dr. Quarmby,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Dr. David Quarmby





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr. Reid,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Bob Reid, Esq.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Sir Melvyn,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Sir Melvyn Rosser, D.L., F.C.A.





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mr Sheppard,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Allen Sheppard, Esq.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Mrs Wisker,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Ms. Jennifer Wisker





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Dr. Siebert,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Dr. S. Siebert



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Dr. Schmidt,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Dr. Hermann Schmidt





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Sir David,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,  
Paul Gray*

Paul Gray

Sir David Nickson, K.B.E., D.L.



10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

26 January 1990

*Dear Lord Young,*

TRAINING SEMINAR: 2 FEBRUARY 1990

I am writing to confirm the arrangements for next Friday's Downing Street Seminar on Training. I enclose a list of those attending, the programme for the day and a card you will need to gain admittance to Downing Street. As you will see from the programme the day will start with coffee at 1015.

*Yours sincerely,*

*Paul*

Paul Gray

The Rt. Hon. The Lord Young of Graffham





# The University of Birmingham

DEPARTMENT OF INDUSTRIAL ECONOMICS AND BUSINESS STUDIES  
Ashley Building, The University of Birmingham, P.O. Box 363,  
Birmingham  
B15 2TT  
Telephone 021-414 6692 (direct line) (Secretary: 414 6690)

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX

80/1

no need for  
PG to see

25th January 1990

Mr. P. Gray  
10 Downing Street  
London SW1A 2AA

Dear Mr. Gray,

Thank you for your invitation to attend a seminar on training on  
2nd February 1990. I look forward to coming.

Yours sincerely,

*Stan Siebert*

Dr. Stan Siebert

CONFIDENTIAL

PRIME MINISTER

PREPARATION FOR TRAINING SEMINAR

Tomorrow you are having a meeting with the Ministers and officials who will be attending the Training Seminar on Friday 2 February. The aim is to clarify the main issues you want to pursue at the Seminar. I suggest you should avoid, both tomorrow and at the Seminar, trying to reach clear conclusions on the way forward; that stage will come after the Seminar when the policy issues are brought back to E(A).

I attach to this minute a list of those who will be attending the Seminar. The one addition that needs to be made is Herr Schmitt the German vocational training expert who we hope will be coming; we are now finalising the details. Immediately below the list of those attending is the summary programme of the main sessions at the Seminar and the opening speakers.

Papers for tomorrow's meeting below are:

- Flag A - note by Michael Howard summarising the areas that might be covered at the Seminar;
- Flag B - note by the Policy Unit which follows the same main headings as Michael Howard's note, but adds a number of further questions you may wish to pursue;
- Flag C - note from John MacGregor setting out his thoughts on the Seminar;
- Flag D - further note from Robert Jackson (who is coming to the Seminar but cannot attend tomorrow), summarising the case for moving towards training credits. (This note has not been circulated to others attending tomorrow's meeting.)
- Flag E - a more detailed background paper by DES (also not circulated to others attending tomorrow's meeting) on the case for credits.

CONFIDENTIAL



CONFIDENTIAL

- 2 -

You ought to be aware that there are considerable tensions between the D/Employment and DES in this area. We have been trying to get them to work together constructively in the run up to the Seminar, but I suspect that both Departments (and their respective Ministers) are engaged in a battle as to who is the lead Department in this area. John MacGregor's minute reveals between the lines his irritation that Michael Howard chose to circulate his note without prior clearance between the Departments.

*P.G.*

PAUL GRAY

24 January 1990

CONFIDENTIAL

## MINISTERS

Prime Minister

Mr. Howard

Mr. MacGregor

~~Mr. Rifkind (who may not be able to attend)~~

Mr. Baker

~~Mr. Ridley~~

Mr. Eggar

Mr. Jackson

## OTHERS

Lord Young

Allen Sheppard, Grand Metropolitan and National Training Task Force

David Gwyther, Showerings and TEC Chairman for Somerset

Charles Darby, Bass and TEC Chairman for Birmingham

Sir Bryan Nicholson, Post Office Chairman of CBI Task Force on Training

Bob Reid, Chairman of Shell UK and British Rail Chairman designate

Dr. David Quarmby, Sainsburys

Ms. Jennifer Wisker, Chief Education Officer, Somerset

Dr. John Capey, Principal, Exeter College of Further Education

Michael Green, Carlton Communications

*Kumar*  
Professor Bhattacharyya, Warwick University

Professor Sir Frederick Crawford, Vice-Chancellor, Aston University

## OPENING SPEAKERS

Brian Wolfson, Chairman of National Training Task Force

Bob Horton, Chairman of BP

Dr. Michael Rowarth, Principal of Newcastle College

Ian Gibson, Chief Executive of Nissan UK

Professor Peter Toyne, Rector of Liverpool Polytechnic

Andrew Collier, Chief Education Officer for Lancashire County Council

Sir Denys Henderson, Chairman of ICI

Sir Melvyn Rosser, Training Enterprise & Education Advisory Group

Sir David Nickson, Scottish Development Agency

Dr. Stan Siebert, Birmingham University

*Dr. Hermann Schmidt, German Federal Institute for Vocational Training*

## OFFICIALS

Sir Geoffrey Holland (DES) *update*  
Mr. Roger Dawe

John Caines (DES)  
John Vereker

Richard Wilson (CO)

Andrew Dunlop (Policy Unit, No.10)

Paul Gray (No.10)



PROGRAMME

Opening Speakers

Session 1: Why Training?

Brian Wolfson

Session 2: Young People

Bob Horton, followed by Michael Howarth

Session 3: Employees in Employment

Ian Gibson, followed by Peter Toyne

Session 4: Providers

Andrew Collier, followed by Sir Denys Henderson

10-15 Arrivals for Lunch

10-10 ↓

(1)

11-15 ✓

(2)

12-00 ✓

(3)

12-45

Rites

1-15

Lunch

2-45 ↓

(4)

7-22

C:\wpdocs\economic\table

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PRIME MINISTER

24 January 1990

TRAINING

UK governments have in the past attempted to treat the symptoms of the "training problem". There is now a real opportunity to tackle the underlying causes. This could:

- bring major economic benefits, not least by creating a more flexible labour market;
- offer real political attractions as we seek a fourth term. Radical options, such as training credits, could have the same populist appeal that council house sales and wider share ownership have had. They could be portrayed as an extension of the Conservative opportunity society. The importance of this is underlined by the implications of Dick Wirthlin's values research. As you know his view is that, while retaining our strong ground (economic management, defence and law and order), we should attempt to capture the two "grey" areas of education and training, and the environment. All of this could be very important for the next 18 months to 2 years.

Michael Howard's paper offers a useful agenda for considering the whole issue. It addresses the fundamental questions. This note follows the headings outlined in his paper and highlights in bold type additional questions which need to be addressed at tomorrow's meeting.

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## IS THERE A PROBLEM?

The big question is not simply is there a problem - there clearly is - but how great is it? The gap with our competitors may be overstated by the statistics. Moreover more training is not necessarily better. It must be of high quality and related to the needs of the economy.

Two issues to explore at the seminar are:

- the extent to which there is more informal training in the UK economy than the bold statistics about qualifications would indicate. And is informal training less worthy if it meets the immediate requirements of firms? Relevant here is the way that nationally recognised qualifications can make the labour market less rigid;
- the extent to which other countries over-train. In France the acquisition of skills by young people is not occupationally based. For example, engineering craft training in France takes place between 14-18 in full-time vocational secondary schools known as Lycees Professionels. Because this training is not linked directly to jobs, supply is not well matched to demand.

Q1. How much informal training is done in the UK?

Q2. How much more important to the economy is training linked to qualifications?

## THE NATURE OF THE PROBLEM

This needs to be explored more fully:



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First, the skills in short supply. This is vital in establishing where - with government, individuals or employers - the main responsibility for training lies.

We must distinguish between job-specific skills and transferable skills. Typically job-specific skills will be of use only in the company for which the employee works. Transferable skills could be of benefit throughout the economy. For example:

- In Germany, studies by the National Institute of Economic and Social Research (NIESR) have shown that mechanical and electrical craftsmen are trained not only to operate particular machines (job-specific), they also have the skills to repair and maintain those machines (transferable). There is evidence that this provides Germany with productivity advantages over Britain. In Britain when a machine breaks down it is out of action until a specialist is free to repair it. In Germany the operator is able to make running repairs.
- In France, shop assistants are not merely taught how to fill shelves. Retail courses in France cover commercial documentation, the organisation of distribution, product knowledge, typing and practical selling skills. Not only does this improve flexibility within retail outlets, with employees able to do a variety of jobs, it also improves labour market flexibility. Individuals are able to move more easily between jobs.

The seminar needs to identify what these transferable skills are. The CBI Vocational Education and Training Task Force

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has attempted to provide a list of so-called "Common Learning Outcomes". But they are so vague as to be meaningless eg Values and Integrity, Positive Attitudes to Change, Problem Solving, Understanding of Work and the World.

More relevant are literacy, numeracy and the ability to use technology. Ideally the education system would provide everyone with these basic skills. The education reforms should improve the situation. But we are still faced with an immediate problem.

Q3. What sort of skills are we trying to improve?

Q4. What constitute transferable skills?

Second, the groups affected. Michael Howard's note touches on this, identifying a lack of skills at technician level as a particular problem. It is important to pin this down. Again work done by the NIESR shows that the UK compares favourably with Germany in the proportion of the labour force gaining university degrees. The real gap is between the proportion gaining intermediate qualifications (eg through apprenticeships and City and Guilds certificates): 60 per cent in Germany, but only 30 per cent in Britain.

Q5. At what levels is the skills gap most acute?

Third, the undertrained sectors of the economy. It is clear that in some sectors of the economy the training market works well. Demand matches supply and the acquiring of skills is rewarded. There is, for example, a strong incentive for individuals to acquire computer related skills. But in the construction industry the market does not work well.

Q6. Are some sectors of the economy worse at training than others? If so, why?



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## DOES IT MATTER?

We have very little to add to this. Michael Howard's note puts the case succinctly. Raising the skills base should contribute not only to raising the quality of production in the UK, but also to labour market flexibility.

## WHY DO SKILLS PROBLEMS EXIST?

Again we very much share the analysis summarised here.

## WHAT HAVE WE DONE?

There are two points to bear in mind here:

First, we have indeed put in train a number of reforms (National Curriculum, TECs etc). But it will take time for their effects to be felt. We need a more urgent response to what is an immediate problem.

Second, while existing training schemes have been very successful in alleviating unemployment, they have made only a marginal contribution to raising the overall level of skills in this country. Only 13 per cent of YTS trainees get to NCVQ level 2 or above.

Q7. How long will it take for our education reforms to take effect?

Q8. What impact will this have in closing the skills gap?

Q9. How successful have existing training programmes been at raising skills?



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## WHAT SHOULD WE DO NOW?

### 1. Objectives

These are very relevant to the overall direction the government proposes to take. Setting "national objectives" has a very corporatist feel to it. It smacks of sixties - style manpower planning. It is a top-down approach.

We believe that a bottom-up approach is needed, hence our enthusiasm for training credits. If such an approach was decided upon, it would inevitably be market-led. National objectives would be irrelevant to such an approach.

Moreover, as Michael Howard's note accepts, it is not within the power of Government to attain these objectives. It relies on employers' efforts. There is a danger that if Government gives these targets too much prominence, they will become hostages to fortune.

Q10. How would national training objectives fit in with a more market-based approach to training?

Q11. How can the Government ensure that the targets that are set are met?

### 2. Responsibility for financing training

This is the crux of the issue. The DE paper has chosen to look at it in terms of the unemployed and employed. But this does not get us much closer to answering the questions: what skills are we trying to raise and how can we achieve it?

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The answer to the first question is that we are concerned here with transferable skills, not job specific skills which should be the exclusive responsibility of employers.

The answer to the second is more complex. There are three broad alternatives.

(a) The Government pays. There are two major drawbacks to this approach:

- the costs to the beneficiaries (individuals and employers) are nil. Too many resources will, therefore, be devoted to training. This is the problem with the French model. Scarce resources are used inefficiently;
- it cuts the link between what the market needs and what the training system is producing ie too many hairdressers and not enough engineers.

(b) The Employer pays. Increasing employers' training costs will reduce the amount of training actually done, unless there is some mechanism which ensures that the employee is the ultimate payer. The real weakness of the current DE approach is that employers will be asked to take on a greater share of the funding of training, but there is no convincing explanation of how this will be achieved. All the evidence suggests that faced with a skill shortage, industry will concentrate on competing in low cost, low quality, areas of the market.

Employers will only be prepared to invest in training when they are able to recoup their costs.

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The problem is that employers are usually able to recoup their costs only where the labour market is rigid. In this situation employees do not move jobs before their employer has achieved a return on his training investment.

- (c) The Individual Pays. To an extent this is what happens in Germany. Trainees accept low wages in return for occupation based training, paid largely by employers (with a contribution from government). This system works in Germany because it is legally enforced. Those who leave school at 16 are required by law to continue some form of part-time vocational education and training. But such a regulated approach would be anathema to our market approach.

We believe, however, that some version of this model would offer the best hope of increasing the level of transferable skills in Britain.

Why? Because ultimately the property rights to training are vested in individuals. They are not vested in employers. Once an individual has acquired skills he can use them to move freely in the labour market.

The problem about this approach is that often individuals do not have access to the funds necessary to pay for training. Training credits offer an attractive solution to this problem.

Q12. By what mechanism will the amount of training be increased if employers costs are simply raised?

Q13. How can individuals be encouraged to take more responsibility for improving their own skills?



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3. Employer attitudes to training. The note highlights the CBI's recommendation that employers should adopt certain training criteria. This is very woolly and bureaucratic. It is for individual companies to decide what their training needs are. What is right for one, may not be right for another. Suggestions of universal "seals of good practice" are inappropriate.

A better approach is for TECs to develop (a) a marketing function to raise awareness among companies of the benefits of training (b) an advisory function to help companies to assess their training needs (c) a broking function to assist companies (either singly or as a group to reduce costs) to arrange training courses with FE colleges or private providers.

Q14. What role can TECs play in improving employer attitudes to training?

4. Individuals

We have touched on this above. Two points are worth highlighting.

First, careers advice. This is an issue that could be usefully explored at the Seminar. Employers are critical of the Careers Service.

If we decide to go down the credits route a vital element will be the quality of advice available to school-leavers, eg advice on what training will be most be useful in the jobs market, the quality of the courses available or the suitability of particular courses to an individual's abilities.

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At present the Careers Service (which employs 6000 people) is run by LEAs, but financed by DE. Is this the right structure? How can we introduce greater incentives to provide quality advice? Shouldn't TECs have the lead role in funding careers advice?

Q15. How can the Careers Service be reformed and improved?

Second, the public expenditure implications of credits. We do not believe that this is an issue to get into at the Seminar. It is a matter that E(A) will have to consider very fully when the issue of credits is looked at in detail. Suffice to say that it is not the case that if the Government went for a system of credits, it would leave itself exposed to unforeseen and large demand-led rises in expenditure:

- the maximum numbers of youngsters eligible for a credit would be finite, known and declining (due to demographic trends);
- the objective is not to increase public spending but to re-target it within broadly existing levels of expenditure;
- detailed costings have been done by DES and they make generous assumptions of demand amongst 16 and 17 year old school leavers. Projections for take-up of YTS is 50% by 1994/95. The credits proposal is based on a take-up of 85% in 1994/95.

## 5. Training Providers

Q16. How can we stimulate the growth of private sector training providers?

Q17. How can public sector providers, such as FE colleges, be made more responsive to their customers?

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6. Other items

One aspect not covered specifically in Michael Howard's paper is the development of nationally recognised qualifications.

Q18. How is the work of NCVQ progressing and how can it be improved?

*B. A. Griffiths*

PP BRIAN GRIFFITHS

*Andrew Dunlop*

ANDREW DUNLOP

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PRIME MINISTER

SEMINAR ON TRAINING

I very much welcome your initiative in convening the seminar on training on 2 February. I have just seen the paper circulated by Michael Howard for your briefing meeting tomorrow with Ministers and senior officials. As you know I attach great importance to having our two Departments march in step on this, given the considerable overlap of our interests; and I know Michael agrees. In order to complete the picture, therefore, this minute sets out my own additional perspective.

Robert Jackson and I have reviewed with our officials the whole range of issues surrounding post-school education and training. Some of these involve questions, such as the long term role of the local education authorities, which we shall not be able to tackle until after the Election. On others, such as the urgent need to sort out the muddle of courses and qualifications offered to school leavers who are not going straight on to Higher Education, we intend to make some progress in a much shorter time scale. The area which most urgently needs attention, however, as demographic change squeezes the number of school leavers over the next five years, is defining the role of the Government for training our work force for the needs of the country in the 1990s and 21st Century.

That is the central question for your seminar, once it has established the case for better training. I am glad that the speakers will all be coming from outside Government because it is their voices we need to hear. We must, of course, be prepared to discount a little their likely presumptions that the solution to our endemic training and management weaknesses lie in yet more Government funding, and that all will be well if we only focus on the immediate needs of employers during the demographic trough.

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We have to get under the skin of the problem, to recognise how deep-seated and short-sighted the attitudes of many British employers often are when it comes to building up a properly skilled and fully competitive work force. Only when our employers insist on employees holding appropriate qualifications before entering the labour market will we be able to face German competition in the 1990's. I hope, incidentally, that if Herr Schmitt is able to come to the seminar you will make a point of giving him the opportunity to tell us how it is done in Germany: it was our perception of the huge gap between our approach and theirs that led us to suggest him.

In listening to employers and to the providers of education and training, we must keep very much in mind how individuals are likely to respond. Unless we arrive at arrangements which motivate young people to seek higher level skills and qualifications, our efforts will be in vain. The country has a poor record in this compared with the best of our competitors overseas.

Against that background I think these are the objectives we should have for the seminar.

First, to explore and define the role of the Government in training. In particular, how much should Government accept the major responsibility up to age 18? And how can we get Government funded training to be as market driven as possible?

Second, to explore and define the nature of the training needed. We now know that it is not enough merely to train for particular skills. We have to train for the ability constantly to adapt to changing occupations and new technologies. Training programmes have to contain a broad, sound, educational component offering progression to higher levels; they have to provide both general competence and special skills; the qualification system must be coherent.

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Third, to explore and define the respective roles of full time and part time education and training. We need to decide on the whole range of the effort needed, by Government and others, to get more of both; and we need at some point to take a view of what proportion of young people we want to be staying on in full time education.

Fourth, to consider what action to take ("I realise that we shall be looking to the seminar to illuminate the issues; not to reach conclusions"). There may be a case for publicly setting targets for post-school participation and attainment. Whether or not we do that, we need most of all to consider the means for improving our performance. Our reforms of compulsory schooling are already having a marked effect on staying-on rates at 16; you have seen our paper on credits for part-time; we need to consider resource issues; we may need further measures to affect the structure and content of post-16 education provision; and of course we need to settle the future of the various training schemes. I also attach great importance to bringing together and meshing more effectively our systems of education and training and believe that TECs have an important part to play in this.

I am sending a copy of this minute to those who will be attending your briefing meeting tomorrow.

pp *John Major*  
JM

(agreed by the Secretary of State and signed in his absence).

DEPARTMENT OF EDUCATION AND SCIENCE

24 JANUARY 1990

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Department of Employment  
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Telephone 01-273 . . . 5802  
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Secretary of State

Paul Gray Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

24 January 1990

Dear Paul,

I am enclosing a short briefing pack which we have prepared in advance of tomorrow's meeting in preparation for the Training Seminar on 2 February. The brief has not been generally circulated, but the Prime Minister may find the information useful as background to the meeting.

Yours,

Anne Marie

ANNE-MARIE LAWLOR  
Private Secretary



Employment Department · Training Agency  
Health and Safety Executive · ACAS



## Training facts

The study 'Training in Britain' recently published by the Training Agency provides a benchmark against which to assess future progress in training.

Most of the statistics are for 1986/87:

### Some Good Points

1.5 million person years of training were undertaken in 1986/87 — equivalent to 7% of total person years worked — at a total cost of £33 billion.

0.66 million person years of training were sponsored by employers at a cost of £18 billion.

48% of employees were reported by employers as having received training during 1987/87.

33% of economically active adults said they had received some training in the last three years.

15% increase in the volume of employer training between 1984 and 1986/87 (takes account of both the number of people getting training and the length of training).

46% increase in the proportion of employees receiving training between 1984 and 1988 (refers only to number of people getting training, not length).

### Not So Good Points

2/3 of economically active adults said they had had no training in the last three years.

42% could not envisage undertaking training in the future.

38% could envisage undertaking training in the future but were not actively considering it.

Only 20% were actively considering undertaking training.

52% of employees were reported by employers as receiving no training during 1986/87.

Only 24% of employers had a training plan.

Only 15% considered the benefits of training.

85% of employers' training costs were labour costs.

## Training Success Stories

COMPANY Hepworth Grandage Ltd  
PRODUCT Piston Rings  
EMPLOYEES 753

Targetted quality as key issue and embarked on training managers, quality control technicians, supervisors and operators.

OUTCOME

- significant improvement in quality
- gained Ford's Q quality award
- sales rose by 50%
- 50% of output now exported to major manufacturers

COMPANY BOC Distribution Services Ltd  
PRODUCT Transport of perishable food  
EMPLOYEES 1900

Targetted cost saving and productivity improvement and embarked on a 'management of change' training and development exercise involving 164 managers.

OUTCOME

- cost savings of £100,000
- 10% increase in productivity
- recovered training investment with a year

COMPANY Kitchens Direct Ltd  
PRODUCT Kitchen units  
EMPLOYEES 700

Errors in deliveries had meant high costs and poor reputation. Introduced broad based customer care training programme for surveyors, drivers, warehouse staff and customer service staff.

OUTCOME

- fall of 42% in costs of replacing or supplying parts to rectify errors

COMPANY Fitness for Industry  
PRODUCT Management of health and fitness clubs  
EMPLOYEES 170

Identified skills needed by instructors and introduced substantial training programme for both new and existing staff. Now developing NVQ for instructors.

OUTCOME

- 53% increase in sales
- 100% increase in net profit



## UK and Germany productivity – Hotels

### Germany

4.01



Guest nights per employee



### UK

#### London

2.7



Guest nights per employee



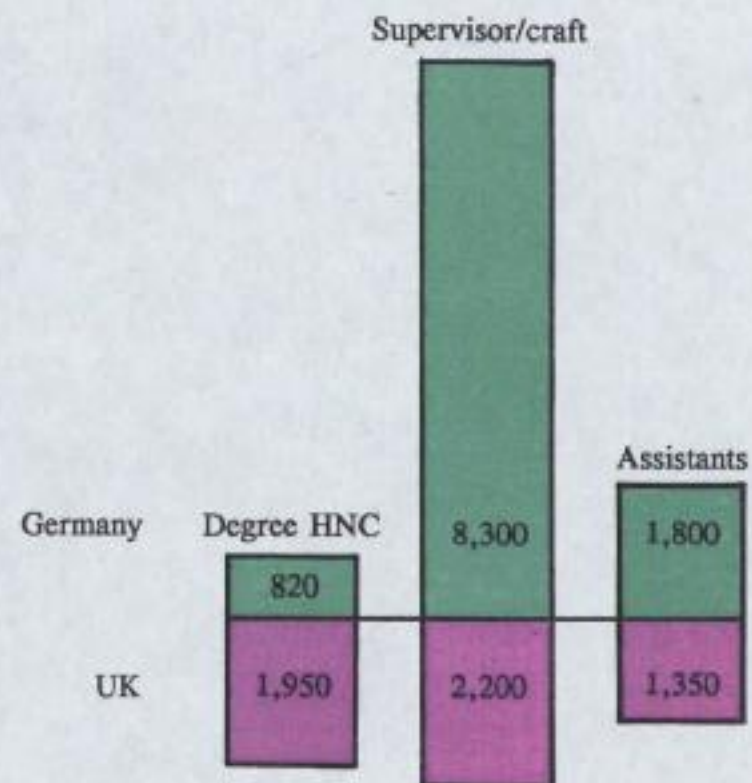
#### Provinces

2.0



Guest nights per employee

### Persons qualifying for hotel occupations



## UK – Germany productivity comparisons – Metal working\*

### Output per worker



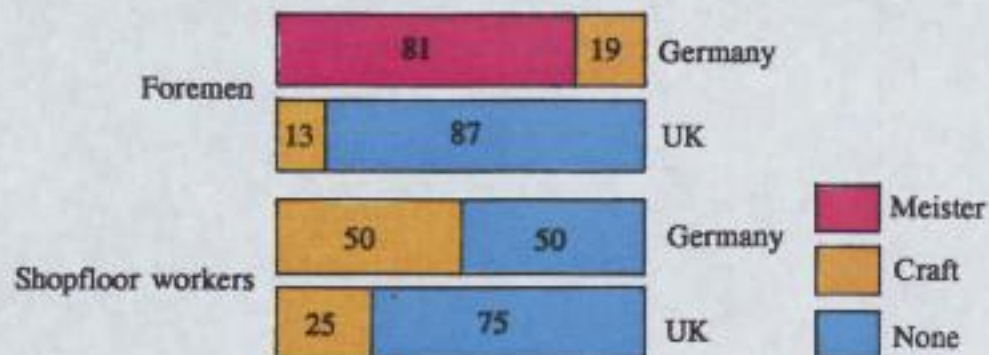
#### No differences found in:

- batch sizes
- normal manning levels per machine
- machine running speeds
- age of machinery

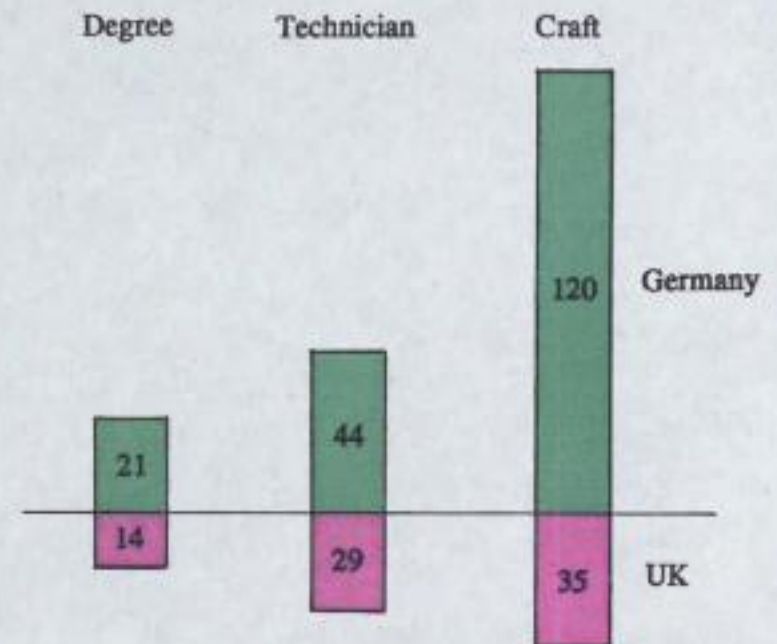
#### Differences in:

- use of automatic feeding devices
- use of numerically controlled machinery
- machine breakdowns
- cleaning of machines by operators

### Qualifications



### Numbers qualifying in engineering and technology 1985 (thousands)



\*Matched plants producing screws, nuts, drill bits, springs, hydraulic valves



## **CBI Report: Towards a skills revolution**

The main points in the CBI report, published in July last year, are as follows:

### **Young people**

- 16-18 year olds should not be employed in jobs without training leading to nationally recognised qualifications.
- Young people should be given the opportunity to manage their own careers ('Careership') through use of personal profiles, including careers advice and support, and a cash credit for every 16 year old to use in the education and training market.
- Need 'world class targets' for foundation learning:
  - by 1995 all young people should attain NVQ level 2\*
  - all YPs should have an entitlement to training, work experience or education leading to NVQ level 3\*
  - by 2000 half of the age group should attain NVQ level 3\*.

### **Employed people**

- Need to set 'World class targets' to make qualifications at craftsman, technician and equivalent levels the norm:
  - by 1995 all employees should take part in company driven training or development activities
  - by 1995 at least half the employed workforce should be aiming for updated or new qualifications within the NVQ framework (with action plans and employer support)
  - by 2000 at least half the employed workforce should be qualified for at least NVQ level 3\*
- By 1995 at least half of medium-sized and larger companies should qualify as 'Investors in Training', treating training as an investment to be systematically planned and evaluated.

### **Institutions**

- Need to give individuals and employers more influence over education and training provision.
- TECs will have a key role as regulators of the local training market, ensuring that employers meet their obligations and providers are responsive to need.
- Remaining ITBs should be placed on a non-statutory basis, but special considerations attach to construction sector.

### **Funding**

- Government should fund: learning costs of courses for young people leading to NVQ level 3\*; training for the unemployed and those with special needs.
- Employers should fund: wage costs of young trainees; job-related training of adult employees.
- Adult employees should fund the cost of training not relevant to their employment, helped by tax allowances.

\* or academic equivalent



PRIME MINISTER

From: ROBERT JACKSON  
PUSS, DES  
Date: 24 January 1990

### TRAINING

#### THE PROBLEM

1. No serious doubt that one of the causes of Britain's uncompetitiveness is the relatively poor level of training in our workforce. NIESR research by S Prais, etc. Important to boost training of existing workforce - various schemes now in operation. But continuing problem at the source: relatively low proportion of British 16/17/18 year olds staying on in full-time education and training, or receiving part-time education and training. (75% in the UK, most of them only part-time, compared with virtually 100% in Germany and over 90% in Japan.)
2. An important consequence is that British workers are more difficult to train and retrain in later life: they lack the basic grounding instilled elsewhere.

#### THE CAUSES OF THE PROBLEM

3. A large socio/cultural/economic phenomenon like this will have many causes. An important one is negative experience in pre-16 schooling among many less academic youngsters: our school reforms are designed to address this problem.
4. There is, however, one fairly straightforward economic explanation. From the point of view of any particular company, it is almost always cheaper to pay a higher wage to attract a worker trained by someone else than to undertake the training oneself. The consequence is that there is little incentive for companies to train, so that they under-provide training and bid-up wages instead. In a free market this should create incentives for individuals to train. But in Britain, because of powerful trade union pressure on differentials, the premiums for skill are also available to semi and un-skilled labour. (For example, trainees' pay as a proportion of adult earnings in the chemical industry in the UK is 78% compared with 37% in Germany. The corresponding figures in the electrical industry are 55% and 22%).

#### DEALING WITH THE PROBLEM

5. Open society countries respond to these general problems - amounting to a 'training gap' - in a variety of ways. Trade Union pressures against differentials are generally resisted, but can nowhere be eliminated. So the common factor in training policies is state intervention in varying degrees and in different directions. In some countries compulsion is directed to the young person: each is required to undergo a course of training or education of a certain level until the age of, say, 18. In others, the intervention is directed to companies: They can only employ people under a certain age on the basis that a certain amount and level of training is offered. In others compulsion is placed upon taxpayers: they are taxed to provide subsidies for training. Although the forms of intervention vary, its intensity seems to be greater in the continental countries than in the Anglo-Saxon world: the 'training gap' is least in Germany, and most in Britain, Australia and New Zealand. (The US and Japan seem to be an intermediate case - with relatively weak trade unions and strong social conventions standing in for legislative compulsion to stay on 'in college'.)



## THE BRITISH CASE

6. In Britain, the forms of intervention have changed over the past decade. We inherited a focus on compelling companies to train, through the Training Board/levy system. This was dismantled in the early 1980s. The focus of compulsion then shifted to the taxpayer: public subsidies to training, notably through the YTS, were substantially increased. Now that the role of YTS seems to be played out the question is - where do we go from here?

## HOW TO BRIDGE THE 'TRAINING GAP'

7. If we were re-designing training policy from scratch, we would probably look again at compulsion on companies. But let me exclude this option, if only on political grounds. I also exclude the option of compulsion on 16-18 year olds. We are left, therefore, with the option of a taxpayer subsidy. Where should the subsidy be directed?

8. There is a tendency to assume that training is a supply-side problem, such that public subsidies should be directed toward the improvement of supply. The debate, therefore, focuses on the relative merits of public sector training (schools and FE colleges), private sector training, and in-company training. Much energy is spent in reciprocal criticism and sterile in-fighting about boundaries: the only beneficial effect, so far as I can see, has been a substantial improvement in the market-responsiveness to the public sector trainers.

9. But the problem of training is not a supply-side problem: it is a problem of lack of demand. British companies, and young people, do not demand enough training, for the reasons already stated. (Training is an externality, and the differential wage incentives to train are insufficient.)

10. That is why public subsidy should be directed not to the supply-side, but to the stimulation of demand.

## 'CREDITS' FOR TRAINING

11. This is the intellectual basis for the DES's proposal to transform the existing YTS subsidy into a per capita entitlement to 2 years of training, up to a specified national level, for every school leaver. The basic idea is that each young person will have a 'credit' entitling him or her to training, such that a high-powered effort can be made in the last year in school, and in national campaigns, to encourage each school leaver to make constructive use of his or her 'credit'. At the same time, in the emerging labour market situation, employers will be forced to compete not only in terms of remuneration, but also in terms of willingness to facilitate the encashment of the 'credit'.

12. This approach has the attractively novel characteristic of combining state intervention with the operation of market forces and the strong devolvment of choice to individual young people and employers.



ROBERT JACKSON





Secretary of State  
for Employment

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PRIME MINISTER

TRAINING SEMINAR : 2 FEBRUARY 1990

We are meeting on Thursday to discuss the Training Seminar you have convened at No 10 on 2 February.

You have made it clear that the purpose of the Seminar is to discuss some fundamental issues in training and education, and to lay the groundwork for future decisions. I attach a brief note which sets out my view of the questions we might address at the seminar. I think we should begin by examining whether there is a skills problem, what it is, whether it matters and why it exists; and go on to some of the fundamental questions for the future. We obviously want to avoid a series of broad generalisations or policy conclusions which are not related clearly to identified problems.

I hope that Thursday's meeting will be able to deal with such questions, and that we can agree on how the seminar should be structured and what our collective line should be on the important questions.

I have copied this minute and attachment to Nicholas Ridley, Kenneth Baker, John MacGregor, Malcolm Rifkind, Norman Lamont, Robert Jackson, Tim Eggar and Sir Robin Butler.

M. H.

M H

23 January 1990

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THE SKILLS PROBLEM: Issues and Questions

1. The seminar on 2 February is intended to discuss some fundamental issues about training and skills. This note sets out the background to the skills problem in the UK and four key issues which the seminar needs to address.

IS THERE A SKILLS PROBLEM?

2. Two out of every five people in the UK labour force have no academic or vocational qualifications at GCE 'O' level or equivalent standard. Nearly eight million people have no qualifications at all.

3. In the light of these facts, it is not surprising that according to the CBI one in five firms in Britain currently expects shortages of skilled labour to constrain their output. This is at a time when unemployment is still over 1.5 million. Furthermore, employers in all regions of the country, not just those in the areas of lowest unemployment, claim to have skills problems.

4. Despite the difficulties of international comparisons it is clear that most other advanced economies have much higher participation rates for 16-18 year olds in education and training. This means that their young people enter work with a wider range of skills. It also means that adults have a better base on which to build retraining, upgrading and updating.

5. The available evidence of the number of people obtaining vocational qualifications in engineering, construction, electrical and office work supports this. The numbers of people qualifying in France and Germany are at least double and in some cases ten times UK levels. This is reflected in the qualifications and competence of their labour forces. The skills gap appears to be particularly acute at technician level.



WHAT IS THE NATURE OF THE PROBLEM?

6. These international comparisons do not reflect a new problem. Report after report over a century or more has drawn attention to the threat to our competitiveness from an inadequate skill base. The problem is clearly rooted in the behaviour of employers and in the experience and attitude of individuals.

7. Our recently published survey of training throws light on the problem. A great deal of training is done - in 1986/87 employers spent about £18 billion on training, although 85% of this was wage costs. British companies with the best training systems are the equal of any in the world. But there are too few of them.

8. In the survey only one in four employers had a training plan. One in five admitted to training no-one at all in the previous year. Half the workforce had received no training at all in the previous year.

9. Individuals at work showed little appreciation of the value of training and its relevance and benefit to them. 42% said they could not imagine any circumstances in which they would undertake training at any time in the future. Those who did receive training were typically those who were already the best qualified. For instance, only one in every six people in the labour force who had no qualifications had received any training at all in the past three years. In contrast over half those qualified to at least 'A' level or equivalent standard had done so.

10. In short our training effort is too narrowly based, and too ad hoc. Too many employers are relying on others to train for them; and too many individuals lack the encouragement or the incentive to take the initiative for themselves.



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DOES IT MATTER?

11. By the standards of our main competitors in Europe, North America and the Far East, therefore, our workforce is still undertrained and underqualified. Furthermore there is growing evidence of the impact of that low level of skills on our economic performance. Recent studies comparing similar plants in similar industries in West Germany and the UK suggest that the lower productivity of the British plants is directly attributable to the lower skills of the workforce. In addition our domestic experience is that companies with high investment in training have better business performance.

12. In the 1990s there can only be one future for our industry and economy. Eight out of every ten people who will be in the workforce in the year 2000 are already in the workforce now, and they must be able to cope with the demands of changing markets. With the very slow growth of the UK labour force, compared with rapid rises in the developing world, we have no prospect of competing in the low skill labour intensive industries, where the Third World and Eastern Europe will have an abundance of cheap labour. We have no alternative, therefore, but to become a high productivity, high skill economy, competing effectively with Europe and Japan. If we do not do so, we shall be poorly placed to benefit from the extra jobs which are likely to be created by the Single European Market.

WHY DO SKILLS PROBLEMS EXIST?

13. One reason has been the inadequate foundations provided by basic education. Staying on rates at school have remained low, and standards have been insufficiently rigorous. Many school leavers still require expensive vocational education and training to make up for educational disadvantages. While Government-funded



training schemes have provided for large numbers of (mainly unemployed) young people, too few participants have achieved worthwhile qualifications.

14. Secondly, the differentials between the pay of skilled and unskilled workers have lagged behind those in other countries, and at some times (e.g. during the 1970s) differentials have been highly compressed. This gives the wrong market signals to both employers and employees, so that individuals may not seek training because the long-term rewards are not there. At the same time pay for trainees is relatively high compared with overseas, and the cost of training skilled people can deter employers who fear trained employees will be "poached" from them.

15. Thirdly, the labour market has not responded flexibly to the changing demand for skills. The Government response to training problems between 1950 and 1979 was based on creating new institutions (e.g. Industrial Training Boards and tripartite commissions), and publicly funded training became a response to unemployment. Union control of access to skill through apprenticeship meant inadequate numbers of people being trained in key skills.

16. Most important, neither employers nor individuals were adequately involved in the provision of skills. Employers, as users of skills, paid little attention to planning to meet their own skill requirements, and individuals failed to see training as a way to enhance their employability and standards of living.

#### WHAT HAVE WE DONE?

17. Many of our recent policies will make a vital contribution to helping resolve skills problems. Our educational reforms in schools, further education and higher education will transform the quality of young people leaving school, and the effectiveness of post-school education. Government is spending over £2 billion a



year on training young people and the long-term unemployed, with an increased emphasis on vocational qualifications. Employer-led Training and Enterprise Councils are being established rapidly for local areas, and all 80 will be in place by the end of the year. Employers are increasingly aware of the vital importance of education and training, and are increasingly involved with schools and colleges. The vocational qualification system is being rationalised.

#### WHAT SHOULD WE NOW DO?

18. Against the background of our existing policies, we must ensure that training and education leading to the provision of skills are more closely related to the needs of the economy; that employers and individuals give a much higher priority to training; and that we have an effectively operating training market.

19. We now have some at least of the right frameworks in place, in education and in training. In both areas we are getting away from national top-down policies to locally devised policies and solutions within a broad national framework.

20. In the light of our broad aims and our training and education framework I suggest that the seminar should address five key issues.

#### a) Objectives for the training system

The CBI Task Force report emphasised the need for "world-class" objectives for training. My predecessor set out a development of these objectives (see annex). These were not intended as objectives for government which government should achieve. They were rather an indication of what should be done, and indeed has to be done, to improve the skill base of



our economy to the point which many of our competitors have already reached. The statement of objectives serves to highlight the need for urgent action.

We should therefore consider whether the objectives can serve as a part of our general drive to improve skills, and indeed whether they should be extended to cover the key higher level skills.

b) The responsibility for financing training

For young people, the Government currently pays a large share of the cost of further education and for both income support and training costs in the Youth Training Scheme. This is also broadly the case for long-term unemployed adults in Employment Training. For adult employees, employers have always been responsible for bearing the cost of training their own employees.

The 1990s will see a tighter labour market with a much slower growth in the labour force. This will emphasise the importance of training unemployed people to fill new jobs, and the Government will continue to have a significant role in providing finance, especially for long-term unemployed people. At the same time, we should expect employers, who after all will benefit from the re-skilling of the unemployed, to pay a growing contribution to the training of unemployed people. Employers must also continue to increase investment in the skills of their own employees, in the light of business opportunities and their view of skill requirements.

We must therefore address the issue of how employers can be persuaded to bear a higher share of the cost of training.



c) **Employer attitudes to training**

Far too few employers have clear training objectives or plans, in spite of the recognised link between effective training and company performance. This problem is particularly serious among small and medium-sized companies. As the pace of change increases, we must actively promote the necessity of investing in skills - from management down - as an aid to seizing new market opportunities.

The CBI Task Force identified this as a key problem, and recommended that employers adopting training criteria should become "Investors in Training". Brian Wolfson and the National Training Task Force proposed to Norman Fowler an action programme encouraging employers to invest in their workpeople. Work is now going ahead with the CBI and others to develop criteria of good practice and a "seal of good practice" will be established as a nationally recognised standard for businesses meeting those criteria.

The establishment of TECs themselves will of course have a considerable impact. One of the main objectives of TECs is to encourage employer investment in training, and the activities of TECs at a local level are an essential complement to any national approach.

We should consider what more might be done to promote investment in training by employers.

d) **Individuals**

Individuals must be persuaded to take a greater interest and involvement in their own career development. Our emphasis on employers providing and funding training is clearly right, but the role of the individual has been understated. Individuals are after all the ultimate beneficiaries of



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training: they can earn more; they have greater job security; and they have more fulfilling careers. If individuals demand training leading to qualifications, employers will have to provide it to keep their workforce together.

Several factors might help improve individuals' response to training. The incentive must be there, in terms of adequate rewards following training. The cost of training to the individual must not be excessive: one option worth considering would be tax relief on individuals' training expenditure. There must be good and effective careers advice, currently provided for young people by the Careers Service but not as easily available for adults. Training provision should be widespread and easily available. Apart from employer provision, the developments in further education colleges in providing market skills are important and so is the growth of open learning which enables individuals to be trained off the job.

One possible development leading to a more market-related training system is the introduction of vouchers or credits for young people undertaking training or further education. The CBI Task Force recommended the introduction of a credit system, and if the practical problems can be overcome this would be an excellent way of both putting the purchasing power in the hands of trainees, and introducing a major element of choice (and competition) between training providers. It would of course be necessary to look carefully at the public expenditure implications of such a proposal.

We should discuss how individuals can be given greater "ownership" of their own training and career development, and whether a credits system might be important in creating a market in training.



e) The responsibility for providing training

We must also ensure that existing providers of training are more responsive and accessible to employers and individuals and that we create the conditions in which new providers are able to develop. We have made some progress in recent years. There has always, of course, been a private training sector but it has grown significantly over the last decade. We have also begun the task of making some parts of the public sector more responsive to its customers. But there is more to be done and we need to encourage new and higher quality sources of training. Market forces, including greater competition, should have a significant role to play in achieving this objective.

*By results?*

## ANNEX A

## FRAMEWORK OF NATIONAL TRAINING OBJECTIVES

YOUNG PEOPLE

- By the end of 1992, no young person should be employed in a job without training.
- By the same date, two thirds of our young people should have achieved the National Vocational Qualification Level Two or its academic equivalent.
- By the same date, at least 25 per cent of our young people should reach Level Three - an advanced vocational qualification.
- By the end of 1995 all young people should by the age of 18 have the opportunity to achieve a recognised qualification at Level Two; and
- By the same date at least half should be able to progress to a qualification at Level Three.

ADULTS

- By 1992 all employees should be taking part in company driven or developmental activities.
- By 1995 at least half the employed workforce should be aiming for updated or new qualifications within the National Vocational Qualifications framework and should have individual action plans to which their employers, as well as they themselves, are committed.
- By the year 2000 a minimum of half the employed workforce should be qualified to Level Three of the National Vocational Qualification or its academic equivalent ("A" level).

FIRMS

- By 31 December 1995, all employers, of whatever size, in whatever sector, will have received a seal of approval as an "Investor in People". The National Training Task Force has now set in hand a major programme to this end. This involves setting standards for investment in people and systems to underpin that investment. It involves the whole workforce from the most senior to the most junior. The National Training Task Force will be working with the CBI and others to draw up these standards and translate this into an action programme to begin next year.



TECS

- By 31 December 1991 we should have a fully functioning nationwide network of Training and Enterprise Councils in England and Wales and local enterprise companies in Scotland.

UNEMPLOYED PEOPLE

- We should move eventually towards a point where all unemployed people who have been out of work and claiming benefit for more than six months should be assisted to enter a job with training leading to a recognised vocational qualification.

STANDARDS AND QUALIFICATIONS

- By 31 December 1992 we should have in place a United Kingdom-wide system of National Vocational Qualifications covering all types of employment and all occupational levels up to and including the professions.
- By 31 December 1992 we should have in place a comprehensive and effective framework of sector training organisations, capable of establishing and monitoring standards.



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Caxton House, Tothill Street, London SW1H 9NF

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Permanent Secretary  
Sir Geoffrey Holland KCB

Paul Gray, Esq  
10 Downing Street  
LONDON SW1

23 January 1990

*Dear Sir,*

Training Seminar: 2 February 1990

I write to confirm that, after telephone conversations with you, we have now invited Dr Hermann Schmidt to join us for this seminar.

Dr Schmidt is the Director of the Federal Institute for Vocational Training which is located in Berlin. This Institute plays a key role as a powerhouse in the development of training techniques, technology, curricula and standards. It is a Governmental Institute, funded, as its name suggests by the Federal Government. It lends, as it were, status and stature to the whole subject. There is no equivalent whatsoever in this country.

Dr Schmidt has held his present post for a decade or more. He is a highly respected figure. He speaks fluent English and says he will be very pleased to attend. I have no doubt at all that he will contribute very substantially to our discussions.

I have offered to pay all Dr Schmidt's expenses from Department of Employment funds. We will look after his hotel booking too. And in general we will make sure that he is well looked after both before and after the seminar.

I am copying this letter to John Vereker at DES.

*John*  
*Com*



Employment Service · Training Agency  
Health and Safety Executive · ACAS



## Training facts

The study 'Training in Britain' recently published by the Training Agency provides a benchmark against which to assess future progress in training.

Most of the statistics are for 1986/87:

### Some Good Points

1.5 million person years of training were undertaken in 1986/87 — equivalent to 7% of total person years worked — at a total cost of £33 billion.

0.66 million person years of training were sponsored by employers at a cost of £18 billion.

48% of employees were reported by employers as having received training during 1987/87.

33% of economically active adults said they had received some training in the last three years.

15% increase in the volume of employer training between 1984 and 1986/87 (takes account of both the number of people getting training and the length of training).

46% increase in the proportion of employees receiving training between 1984 and 1988 (refers only to number of people getting training, not length).

### Not So Good Points

3% of economically active adults said they had had no training in the last three years.

42% could not envisage undertaking training in the future.

38% could envisage undertaking training in the future but were not actively considering it.

Only 20% were actively considering undertaking training.

52% of employees were reported by employers as receiving no training during 1986/87.

Only 24% of employers had a training plan.

Only 15% considered the benefits of training.

85% of employers' training costs were labour costs.

## Training Success Stories

COMPANY Hepworth Grandage Ltd  
PRODUCT Piston Rings  
EMPLOYEES 753

Targetted quality as key issue and embarked on training managers, quality control technicians, supervisors and operators.

OUTCOME

- significant improvement in quality
- gained Ford's Q quality award
- sales rose by 50%
- 50% of output now exported to major manufacturers

COMPANY BOC Distribution Services Ltd  
PRODUCT Transport of perishable food  
EMPLOYEES 1900

Targetted cost saving and productivity improvement and embarked on a 'management of change' training and development exercise involving 164 managers.

OUTCOME

- cost savings of £100,000
- 10% increase in productivity
- recovered training investment with a year

COMPANY Kitchens Direct Ltd  
PRODUCT Kitchen units  
EMPLOYEES 700

Errors in deliveries had meant high costs and poor reputation. Introduced broad based customer care training programme for surveyors, drivers, warehouse staff and customer service staff.

OUTCOME

- fall of 42% in costs of replacing or supplying parts to rectify errors

COMPANY Fitness for Industry  
PRODUCT Management of health and fitness clubs  
EMPLOYEES 170

Identified skills needed by instructors and introduced substantial training programme for both new and existing staff. Now developing NVQ for instructors.

OUTCOME

- 53% increase in sales
- 100% increase in net profit



## UK and Germany productivity – Hotels

### Germany

4.01



Guest nights per employee



### UK

#### London

2.7



Guest nights per employee



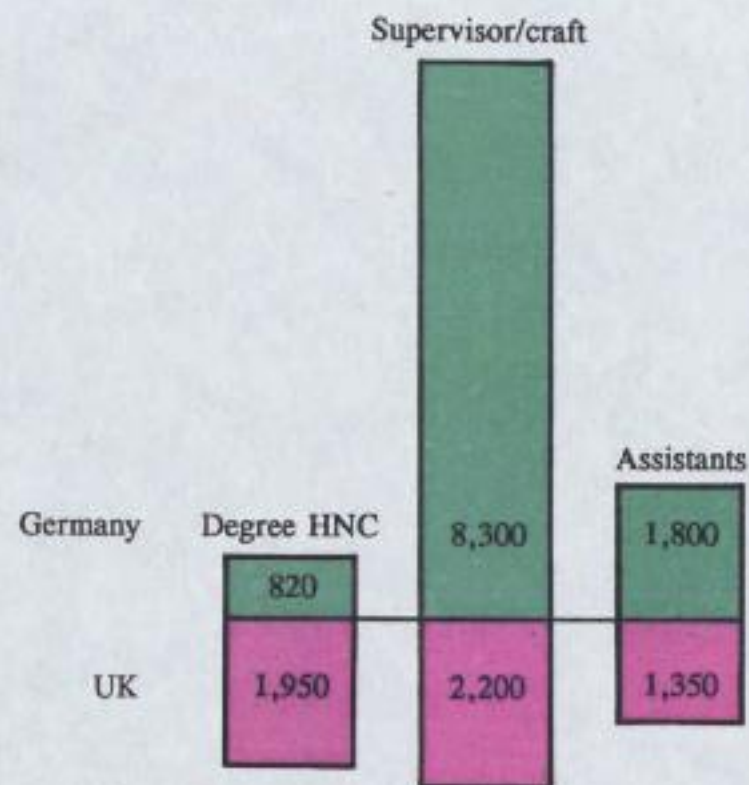
#### Provinces

2.0



Guest nights per employee

### Persons qualifying for hotel occupations



## UK – Germany productivity comparisons – Metal working\*

### Output per worker



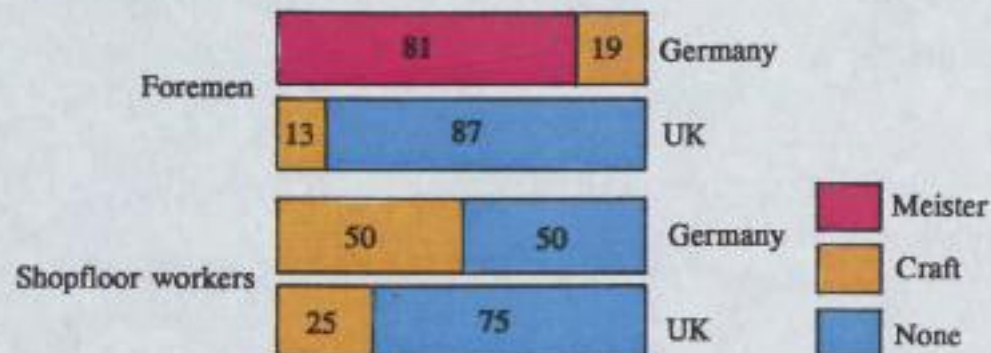
#### No differences found in:

- batch sizes
- normal manning levels per machine
- machine running speeds
- age of machinery

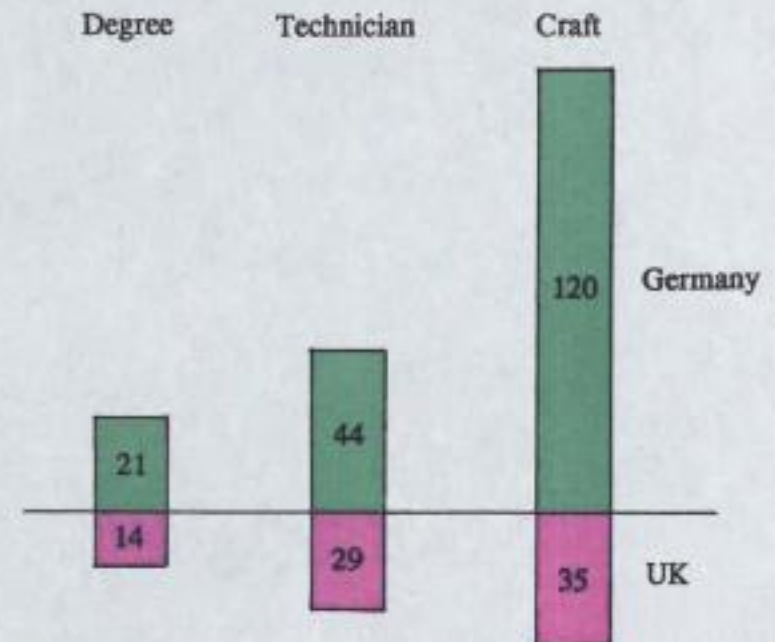
#### Differences in:

- use of automatic feeding devices
- use of numerically controlled machinery
- machine breakdowns
- cleaning of machines by operators

### Qualifications



### Numbers qualifying in engineering and technology 1985 (thousands)



\*Matched plants producing screws, nuts, drill bits, springs, hydraulic valves



## **CBI Report: Towards a skills revolution**

The main points in the CBI report, published in July last year, are as follows:

### **Young people**

- 16-18 year olds should not be employed in jobs without training leading to nationally recognised qualifications.
- Young people should be given the opportunity to manage their own careers ('Careership') through use of personal profiles, including careers advice and support, and a cash *credit* for every 16 year old to use in the education and training market.
- Need 'world class targets' for foundation learning:
  - by 1995 all young people should attain NVQ level 2\*
  - all YPs should have an entitlement to training, work experience or education leading to NVQ level 3\*
  - by 2000 half of the age group should attain NVQ level 3\*.

### **Employed people**

- Need to set 'World class targets' to make qualifications at craftsman, technician and equivalent levels the norm:
  - by 1995 all employees should take part in company driven training or development activities
  - by 1995 at least half the employed workforce should be aiming for updated or new qualifications within the NVQ framework (with action plans and employer support)
  - by 2000 at least half the employed workforce should be qualified for at least NVQ level 3\*
- By 1995 at least half of medium-sized and larger companies should qualify as 'Investors in Training', treating training as an investment to be systematically planned and evaluated.

### **Institutions**

- Need to give individuals and employers more influence over education and training provision.
- TECs will have a key role as regulators of the local training market, ensuring that employers meet their obligations and providers are responsive to need.
- Remaining ITBs should be placed on a non-statutory basis, but special considerations attach to construction sector.

### **Funding**

- Government should fund: learning costs of courses for young people leading to NVQ level 3\*; training for the unemployed and those with special needs.
- Employers should fund: wage costs of young trainees; job-related training of adult employees.
- Adult employees should fund the cost of training not relevant to their employment, helped by tax allowances.

\* or academic equivalent

Education Department  
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**Jennifer Wisker**

Chief Education Officer

Telephone Taunton (0823) 333451

*Somerset County Council*



Telex 46682

Fax (0823) 255258

Mr P Gray  
Private Secretary  
10 Downing Street  
LONDON  
SW1A 2AA

please ask for

**Jennifer Wisker**

extension

**5770**

my reference

**JW/MNF/S048.EDL**

your reference

23 January 1990

Dear Mr. Gray

Thank you for your kind invitation to the Prime Minister's seminar to be held at Downing Street on Friday, 2 February 1990, commencing at 10.15.

I am very pleased to accept.

Yours sincerely

*Jennifer Wisker*

JENNIFER WISKER





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 January 1990

**E(A) DISCUSSION OF TRAINING**

Thank you for your letter of 9 January concerning attendance at the Training Seminar on 2 February. Given the constraints on numbers the Prime Minister has decided to invite just Sir David Nickson from the names you suggested.

(PAUL GRAY)

Jim Gallagher, Esq.,  
Scottish Office.



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

23 January 1990

*Dear Stephen,*

**E(A) DISCUSSION OF TRAINING**

Thank you for your letter of 16 January concerning possible Welsh representatives at the Seminar on 2 February. Given pressure on numbers the Prime Minister has decided just to invite Sir Melvyn Rosser. I am enclosing for information a list of those attending. We will be circulating the full record of the proceedings after the Seminar.

*Yours,  
Paul*

(PAUL GRAY)

Stephen Williams, Esq.,  
Welsh Office.





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 January 1990

*Dear Clive,*

**SEMINAR ON TRAINING**

The Prime Minister will be holding a preliminary meeting on Thursday 25 January to discuss the handling of the Training Seminar on Friday 2 February. Your Secretary of State and the other Ministers attending the Seminar may care to see the attached full guest list for 2 February, together with the outline programme for the day. Ministers and officials attending the Seminar are invited to the preliminary meeting on 25 January.

I am sending a copy of this letter to Stephen Crowne (Department of Education and Science), Jim Gallagher (Scottish Office), Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Neil Thornton (Department of Trade and Industry), Steven Bainbridge (Minister of State's Office, Department of Employment) and Miss H. Bennett (PUSS's office, Department of Education and Science) and Sir Robin Butler (Cabinet Office).

*Yan,  
Pc*

(PAUL GRAY)

Clive Norris, Esq.,  
Department of Employment.

## MINISTERS

Prime Minister

Mr. Howard

Mr. MacGregor

Mr. Rifkind (who may not be able to attend)

Mr. Baker

Mr. Ridley

Mr. Eggar

Mr. Jackson

## OTHERS

Lord Young

Allen Sheppard, Grand Metropolitan and National Training Task Force

David Gwyther, Showerings and TEC Chairman for Somerset

Charles Darby, Bass and TEC Chairman for Birmingham

Sir Bryan Nicholson, Post Office Chairman of CBI Task Force on Training

Bob Reid, Chairman of Shell UK and British Rail Chairman designate

Dr. David Quarmby, Sainsburys

Ms. Jennifer Wisker, Chief Education Officer, Somerset

John Capey, Principal, Exeter College of Further Education

Michael Green, Carlton Communications

Professor Bhattacharyya, Warwick University

Professor Sir Frederick Crawford, Vice-Chancellor, Aston University

## OPENING SPEAKERS

Brian Wolfson, Chairman of National Training Task Force

Bob Horton, Chairman of BP

Michael Rowarth, Principal of Newcastle College

Ian Gibson, Chief Executive of Nissan UK

Professor Peter Toyne, Rector of Liverpool Polytechnic

Andrew Collier, Chief Education Officer for Lancashire County Council

Sir Denys Henderson, Chairman of ICI

Sir Melvyn Rosser, Training Enterprise & Education Advisory Group

Sir David Nickson, Scottish Development Agency

Stan Siebert, Birmingham University

## OFFICIALS

Sir Geoffrey Holland (DES)  
Mr. Roger Dawe

John Caines (DES)  
John Vereker

Richard Wilson (CO)

Andrew Dunlop (Policy Unit, No.10)

Paul Gray (No.10)



PROGRAMME

Opening Speakers

Session 1: Why Training?

Brian Wolfson

Session 2: Young People

Bob Horton, followed by Michael  
Howarth

Session 3: Employees in  
Employment

Ian Gibson, followed by Peter Toyne

Session 4: Providers

Andrew Collier, followed by Sir  
Denys Henderson



File

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 January 1990

I am writing to confirm that the Prime Minister will be holding a seminar at Downing Street on Friday, 2 February to discuss training. She is very pleased to hear that you will be able to attend. The intention is for this to be a private discussion ranging fairly widely over the subject.

The timetable for the day is to start over coffee at 1015, with discussion concluding at about 1600. The day will be divided into four main sessions, with a break for lunch here at No. 10. The four sessions will be:

1. Why Training?
2. Young People
3. Employees in Employment
4. Training Providers

For each session there will be some brief introductory comments, but with most of the time reserved for discussion.

Total attendance will be around thirty, mainly comprising Government Ministers, business leaders and training providers. I will let you have a full list of those attending and a detailed programme for the day nearer the time.

PAUL GRAY

Dr. Stan Siebert

Dept of Industrial Economics and business Studies, Birmingham Univ,  
Edgbaston, B15 2TT





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*From the Private Secretary*

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PAUL GRAY

Sir David Nickson, K.B.E., D.L.



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PAUL GRAY

Sir Melvyn Rosser, D.L.



**PART** 22 **ends:-**

DES to PG - 19.1.90

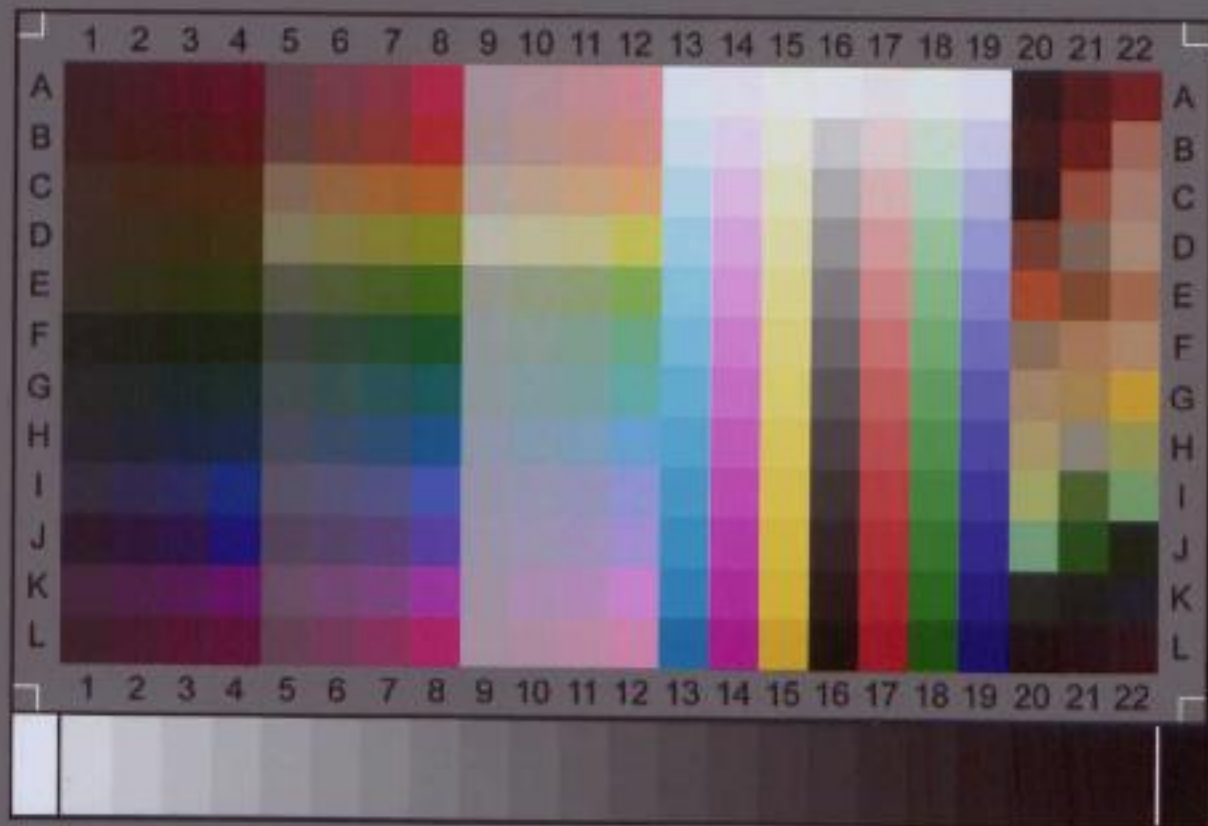
~~PG to Sir Bryan Nicholson~~

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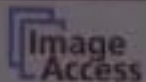
**PART** 23. **begins:-**

PG to Dr S. Siebert <sup>23.1</sup> ~~19.1.90~~

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IT8.7/2-1993  
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Charge: R090212