The levy-grant system that operated under Britain's 1964 Industrial Training Act was the most effective incentive mechanism for increasing the volume and improving the quality of training. Strengths of the act's Industrial Training Boards (ITBs) were employer-funded training, collection of data on training in companies to guide planning, and improvement of traditional areas of training. However, the ITBs were relatively independent of central government interventions, resulting in the perception of interest groups represented on them that they controlled the boards; ITBs also failed to fulfill a national labor force planning function. The 1973 Employment and Training Act attempted to overcome shortcomings of the 1964 act by introducing central coordination and planning of national labor force policy. It weakened instruments for its implementation by amending the levy system and exempting small firms. Introduction of state funding made ITBs dependent on government needs and vulnerable to changes in policy, and it subordinated industrial requirements to those of the central government. After 1979, the ideological thrust of the government's policy toward nonintervention and public expenditure cuts resulted in abolition of most ITBs and reliance on firms to identify and meet their own training needs. However, the voluntary arrangements that replaced ITBs had no powers to raise a levy, no incentive or control mechanisms over training, and no information on training carried out in companies for planning.

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The effectiveness of training boards: A case study of the United Kingdom

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Introduction

The experience of training boards in the United Kingdom is largely historical, since all but one of the boards which were set up following the 1964 Industrial Training Act have been abolished or privatised. By 1990 the Construction Industry Training Board was the only one that remained. In all other sectors, employers' associations have been made directly responsible for training or private companies have taken on a consultancy role on training matters. This occurred as the Conservative government (1979 - present) sought to reduce state intervention and public expenditure and has increasingly devolved responsibility for training matters to employers themselves.

The Industrial Training Boards (ITBs) were not static institutions but underwent three distinct phases of operation: the initial period between 1964 and the introduction of the 1973 Employment and Training Act, during which they operated a levy-grant system for redistributing training costs; a second period in which the tripartite Manpower Services Commission (MSC) was set up to oversee the operation of the ITBs and national labour market policy. During this period the state itself paid the administrative costs of the ITBs and the levy-grant mechanism was replaced by a weaker, more bureaucratic levy-exemption system. State funding also grew through the development of government schemes for the unemployed which the boards were expected to administer. This had the effect of giving central government increasing influence over the operation of the boards. Finally, in 1981 the Conservative government abolished 17 of the 24 ITBs. Although those that remained including the Construction and Engineering ITBs still covered a substantial proportion of the workforce, state funding of administrative costs was withdrawn and structures shifted to favour employer interests. As the recession deepened, increasing emphasis was placed on funding sectoral training needs through training schemes such as the Youth Training Scheme, aimed primarily at the young unemployed. In 1988 the Manpower Services Commission was abolished and, since then, the remaining boards have been privatised. At local level Training and Enterprise Councils, dominated by employers' representatives, have been set up to administer schemes for the unemployed.

In the United Kingdom, training boards have been a changing institution and, since the majority no longer exist, the analysis presented here will take the form of a retrospective view of their operations. In addition, brief reference will be made to the employer-dominated bodies, which have been set up to replace them, with the aim of comparing and contrasting their ability to meet the objectives of training policy. However, it must be stressed that the last decade has been a period of rapid policy change and the failure of the market model of training is now producing calls for the reintroduction of a statutory training levy. This report will therefore point out the strengths and weaknesses of the different phases in the operation of the training boards, in particular, those relating to level of organisation (sectoral, national, local), to different systems of funding and encouraging training and to the involvement of different interest groups in the processes of policy-making and implementation.
The training system and broader sets of social institutions

In every country the system of industrial training is embedded in broader societal institutions. Maurice et al have identified the relationship between the system of industrial relations and patterns of work organisation in the firm as being significant. (1986) In the United Kingdom, the regulation of employment by craft unions has contributed to the informality of collective bargaining, to the existence of highly segmented internal labour markets and a laissez-faire approach of the state to the regulation of the employment relationship. Education has therefore been seen as the responsibility of the local education authorities and vocational training as a matter for individual employers and employees (Sisson, 1989:17). Therefore, even when the tripartite industrial training boards were at their strongest, employers continued to exercise control over the numbers of employees receiving training through their control of the recruitment process.

In addition, training programmes are sometimes viewed as a panacea for problems of industrial strategy. Training is not a substitute for a policy of encouraging investment in new technology, but in combination with other policies can contribute to the objectives of economic and social policy. Training is also embedded in existing sets of social relations and therefore reforms to the training system are not unproblematic. They may evoke a defensive response from the different parties affected by it.

Finally, it is important to make a clear distinction between different types of training. For companies, initial and continuing training are most important to competitive strategy though employers may prefer firm-specific to transferable skills. Trade unions, in contrast, have an interest in seeing their members receive training in transferable skills which are widely recognised in the labour market. They may wish to restrict training to their own members to increase bargaining power or to extend them to wider groups of workers to increase access and equality. Governments may also be concerned with training for the unemployed or for those about to be made unemployed through redundancy and technological change. All types of training may involve considerations of efficiency and equality, but the state and employers may have different perceptions of their responsibilities for training and thus of their need to make a financial contribution towards it.

Background to the establishment of the industrial training boards

In the post-war period the state was progressively drawn into intervention in industrial training as laissez-faire policies resulted in the emergence of periodic skill shortages. There was a belief amongst educational and industrial policy-makers that a general process of upskilling was taking place, requiring higher levels of skill and general education for all workers. Arguments were put forward for an extended and reformed period of secondary schooling and for the state to take a more active part in post compulsory education and industrial training (Finn, 1987:36). Though the growth in the numbers of young people entering the labour force in the 1960s exacerbated concern about low levels of training, there were underlying problems of failure to modernise industrial training and to train at the same level as the United Kingdom's industrial competitors abroad (Perry, 1976). This coincided with the perception of the need for the increasing involvement of the state in economic and incomes policy (Vickerstaff:1985:51). The involvement of the trade unions in the latter was complemented by the perception of their ability to disrupt any attempts to modify the existing apprenticeship system (Vickerstaff: 1985:53). Therefore from the outset it was envisaged that the establishment of training boards would involve the devolution of policy-making to the representative interest groups of capital and labour, as well as to educational interests. There was a consensus amongst both the major political parties that training reform was needed.
The 1964 Industrial Training Act

This Act was passed by the Conservative government but implemented by the incoming Labour Government. The main functions of the boards were:

a. to take advantage of existing facilities and training;

b. to research new and further training;

c. to establish standards and, if necessary to use selection and skill tests to measure achievement;

d. to recommend further education courses;

e. to carry out labour force planning;

f. if necessary, to take direct action to fill any shortfall in the skills and training needed by industry by taking on apprentices and trainees themselves. Provisions were also made for coordination between training boards, so that working contacts and joint committees could be established where there were overlapping interests (Terry, 1967:75).

Membership of the boards

An independent chairman with industrial or commercial experience was appointed for each board. The members of the board were made up of an equal but unspecified number of employer and employee representatives, together with representatives from further and technical education. Nominees of the Minister of Labour, the Secretary of State for Education and Science and any other Government Minister with an interest in a particular meeting could also attend. With the Minister of Labour's approval, the training board could appoint specialist committees to serve it (Terry, 1967:76-77).

Finance

The mechanism whereby the ITBs encouraged training was through the statutory levy. This was envisaged as a redistributive mechanism which would enable firms which did not train to make a contribution towards the costs of those that did invest in training. The Act states "(f)or the purpose of raising money towards meeting its expenses an industrial training board shall from time to time impose, in accordance with an order made by the Minister ....a levy on employees in the industry, other than such (if any) as may be exempted from levy order or the industrial training order" (Terry, 1967:78). Whilst the levy served as a sanction to companies failing to train, the mechanism of awarding grants for training meeting standards of quality and quantity provided an incentive mechanism to firms. In order to fix the levy and to decide on the distribution of grants, firms were obliged to provide information to the boards on the training they undertook, thus providing the basis for labour force planning at industry level. The level of the levy was fixed by each ITB. The Engineering Industry Training Board's was fixed at 2.5 per cent of payroll though it was lower in other sectors. The Government could make grants or loans so that the ITBs could be set up and new training facilities established where necessary. (In fact, much of the training supported by the boards took place in existing technical and further education colleges and company schools, though new training schools were also set up.) A Central Training Council was set up to advise the Minister of Labour on the implementation of the Act, the composition of which mirrored that of the ITBs (Terry, 1967:80).

The establishment of the training boards

The 1964 Act was introduced only after consultations with a wide range of representatives from industry. After the Act was passed, consultations with these same interest groups produced agreements on the sectoral scope of specific boards. By the end of 1966 17 boards
had been set up covering the following sectors: wool; iron and steel; construction; engineering; shipbuilding; electricity supply; gas; water supply; ceramics, glass and mineral products; furniture and timber; man-made fibres; carpet industry; knitting, lace and net industry; cotton and allied textiles; agriculture, horticulture and forestry; road transport and vehicle repair; and hotel and catering.

A further seven to twelve boards were envisaged, in some cases boards built on existing voluntary arrangements, as in the wool, engineering and iron and steel industries. The boards for the largest industries were set up first. The Engineering Industry Training Board initially covered establishments with 3.5 million employees. This compared to only 40,000 employees covered by the Carpet Industry ITB.

The achievements and shortcomings of the 1964 Act


1. The ITBs represented an ‘ingenious compromise’ between leaving control in the hands of those directly concerned with training and providing a self-financing mechanism, whilst avoiding direct intervention by the central state.

2. In qualitative and quantitative terms the volume of training increased, accompanied by a serious approach to the training of trainers and a spectacular growth in group training schemes.

3. The Act focussed the attention of employers and unions on industrial training and established a forum in which common interests could be discussed that was conducive to improved industrial relations.

4. Lack of coordination between the ITBs resulted in duplication and the failure to facilitate the transfer of labour from declining to expanding industries. The Central Training Council did not have the powers to perform this function. The ITBs had failed to develop a functional approach to common core skills, transferable across industries. Whilst they were able to address sectoral skill requirements, they were not integrated into an overall, national labour force policy and were poorly adapted to meeting regional needs. The ITBs did not extend to all economic sectors.

5. Relatively little progress had been made on the reform of apprenticeship and the establishment of standards of achievement, although the Engineering Industry Training Board’s module system for engineering craft training was an outstanding example of how the boards contributed to the modernisation of apprenticeship training.

The 1973 Employment And Training Act

In response to criticisms of the ITB system, particularly from the small firms lobby, the Employment and Training Act was passed. This had the effect of weakening the powers of the ITBs by replacing the levy-grant system with a levy-exemption system and excluding small firms from levy contributions. Under this system, firms which demonstrated that they were training for their own requirements were to be exempted from levy payments. Levy-exemption is more bureaucratic and rests on the premise that national or sectoral requirements equal the sum of the requirements of individual firms. It is no coincidence that in the construction industry where many firms are unable or unwilling to train because of their small size and employment of casual labour the stronger levy-grant system was retained (Rainbird and Grant, 1985). Provisions were made for the Manpower Services Commission (MSC) to be set up, to take responsibility for public employment and training services. Like the ITBs, it
was constituted on a tripartite basis. The Training Services Division of the MSC took over the administrative costs of the ITBs and provided grants for selected training activities. The passing of responsibility for the ITBs to the MSC resulted in many employers perceiving that the boards had lost their independence and were increasingly becoming arms of state policy (Stringer and Richardson, 1982: 27-8). The Act ‘simultaneously extended tripartite coordination and legitimation at the central, national level in the MSC and undermined the practical effectiveness of this new central cohesion by denuding its lower echelons - the ITBs - of some of their powers’ (Vickerstaff, 1985: 57). This effectively heralded a more active role for the state, with the corollary of increasing resistance from employers and drew the state into ever-increasing levels of support for public training programmes. The MSC therefore became a ‘national neo-corporatist consensus for making plans’, but which had ‘no detailed neo-corporatist machinery for putting them into practice’. Its policy style was characterised by ‘ad hocery’, ‘expediency’ and ‘a lack of coherence’ (Vickerstaff, 1985: 59).

The economic crisis deepens

In the 1970s, restructuring of the economy resulted in a rise in unemployment and a decline in levels of industrial training. A number of special measures were introduced and between 1975 and 1977 the MSC supported 75,000 training places in industry. These measures ‘generalised and made permanent the counter-cyclical involvement of public agencies in industrial training, a process started by a few ITBs in the early 1970s’ and by 1981 ‘financed about one third of Britain’s 90,000 apprenticeships’ (Anderson and Fairley, 1983: 198). By the late 1970s, MSC expenditure had shifted away from skill training and towards social programmes albeit with a training content. Thus at a time when employers were decreasing the amount they spent on training, the state assumed increasing importance in financing training, though much of it was directed towards policies primarily of a social rather than industrial nature.

The incoming Conservative government in 1979 was concerned to reduce public expenditure and trade union influence in policy-making. State support for the running costs of the ITBs was phased out and, in 1981, the MSC conducted a review of the the 1973 Act, consulting all the major interest groups on the operation of training arrangements in each industrial sector. Despite the MSC’s failure to recommend closure of any of the ITBs, the government ordered the abolition of 17 of the 24 ITBs under the powers of the 1981 Employment and Training Act. The Trades Union Congress greeted this as ‘frankly incredible’ and the white collar union AUEW(TASS) called it ‘an act of industrial vandalism’ (Rainbird, 1990: 13). Six boards were retained, including the Engineering and Construction ITBs, whilst the Petroleum ITB became Off-Shore Oil. (The Agricultural Training Board was also retained but this was the responsibility of the Ministry of Agriculture, Fisheries and Food, not the Department of Employment.)

Even after these changes, the ITBs continued to cover about 30 per cent of the workforce. The entire costs of running the boards fell to employers, who were given a two stage veto on voting matters relating to the raising of the training levy.

In those sectors where the ITBs were abolished, employers’ associations had to demonstrate that viable alternative voluntary arrangements were in place. Effectively all forms of monitoring of training quantities and quality were removed and with them the incentive and control mechanism of the levy-exemption process. In addition, although it was anticipated that these ‘Non-Statutory Training Organisations’ would work with trade union interests, there was no provision for equal representation with employer interests on their governing bodies. Initially, many trade unions refused to cooperate with them in protest at the abolition of the ITBs. The NSTOs range from the very effective one found in the chemical industry through to those that have been criticised as poorly funded and ineffective (Transition, November, 1987: 5).
In 1988, trade union representation was reduced on both the ITBs and the Manpower Services Commission, giving greater weight to employer interests. By the end of 1988, the government had abolished the Manpower Services Commission due to the Trades Union Congress' refusal to cooperate with Employment Training, a scheme to make unemployed adults work for Social Security benefit. The winding up of the remaining ITBs was proposed alongside the setting up of Training and Enterprise Councils (in Scotland they are called Local Enterprise Councils and have some additional functions to those in England and Wales) which administer state-funded training programmes at local level. These are dominated by employer interests.

Industry training bodies: The current situation

At present, one statutory ITB remains, the Construction Industry Training Board, although its future is uncertain. In this industry, the employers' associations argued strongly in favour of retaining statutory arrangements due to the special features of the construction industry (site- rather than factory-based production, a highly skilled and mobile labour force, the problems of high levels of casualism and self-employment, labour sub-contracting). A recent survey by HOST Consultancy (1991) of industry training bodies found a total of 123. A review of their work showed that they were engaged in work on occupational standards, in developing sectoral training products and services - an improvement on an earlier survey in 1987. However, the report points to three major problems. Firstly, they lack stature, especially with the shift of focus of training policy to local level with the development of the TECs and LECs. As a result, managers in companies are often uncertain where to turn for information and advice. Secondly, these bodies rely on voluntary contributions from employers and are inadequately funded. Their only other source of income is revenue generated from the provision of training. Thirdly, unlike the ITBs, they have no powers to compel their members to produce a training plan. They therefore tend to concentrate on currently identified training needs, rather than longer-term planning and development work.

An assessment of the British experience of training boards

It will be seen from the preceding sections that training institutions have undergone a series of major changes since the 1964 Industrial Training Act was introduced. Whilst some of these developments have involved incremental changes to existing institutions, more recently they have involved the wholesale abolition of existing structures. The evidence would suggest that this level of policy instability is counterproductive to a system which requires a long-term assessment of training needs and the development of curricula to meet these needs. It is also questionable whether voluntary organisations, controlled by employers, as favoured by the Conservative government, are able to give consideration to long-term and cross-sectoral requirements. The fact that many influential bodies are now calling for the reintroduction of a statutory levy provides evidence that the question of the most appropriate institutional structures for vocational training has not yet been resolved.

The experience of the ITBs in Britain appears to suggest that the levy-grant system which operated under the 1964 legislation was the most effective incentive mechanism for both increasing the volume and improving the quality of training. At the introduction of the 1973 legislation, it was argued that it had served its purpose as a 'once and for all' catalyst to training and was no longer necessary. However, at the time, Perry questioned the validity of this argument. This was because it assumed that the majority of firms whose training performance was even then below nationally acceptable levels would shortly reach the requisite standards. It also assumed that, having reached them, they would maintain them. Finally, it assumed that changes in training techniques demanded by changing tech-
nologies would be developed, disseminated and incorporated into company training schemes without the help of specialist organisations devoted to this task (1976: 314). A further criticism has been that employers trained to avoid paying the levy rather than because they were committed to training. If this was the case, then the abolition of the levy-grant mechanism was even less justified.

The fact that employers themselves funded training through the levy grant system was one of the strengths of the 1964 legislation, whilst the relative independence of the boards from central government interventions resulted in the perception by the interest groups represented on them that they did indeed control the boards themselves.

Under the 1964 legislation, the ITBs were effective in meeting sectoral needs through the combination of the levy-grant and their ability to collect data on training in companies, which allowed them to plan for future skill requirements of their industries. However, their weakness in coordination and in fulfilling a national labour force planning function contributed to the modifications introduced by the 1973 legislation.

In terms of the training activities covered, the boards were very good at improving traditional areas of craft apprenticeship training. They were less able to meet the training needs of unskilled and semi-skilled workers, the continuing training needs of employees and the needs identified by small firms for on-the-job training. They were therefore effective in serving the interests of large employers and craft unions, but less so in meeting the needs of small employers and employees represented by general unions.

The 1973 legislation attempted to overcome some of the short-comings of the 1964 Act by introducing central coordination and planning of national labour force policy. However, it weakened the instruments for its implementation by amending the levy system and by exempting small firms from payment. The introduction of state funding for the running costs of the ITBs made them dependent for the first time on the exigencies of government. With this financial dependency came a vulnerability to changes in policy and a subordination of industrial requirements to those of central government (Perry, 1976: 314). These changes in funding and control exacerbated the problem of how to maintain incentives to employers to train in a recession whilst making provision for the training of the unemployed.

After 1979, the ideological thrust of the Conservative government's policy was towards non-intervention and public expenditure cuts. The result was the abolition of the majority of the ITBs and a reliance on firms to identify and meet their own training needs. However, by 1983, the scale of unemployment made the development of the Youth Training Scheme politically expedient. This was developed in the absence of an employment policy or industrial strategy, or training institutions, such as the ITBs, to implement it. As a result, many of the places provided for young people under the YTS scheme were in small firms and the service sector, where it contributed to labour substitution and casualisation.

The voluntary arrangements which have replaced the ITBs clearly have a number of failings. They have no powers to raise a levy and therefore no incentive or control mechanism over training. They have no information over the training carried out in companies and are therefore unable to plan ahead. Although the Labour Force Survey collects data on training, this is individual rather than company data. Recent attempts to estimate spending on training in companies have been severely criticised.
on methodological grounds and certainly overestimate expenditure (Ryan, 1991). In addition, the development of TECs and LECs is likely to increase the use of state funding for the short-term training requirements of firms and they have no powers over the firms in their areas to encourage or compel training.

In devolving training policy to employers and their organisations, the government has effectively excluded trade unions from this important area of public policy. The exclusion of trade unions from authoritative decision-making at national, local and sectoral level is complemented, by and large, by the absence of a forum for involvement in decisions on training in the workplace. The effect of this has been to emphasise the conflictual rather than the consensual aspects of training, and to politicise education and training as electoral issues.

**Conclusion**

There are no simple conclusions on the ideal model for training boards which can be drawn from the British experience. Despite the shortcomings of the 1964 legislation, which have been outlined above, the system of Industrial Training Boards it established appears to have been the most effective mechanism for achieving the objectives of increasing volumes of training, controlling quality and planning for the future, under the control of industry interest groups. Nevertheless, it was not able to solve the problems of national, sectoral, local and plant-level coordination. Above all, the most important conclusion to draw from the British experience is that the key objective of training policy must be to create mechanisms which encourage the establishment of a long-term approach to planning and development, underpinned by institutional stability.
References


