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ABSTRACT

Although employment has increased, Great Britain faces rising unemployment due to the large number of school leavers. New jobs are there, but many are in the service sector, traditionally for women and mostly part-time. Unions demand high starting wages that are a disincentive for employers to hire young people and pay raises that make job creation more difficult. The United Kingdom has been complacent about training. Firms are not keen to invest in training and cut back funding for training programs during recessions, and the government is skeptical about formal training systems. Four approaches are now underday to clarify what employers should be doing and to identify where training needs are and where the skilled requirements of the future may lie. These approaches are: (1) to convince managers to assume a greater role in training, (2) to improve students' perception of their future and of the jobs and skills they will need, (3) to meet specific requirements to prevent specific shortfalls in skills, and (4) to ensure the adaptability of the work force. (Questions and answers are appended.) (YLB)

Trends in Manpower and Educational Development: A British Perspective

Keith Hampson

Occasional Paper No. 104

THE NATIONAL CENTER
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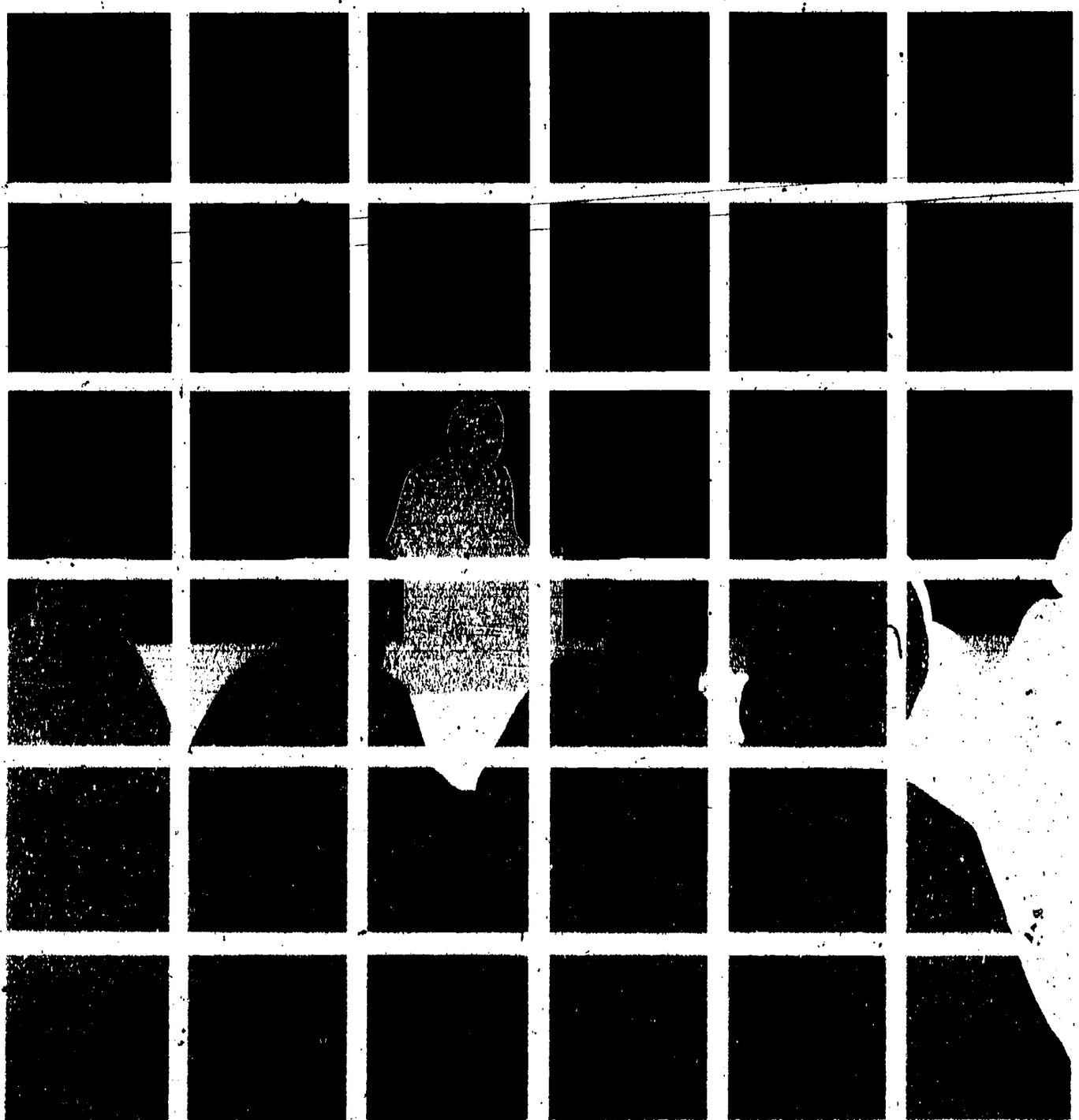

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TRENDS IN MANPOWER AND EDUCATIONAL DEVELOPMENT: A BRITISH PERSPECTIVE

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1985

FOREWORD

Changing labor market requirements and their effects on education and training programs are very timely topics given our rapidly evolving economic scene. Dr. Keith Hampson, Member of Parliament, House of Commons, London, England, brings his British point of view, as well as his perspective as an educator and a lawmaker, to this seminar presentation. Although the educational systems of our two countries are different, we face many of the same challenges, and Dr. Hampson's insights are both interesting and helpful.

Keith Hampson received a Ph.D. in American history from Harvard University and taught at Edinburgh University for 7 years before being elected to Parliament in 1974. Since then he has served as personal assistant from the House of Commons to Prime Minister Edward Heath, and also as Vice-Chairman of the Conservative Parliamentary Education Committee and as Opposition Spokesman on Higher Education.

Dr. Hampson spoke at the National Center in 1979 on the relationship of school and work, and we are happy that he returned in late 1984. The National Center for Research in Vocational Education and The Ohio State University are pleased to present his seminar address on "Trends in Manpower and Educational Development: A British Perspective."

Robert E. Taylor
Executive Director
The National Center for Research
in Vocational Education

TRENDS IN MANPOWER AND EDUCATIONAL DEVELOPMENT: A BRITISH PERSPECTIVE

It is commonplace in discussing unemployment to highlight the paradox that in the midst of heavy unemployment there exist large numbers of unfilled jobs. In Britain, the government and certain Ministers, in particular, have been increasingly disturbed at the way in which unemployment has gone on rising even though employment has increased. In 1983 the number of jobs in Britain increased by over 150,000, yet unemployment still rose by about the same amount. In part, this is because we are currently at a peak in the number of school leavers, the baby bulge. This will be followed by a tremendous decline since births have fallen by about a third over a 10-year period. At the moment, however, the numbers entering the job market exceed the number of people retiring by about 120,000.

There is a statistical problem that explains some of this. As times get better, many businesses operating in the black economy transfer into the official statistics. And, of course, there are always those people who don't bother for brief periods to declare themselves unemployed, but who are available to take up the new jobs that are created. But even to hold unemployment at present levels, very large increases in output will have to be achieved. Many of the new jobs are offered in the smaller new high-technology industries and they are not able to make up for the tremendous loss of jobs in the traditional heavy employers such as steel.

If I use the steel industry as an example, you will see how dramatic the displacement of workers has been. In 1979, 161,380 people were employed in the steel industry. In the latest figures for March 1984, only 69,000 people are employed in the steel industry. So, we have lost almost 100,000 people over 4 years. The traditional problem, of course, is that one union has never made any secret of its determination to preserve its members' jobs at the expense of other people's jobs. In the current miners' dispute, there is tremendous interunion friction because the people who are now about to suffer, if the miners' unions succeed, are the members of another union. This has exacerbated the traditional coercive mentality of British unions. This in turn contributes to the unemployment problem in that the unions have powerful bargaining strength and insist moreover on maintaining very high minimum wage levels. The latter has had very serious effects on the recruitment of young people into the job market.

Between 1979 and 1983, total cash incomes in the country went up by 46 percent. Even though people were being paid more, output in the country was actually no higher at the end of 1983 than it was in 1979. As a result of that equation, unemployment over the period had more or less doubled. We are paying people a lot more for the same amount of work and that has been one of the basic millstones around the British economy's neck for a great many years. It is also why employers have been, during this government, very prone to eliminate surplus labor wherever they could find it.

One of the main debates in Britain today is whether there actually has or has not been a major, long-lasting change in productivity levels. There are those who are saying that yes, there has been, but it is merely a "spurt" in improving productivity, largely because of the pushing out of labor

from overmanned industries, coupled with factory closings. They maintain that there is not any long-term national recovery that can be attributed to a long-standing improvement in efficiency. This has some merit, I think, in manufacturing sectors. But if you look at some of the figures, I believe we are now seeing—with severe consequences for future employment—a major improvement in productivity.

If one takes the figures for output per person per hour from 1979, when the present government came in, there has been—until 1983—an amazing improvement in productivity in the manufacturing sector of 15 percent. That is actually more than any of our major international competitors achieved. Next in line is the American figure, which is 14 percent. Germany had an improvement of 13 percent, France of 8 percent, and actually, quite interestingly, Japan over that same period only had a productivity improvement of 4 percent. Having said that, I have to tell you of course that the gain is due largely to the very low level at which we began. U.K. productivity was really nowhere near the productivity of those countries I have cited. We are starting out at a much lower level, and, as a result, we are still behind despite that very successful improvement in productivity.

Though unemployment has continued to rise throughout the recovery, it is worth noting that it is only doing so by about 10,000 individuals a month. That figure camouflages the really interesting development: the flows on and off the dole queue have actually been exceeding 300,000 a month. In other words, the economy has much greater flexibility and movement as people are turned out of old industries and move into the new industries. The new jobs are there, but it leaves us with a staggeringly large jobless total nevertheless.

Many of the new jobs are in the service sector and this causes two problems. A lot of these are traditionally for women, and, related to this, most of them have been part-time. So in 1983 male unemployment rose by 120,000, whereas female employment increased by 160,000.

A lot of the new jobs, in fact, are not going to people whom we actually call the unemployed, the people who are formally registered as such. We are left with unemployment currently just over 3 million, which is about 12.5 percent, 1 in 8 of the work force. Job vacancies are rising by over 3,000 a month, so that means there are about 18 people still chasing each new job.

The opposition parties obviously demand measures to stimulate output. What I would like to argue is that there is always a limit as to how far or how fast output can rise. If it is too pressured, the result is inevitably inflation and then an economic "stop" of some kind. In Britain, such pressures have usually produced fairly quickly a wage-price spiral and the tolerance margin is very low. From 1977 to 1979 we reached the peak of our inflation rate, about 26 percent. At the same time we had over 1.3 million unemployed. So it was not just a matter of an overheated economy pushing up prices. Coercive action by militant trade unions, labor bottlenecks in the system, and skill shortages simply drove up wage rates, even though we had a high level of unemployment.

The impact of the unions is particularly serious on the starting wage. What is happening in Britain is that over a 3-year apprenticeship, young people leaving school and entering an apprenticeship are starting, by union pressure, at about 80 percent of the skilled worker's wage. This is a major disincentive for employers to hire young people. The young German worker, after completing the full 3 years of an apprenticeship, is still only earning about 40 percent of the fully qualified worker's wage.

The different union culture between my country and yours makes it particularly difficult to forego pay rises, which make job creation more difficult. Indeed, laws of the Labor Governments in

the 1960s deliberately increased union powers. Despite all their protests and rhetoric, British Trade Unions operate at the expense of the unemployed.

Historically, in the U.K. there has been an extraordinary complacency about training. Only half of Britain's school leavers enter any type of training, compared with 90 percent in Germany and 80 percent in France. Firms have not been keen to make a major investment in it and when there has been a recession they have very sharply cut back on their investment in training. It is also true that the present government is itself skeptical about formal training systems, even though it was Conservative Governments that initiated the last two major pieces of legislation requiring employers to train, particularly the 1974 act, which set up the Industrial Training Boards. Three-quarters of these the government has just abolished.

At least one can now say that the Manpower Services Commission, a heavily funded agency created by the last Conservative Government in 1974, has at last managed to generate a new awareness of this severe handicap to our industrial performance. But this neglect of training has been a veritable albatross to our industrial performance and contributes to the early onset of inflationary pressures. Increasingly, our competitive capacity will be affected by our effective take-up of new technology.

There are four approaches now underway, at the stimulus of the Manpower Services Commission, that seek to crystalize and focus what employers should be doing and to identify where training needs are and where the skilled requirements of the future may lie. But because of the traditional antithesis in the British system between the educators and the trainers, it has been a slow process to persuade the educational world to move into the vocational area. The disbursement of funds by a noneducational body has caused resentment as well.

The first of the approaches, I think, is actually to convince managers that they must themselves assume more of a role in training. In particular, their own staff and their own executives need to be constantly updated, especially with an eye to maintaining competitiveness. Productivity and competitiveness are where the economy has fallen short.

Second, attitudes at an early age are vital. How can we in the educational system improve young people's perception of their future and of the jobs and skills that they will need? Third, we need to meet specific requirements to prevent particular shortfalls in skills.

Fourth, and the crucial one in many ways, is the adaptability of the work force, particularly since we are displacing so many people from the traditional industries. Equally, as I will argue, we must have regard to the flexibility necessary in the new industries themselves.

As with skill training, the question of the adaptability of the work force has, for some odd reason, not been fully appreciated. The Secretary of State for Employment at the beginning of this government indicated the prevailing attitude in England when he called on displaced workers "to get on their bikes." In other words, they should move to where the jobs are. That says it all.

We institutionalize immobility. We produce rigidities with huge quantities of municipal housing at very low subsidized rents, and school systems, syllabuses, and examinations vary so much throughout the country that families think twice before uprooting their children, particularly if they are approaching the critical examinations at ages 16 and 18. People have never been keen to move out of their communities in search of new jobs.

The ultimate consequence can be seen during the present strike in our oldest coal fields. But there is also a blockage of alternative thinking. We have not been sufficiently aware, until recent times, of the need to retrain and to make the work force more adaptable.

I now want to go into these four areas in a bit more detail. On the first one, the government has just begun what it is calling an "awareness programme." This is simply to try to turn around the indifference within both industry and education to the problems and opportunities of training. Behind this lies the assumption that the employers themselves know best what their training needs are going to be. But some of us believe we need to start making a long-term assessment—to consider what are likely to be some of the key areas for the economy. I am not convinced that British employers are very good at thinking other than in the very short term.

Now let me consider the second point in depth. How can we instill the right attitudes at an early age? One of the interesting schemes—now about to broaden out from a pilot test into a major feature of our school system—is the Technical and Vocational Education Initiative. This was launched last year with about 7 million pounds by the Manpower Services Commission, much to the amazement of the educational world, which was not consulted about the idea. The program sprang from the belief of Sir Keith Joseph, the Secretary of State for Education, that we had always as a country lacked that technical input which is particularly noticeable in the continental countries, especially Germany. We needed, in his view, to make special provision, as the Germans have, for young people whose real potential does not lie in purely academic areas. We have searched for a curriculum that is more of a technical-vocational kind. Thus, we have been running a pilot scheme for the 14 to 18 age group in selected schools. It is hoped this will ensure an alternative route that is not just for the less able. The hope is that some of our brightest young people will be diverted out of the narrowly academic curriculum tradition of the British educational system and will take up the new business and technical education qualifications that have been established. Approximately 30 percent of the new curriculum will be of a wholly vocational kind.

More specifically, in 1981 we established a scheme called "Micros in Schools." As a result every secondary school, and most primary schools, have microprocessors and microcomputers. No other country in Europe has gone so far. Linked with this is a retraining program in microelectronics for school teachers.

Third, we have made a major overhaul of the school examination system because there is, obviously, a tremendous feedback effect of exams on what is actually taught and how it is taught. There is a new vocational qualification being established at age 17 for young people who are not academic and are less able. We have also totally revamped the existing qualifications that the majority of pupils attempt before leaving school at age 16. We have combined the two systems we used to have, the academic—the General Certificate of Education (GCE) "0" levels—for the brighter children and the Certificate of Secondary Education (CSEs) for the less bright children.

The most important aspect of this new age 16-plus examination is that for the very first time pupils will be marked on what is called "grade-related criteria." In the present examination system, at age 16, the marks that the child gets only indicate that he or she is part of the top 20 percent or whatever of the ability range. In other words, the standard is moveable. The grades only indicate where a student stands relative to his or her peer group in a given year. They are not set against an absolute standard. The grades are not a judgment on what has actually been learned. In future, scores will stand in relationship to a standard that will be set for every subject. Employers, as well as parents, teachers, and the children, will have a clear indication of the knowledge they have acquired. This is seen as one of the most important reforms that has been undertaken in British education since the 1944 Education Act.

Then there are the teachers. It is only in the last 3 years or so that we have begun to tackle seriously the root cause of a lot of our problems: the supply and the quality of teachers and their attitudes. For example, for years there has been a worsening situation regarding the numbers of teachers of mathematics and science. Only 60 percent of math teachers are actually qualified in math. We have been needing about 4,000 math teachers a year, yet in 1979 the intake of qualified math teachers into British schools was only 636. We are producing only a seventh of what we really need. When you look at some other areas, such as chemistry, half of the chemistry teachers in British schools have no qualification in chemistry. They have learned the subject as they have taught it. Physics—fundamental to engineering—has experienced a serious decline in its attraction to able students; 45 percent of those teaching physics are not qualified to teach it. In short, we are waking up—again rather late—to a critical problem that has been with us for too long.

When you look at the career choices that face young children, and the frustrations they are currently facing, careers teaching in the schools should be important. Yet this, if anything, is the most neglected curriculum area of all. For years I have complained that careers teaching in schools was appallingly second-rate. Then, just a few months ago, I came across a quotation in a newspaper from a headmaster of a very big school in London who actually said, "The Careers Master title is conferred on somebody who has two or three free periods and whose main function is to provide a few pamphlets which he then puts in a room for the fifth year to look at." That, I am afraid, is too often the prevailing pattern.

Related to this is my feeling that we do not seek out and give special consideration to those people who are likely to become "job creators." In other words, can we develop a curriculum that, in the post-school area, would identify and develop recent entrepreneurs? Can we train people who will themselves become a source from which other employment springs? There is now some work being done in this area. The New Enterprise Programme—at a cost of 853,000 pounds per annum—is a MSC-Manpower Services Commission-sponsored scheme at the London, Manchester, Warwick, Durham, and Glasgow Business Schools, which offers 16 weeks of instruction in sound business and financial practices. Following this instruction, for a further 3 months the trainees have access to their business school's assistance in actually launching the business. During this period, the Manpower Services Commission pays them a living allowance and provides a market research budget. Eighty-one percent of trainees start a business within a year and on average create six jobs. Unfortunately, the budget is small and there are not enough good applicants.

We face another problem in the post-school area. What I think you call cooperative education, and we call "sandwich" courses, has never received much recognition in the U.K. Yet it can make a very significant contribution to making education more vocational. Courses in this area should be more tailored to the needs of industry than in any other program. For some reason, the use of work experience linked to course work in this way has been declining. At last an enquiry and review have been established.

There is always such a long lead time in education. Once you have started an initiative, you have a long period of research work, full consideration of the scheme, appropriate recommendations, and the launch. Years go by. Inertia has been one of the hallmarks of British education. There is also a sort of paradox of freedom and accountability. So many take a stand that they, as educators, must be free to choose what they want to choose, what they want to teach, and the sort of curriculum they want to devise. This clashes somewhat with the desire of government to make schools and colleges more accountable to the needs of the economy at large and the requirements of industry in particular. The catchall of academic freedom can be used to justify any position that has been warranted by tradition and possibly little else.

I fully accept that such institutions are primarily in the business of training the mind and seeking to produce people of reason and sound judgment. Universities are the powerhouses of intellectual performance or they are nothing. It is not just a matter of vocational skills. But the two are not mutually exclusive. However, we need to swing the pendulum somewhat more away from producing the liberally educated person towards fitting the requirements that the labor market is placing on education, from the merely humanistic to hard competence.

The extent of the problem was highlighted just a few weeks ago. Sir Walter Salmon, chairman of merchant bankers Rea Brothers, told pupils at a recent prize giving, "If someone comes to me for a job with a top degree, that is bottom marks as far as I am concerned." How depressing! Unfortunately, the same prejudice is found all too often—from the City of London to the workshops of the north. "It is much better that the lads pick up things on the job," said a Leeds businessman the other day, commenting on some local Further Education courses.

Many find this attitude very comforting. But it is a ghastly hangover of Victorian self-help. Learning on the job might mean no more than learning to perpetuate the same old mistakes. The attitude is, of course, compounded by the educational prejudices of the commentators in question. Much of the British business establishment is still held in the thrall of the "great liberal tradition" in which so many were educated. It is still pretty unthinkable to question the humanities as the most appropriate diet for the reflective gentleman.

However, there are some new departures. The "Further Education" colleges are an example. Something like 400 of these exist all over the country, in any reasonably sized town. For years they have been the major provider of post-school vocational qualifications. But they have not become as responsive as your community colleges. There is not the same, if you like, client-institutional relationship. It's much more difficult for a company to go to a Further Education college and contract for a particular course. The Manpower Services Commission is now encouraging that sort of specific partnership.

In the past we have tended to operate on a prescriptive level in which the Industrial Training Boards or various examining bodies have designed curricula that the colleges have offered to employers and young people. It always seemed to me that the community college idea, more market geared, where anyone could come and barter and bargain for a particular course provided they pay for it, is a better way. Employers in recent years have increasingly agreed that our courses do not provide appropriate ingredients. There are now some changes and more responsiveness in that area. But a tremendous row has broken out because local government, which has responsibility for these colleges, resents the Manpower Services Commission's bypassing the colleges.

Now let us look at the more specific approaches: how to get actual skills taught. There is a network of Skills Centres that the Manpower Services Commission has set up. These are under review at the moment, with particular regard being paid to their cost-effectiveness. Young people can go as individuals or be sent by a company.

Industry itself has too often not invested enough in training and so has poached on others, on the big companies like the Fords, ICI, and the Shells of this world. We really need to ensure that there is more training done by companies. Also, we need to find ways of tapping their capabilities for training in partnership with others. One development that we have not thought about seriously enough is the French pattern. As I understand it, they have a national training tax levied on all companies as a percentage of their earnings. I would not go so far as to redistribute their resources to other companies. Each company could arrange whatever training scheme it felt appro-

priate as long as its audited accounts showed that the percentage of money ascribed to the company had actually been spent on training. Our Industrial Training Boards—established in 1974—provoked tremendous resentment because they increasingly seemed to be an inspection system. They sent people around to "police" companies to see that they were actually meeting certain training standards—doing things in certain ways. Because of the reaction of industry, the present government abolished most of them. We have saved on bureaucracy, but not enhanced the amount of training.

Work is proceeding on determining the vital skills for which the nation has need. This is largely a role of the Manpower Services Commission, but it tends to compile assessments on the basis of reports on local job prospects from its area offices. The Industry Secretary and the Prime Minister have recently set up special working parties to analyse future prospects in the new technologies and recommend how we should best exploit them.

Personally, I think that number crunching forecasts are virtually a waste of time, for the simple reason that almost everything these days changes so quickly. Whatever forecast you make about particular firms or particular sectors of industry is likely to be inaccurate. The technology is changing very fast and there are other factors, for example specific regional characteristics, that come into play. If you look at Coventry as a major industrial area, the contraction of the city in the last 5 or 6 years has been remarkable and probably would not have been foreseeable by any study. At the very least, there are always variables that one cannot take precisely into account.

What we have tended to concentrate upon in Britain is surveying the current scene. But even in the days when the old Industrial Training Boards had advisers touring local companies, there was no accurate means of knowing what skilled shortages there were likely to be. This was partly because until recently all but the biggest companies were not inclined to think carefully through what their product development would involve. And partly, there is the inevitable statistical error in that each company surveyed has no idea of any other company's plans. So one's expansion may be at another's expense, resulting in a strong element of double counting.

My broad conclusion is that as a government we need to have at least some idea of where we are going, if for no other reason than that we need to know how to distribute resources, but that detailed manpower planning is not likely to be very effective. Beyond a certain amount of macro-planning, I would leave the specific provision to local market forces. But it is better in my view to train too many people than to train too few. Even if we get it wrong, even if students are not actually learning things that are going to be specifically required, they will have improved in other ways that will be beneficial to them. Some of what they are taught ought to be transferable.

The updating of apprenticeships is always argued as long overdue. Actually, the decline in apprenticeships may not be such a bad thing. They are primarily in the old stable industries, particularly those where the trades unions have been very strong. We have no problem of labor shortage in the blue-collar craft trades, which is where the apprenticeships are most in decline. More important, we are very short of technologists—the high powered people whom the education world is not producing in sufficient numbers—and we need more technicians in a whole range of occupations.

Only very slowly have the trades unions recognized the need to reform our apprenticeship system. But in the engineering sector, qualifications now depend on actual achievement during training, not merely on time spent. In too many areas of education and training we focus on input rather than the output.

This brings me to what in time could be a more satisfactory format than traditional apprenticeships—the Youth Training Scheme (YTS). There is no limit to the opportunities encompassed by the YTS. For the first time, all young people leaving school have the chance to enter some form of vocational preparation. It is not like its predecessor, the Youth Opportunities Programme, which only offered work experience. This scheme comprises 13 weeks of job training, but not necessarily taken in 1 block: they could be accumulated in separate days. In the first few years of the Youth Opportunities Programme, 80 percent of the young people in the Scheme got jobs after their year of work experience, but by the end only 30 percent were finding jobs. So there was a definite need to add a training element. After its first year, over 55 percent of those in YTS found a job.

Organizationally, YTS has devolved to "managing agents," which can be either voluntary bodies in the community, companies, colleges, training boards, or almost any organization. They put up a scheme that is then monitored and checked by local officials of the Manpower Services Commission. If approved, the "agents" are paid 2,000 pounds a year for each trainee. They therefore have an incentive. The trainee gets about 26 pounds a week to be on the program. It lasts for a year. There are approximately 400,000 places.

The crucial test will be whether standards can be established by which youngsters can prove that they have acquired a certain degree of competency. The potential is very great, however. With further development, YTS could go a long way towards producing a more versatile, adaptable work force to assist Britain in competing successfully in the coming decade. Already, the engineering industry has adapted the YTS first year as the foundation year for the training necessary to enter the engineering occupations. They are about to launch a scheme by which all entrants into engineering will have to have gone through the Youth Training Scheme. So YTS is not just a sort of social welfare program. It is partly geared to developing specific skills, it is also able to establish a foundation of training that will enable youngsters to launch into a longer craft-training period. But I think there is also a third aim, which tends to be neglected. If devised carefully, it could produce much more readily adaptable young people than those currently being dumped on the labor market straight from school.

This is particularly important because so many of our school leavers have traditionally gone into a narrow range of occupations. It is worth noting that 55 percent of boys generally go into only four particular areas: metal goods, manufacturing, construction, and agriculture. These sectors only account for about 40 percent of all jobs. For girls, it is even more true: 32 percent of girls have traditionally gone into textiles and clothing, distribution, insurance, and finance—areas that form 16 percent of the total female labor market. Job entrants have been overconcentrated into a handful of industries and we badly need a system that generates more adaptable young people. So, at long last we are moving to a more comprehensive strategy that embraces the entire age group. The disadvantage is, as many in education fear, that by paying YTS trainees, young people will be attracted to the scheme who might otherwise have stayed on in school to age 18 to gain established academic qualifications.

Finally, adaptability of the work force will necessitate a reappraisal of resources in higher education. Clearly, there will be a greater diversity of students, as well as a variety of different means of handling them. So we will have to set up a wider range of opportunities for continuing opportunities. In addition to the Open University, we have now opened an Open Tech, which offers a lower level of vocational courses, tapping both what companies themselves have in the way of facilities and those within the education system.

In addition, there are some interesting developments in distance learning, which bypass traditional institutions and use totally new access techniques. We are now witnessing a number of breakthroughs within the private sector. Companies such as Video Arts are making very interesting films for in-house training. They could also be used within the education system. This company employs some of the most popular comedy stars of British television and uses scripts that are amusing and appealing. Such videos tend to cost about 100 pounds to hire for a week. I noticed that Video Arts' latest production is entitled "More Bloody Meetings and the Bloody People Who Foul Them Up"! All managers, both in industry and above all in government, ought to see it.

There are certainly a number of new possibilities. One of them is in the area of partnership. Various companies are getting more involved with their local education institutions. This has been formalized by the government in what is called the PICKUP Scheme. This stands for Professional Industrial and Commercial Updating and it has been running for about 2 1/2 years, but it is to be expanded shortly because it has proved so successful.

Another potentially very exciting development is the New Enterprise Allowance Scheme. This really builds upon the general point I made earlier about searching for and positively encouraging entrepreneurs. It extends the idea. Even a person with the requisite skills faces real practical problems in becoming a successful entrepreneur. In this new scheme, if you are over the age of 18, and you can find 1,000 pounds of your own money to invest, and if the business proposition you put up is approved by officials of the Manpower Services Commission, and if you have been out of work for 13 weeks or more, then you will be paid 40 pounds a week by the Commission for a whole year! For those who meet these pretty tough conditions, the scheme has been remarkably successful. It attempts to cope with the central problem of keeping oneself alive whilst setting up a small business, faced with all the overheads of your family life, of getting the company established, and of identifying and developing your markets. It is a very major advance.

My general theme is that our most valuable resource is the human one. We are searching at all levels for new ways to develop it. I am afraid that as in so many areas, one just gets exasperated at the time it takes for very obvious moves to see the light of day and come to fruition. I would like to think that we will be able to work more together in the pursuit of this common goal.

Questions and Answers

Keith Hampson

Question: In the United States there is a much greater emphasis on teaching the principles of science, of mathematics, and of technology, and on using vocational education as a means of teaching, not as an end in itself. The U.K., it appears, is putting a greater stress on teaching specific occupational skills. Am I misreading your presentation?

No. I think that I didn't make it clear what we are trying to do. We have not done enough of the more specific vocational education. In fact, the "how-to-do-it" aspect has actually been declining. Apprenticeships have been declining rapidly. One current argument is that apprenticeships are pitched at a low level of skill and that we need instead more specific training at the higher levels, particularly at the technician level. We have not produced enough engineers, except possibly in the computer area. There seems to be a reasonable balance between need and supply in the software area, but we're terribly short of people at the interface of hardware and software, the really creative level.

Also, we are trying to get people to be more flexible, so that as the job market changes, they are going to be more adaptable. This will be the real value of the Youth Training Scheme. Companies themselves can then provide specific skills. The notion has always been if you produce broadly educated people they can turn to anything. Looking at the British economy, that is a very questionable assumption to make.

I don't think anyone would deny that it should be perfectly possible to learn in a broad sense from learning something specific. I think I was hinting at that when I said I believe you should overtrain rather than undertrain because there is always something that is going to be transferable if it is done properly. You are not just learning a manual skill. You are at the same time learning why you are doing it.

Question: This question has two parts. First, why have apprenticeships decreased in popularity? Second, what kind of controls are applied to your training mandate? The French have a very rigid system, I believe.

In our old system of Industrial Training Boards, each board made a levy on the companies in its sector. They said "We'll exempt those which meet certain standards, if their training is of a certain quality. We will also make sure that those not exempt do certain things." You are then on a slippery slope. You end up with more and more inspectors making more and more visitations. More and more paper was generated, and everyone hated it after about 4 years. This type of control becomes an irksome burden on employers, and you don't even guarantee that it's actually what the employers need. They certainly don't think they do. Now, it might be one thing to force them to invest more in training. That I think is the right principle. But to insist that they do certain specific things - required no doubt by someone who may be no better than mediocre anyway - is very difficult. A hostile response like that defeats the purpose.

What I was really suggesting is a simplified version of the French system. You have a tax, but you really let companies get on with it, as long as they can prove they spend money on training. I actually wouldn't bother that much about detailed control. You can leave it to the unions, I think, in the companies. Our Manpower Services Commission is a joint union-employer body that enables us to push through some of these schemes, such as the Youth Training Scheme. There is going to be a big row this year when some of the left-leaning unions will try to pull out of the scheme because they say that employers are exploiting it for cheap labor.

On apprenticeships, I certainly think that there is something in the assertion that the apprenticeship system got very rigid and very expensive. It pays a young worker with no skills 80 percent of the salary for a trained worker. Equally, though, I think, and more important possibly, is the fact that the traditional heavy industries have relatively collapsed and therefore so have the apprenticeships. They do not cover many of the new growth areas. Now you could argue those new areas should have apprenticeship schemes, but in fact, the whole thing will be met by the new Youth Training Scheme, which will progressively become the formal entry, with qualifications, into almost every sector. That is the hope.

There could be a problem if the government changes. There is no doubt a Labor Government with a strong union connection would want to reassert the strength of the apprenticeship system. I don't know which form that would take, because a lot of the unions are still resistant to qualifications on merit rather than time. There has been the most amazingly slow rate of change on that. I was involved in discussions over 10 years ago, and now it is only the engineering industry that has begun to do it.

Question: Can you talk some ~~more about the~~ growing trend towards "credentialling"?

I cannot emphasize enough what a major change it is to British thinking. It is still the case that most people who become lawyers do not have law degrees. They go straight from school into a law firm and learn as they go. The banking world is similar.

Now that we are proposing a year of school or the Youth Training Scheme—work experience coupled with formal training and a test before giving a certificate—we are moving at last. It is quite a revolution in many ways. Accountancy is a major example of a field in which things have changed. The growth of accountancy schools in universities has been phenomenal in the last 20 years. Twenty-five years ago, almost no accountants went through university at all. I think there were then only two university schools for accountancy in the whole country.

Question: When will the baby boom stop? Haven't the experts identified some changes that will occur when it does?

Yes. We have always been very short term in our view and our concentration is on getting through the bulge. All thinking is on how to patch things. We are working too much on an ad hoc basis. The irony, I suspect, is that a comprehensive strategy will just come into being when the problem will be a shortage of labor.

The impact of the bulge on higher education comes to an end at the close of the decade, at about 1989. This is the peak year now. By 1989, numbers will be lower than in 1979. However, the higher-earning group, the social classes A and B, have not seen a decline in the birthrate; they are actually growing. They are more interested in higher education, so the falling off in higher education numbers may not be so dramatic. The age cohort drops fully by 1995. Over a 10-year period, the birthrate fell by a third, and that will have tremendous consequences.

The whole of British education is in turmoil as a result of it. It has spread from the primary schools and is now affecting the secondary schools. The whole of our sixth form provision -- that is the age 16-18 area -- is having to be revised because of this. Beginning now there are too few pupils in many classes to make them economical. You can't justify a teacher in a special subject -- say German -- at that level for two or three children. We are either having to find cooperative schemes, or we are merging them into what we call Sixth Form Colleges or Tertiary Colleges. Many schools are having to be closed, and this causes tremendous political pressures. Then it will hit the higher education sector. Higher education at present is struggling with too few resources and a greater-than-ever demand. However, in another 10-years the reverse will be true. It is hard to see how they will then fill up the places with applicants of significant ability.

Question: Have employers been flexible enough in hiring displaced workers?

I think you have put your finger on a predicament. They could have been expected to pick up displaced workers with appropriate training rather than young workers who have not got any skills and whom it will be a costly process to train. That is the problem of having the high starting wages for apprentices. There has been a steady deterioration in the take-up of young people. We are trying to improve that position with the Youth Training Scheme, to provide both their work experience and attitudes, and provide them with more directly relevant skills. Industries will actually see them on the work floor as they acquire those skills. In that way, they will not be making a snap judgment on the basis of a written set of qualifications; they will be able to assess them as capable or not from firsthand experience. Some of these people they will therefore keep. We have also, in a sense, forced down their wage rate. The unions are dead right actually. The government is deliberately trying to break down training wages with these new schemes. But if young people become more attractive to hire as a result, there will not be so much scope for employing some of the displaced people. I do not think we have thought that one through.

Question: Have you identified the factors that bring about increased productivity?

I think that there are two factors. One is the shakeout of workers. In almost every sector we have been very overstaffed. That is why productivity has been so bad and unit costs have been so high relative to those in many countries. The car industry is the classic case. We were producing badly compared with the Germans in the same companies. Our production rate was so far behind the same car being made in Germany that GM was talking about closing down the Vauxhall car plants. Now the interesting thing is that Vauxhall has been turned around from losing money for many years into making a profit. Its market share has gone up from about 4 percent to now 16 percent, approaching that of British Leyland's. It produces a very good car that is reliable. The only problem is that the Vauxhall car plants actually do not employ as many people as they did when they were losing money. It has totally automated and now has robotic lines.

The other factor is seen at work in the steel industry. I have a comparative table of steel output per worker across a number of countries. All the way from 1974 to 1981, we have the worst record in terms of the number of hours it takes to produce a ton of crude steel. We now take 7.7 hours to make a ton of steel, down 3.9 hours from 1974. In 1974 the Germans only required 5.9 hours to make a ton of steel against our 11.6. The Germans have not improved very much. It is now taking them 5.3 hours. But we are still only down to 7.7; we are still way behind everyone else. The table breakdown is: Belgium, 4.7 hours; Denmark, 4.6; Italy, 4.9; Luxemborg, 4.6; Netherlands, 4.4; Germany, 5.3; United States, 6.1; and Japan, 3.9 hours. There we are, still taking substantially more time to produce a ton of steel than almost anyone else.

I think the quality demands are the same. They just are not in such a rigid system. There is no doubt that the new economic disciplines have had an effect on the attitudes of both management and labor. The relative strengths of the two have changed. The fear of unions at the loss of jobs has made them agree to improved working procedures. It has also made managers much more competent.

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