

THE PUBLIC FUNDING OF VOCATIONAL EDUCATION AND TRAINING IN SCOTLAND

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INTRODUCTION

There have been many calls for the development of a strategy for vocational education and training (VET) in Scotland. Perhaps the most significant of these was made by the all-party Scottish Affairs Committee (SAC 1995) of the House of Commons. The Government of the day noted this call, and then asserted that its 'Training for the Future' (Scottish Office 1995) was adequate response, even though this document was widely regarded as rather superficial at the time.

PROBLEMS FOR VET STRATEGY

There are however a number of serious barriers to the creation of a more comprehensive VET strategy. The first is the paucity of data for VET, which makes it quite unlike any sector of mainstream education. Indeed, it may be that since the abolition of the former Training Agency a decade ago, there has been a decline in the quality and the scope of the available data for VET.

The SAC (1995) raised questions as to the consequences for VET strategy of Scottish Enterprise's concern to develop

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'economic clusters', that is enterprises which are linked more directly by what they do, and by the markets in which they operate, rather than the traditional approach which groups firms according to 'industrial sectors'. The Committee commented (1995, p.xxxi) that 'we believe that the achievement of national education and training targets would be made easier if they were translated into sectoral targets and the LECs worked with industries to achieve them'.

The SAC also believed that the system of contracting for VET would not help the development of strategy for the 'supply side' of VET, particularly as Youth Training evolved into Skillseekers, because the preferred approach would tend to fragment the supply side, and encourage suppliers to compete on the basis of unit costs, rather than on the basis of quality. Similar concerns could be repeated now in relation to aspects of the contracting and funding of Modern Apprenticeship, which seems to have emerged as New Labour's preferred form of VET for young people.

It is the view of one influential employers' body for VET in engineering, that, for VET in Scotland, 'the institutional framework is less fragmented and more closely integrated than in England' (EMTA 1998, p.32). However, this is a matter of degree. VET in Scotland is fragmented and lacks coherence (Fairley 1996), even if it may not be the worst part of the UK in this regard. There is a network of some 65 National Training Organisations (NTO) which are loosely co-ordinated by the Scottish Council of NTOs (SCONTO). And there are 22 Local Enterprise Companies (LECs) which are co-ordinated in two networks. And the LECs and the NTOs have to work effectively together, if the local and the industrial perspectives are to be brought together.

Institutional fragmentation is a problem for developing a coherent VET strategy. However, it must be acknowledged that the supporters of voluntarism could argue that a degree of

fragmentation and a weakened strategic capacity are simply the prices which have to be paid to secure a system which is locally flexible, market-responsive and 'owned' by employers. This fragmentation will also pose difficulties for the Scottish Parliament if it seeks to use its devolved powers for VET. At present the NTOs are mostly Britain-wide in their operations. The NTOs are overseen by the Whitehall Department for Education and Employment, with one exception which is overseen by Agriculture and Fisheries. Three of the larger NTOs which retain statutory levy-grant powers¹⁷ are Non Departmental Public Bodies (NDPB) which report to these two Whitehall Departments. As 'cross-border public bodies', these NTOs will come under the Parliament's jurisdiction, so far as their activities in Scotland are concerned. While all NTOs are now required to take account of Scotland's needs in their planning, there remain wide variations in the ability of the NTOs to provide even basic data about VET in Scotland.

THE FINANCING OF VET AND THE LIMITED ROLE OF GOVERNMENT

In this paper we examine a very important set of issues which have so far received little discussion, namely the public-funding of VET in Scotland¹⁸. Given the degree of institutional and programmatic fragmentation, and in order to make our task manageable, we employ a narrow approach to VET which considers only those activities which are intended to be directly

¹⁷ *These powers are viewed as a great strength to those who favour a planned approach to VET. At the same time they are viewed as a weakness by the voluntarists. The levy grant power was retained by the Conservatives only in those industries where employers could not, or would not, come together on a voluntary basis to secure satisfactory levels of VET.*

¹⁸ *We would like to acknowledge the assistance which we received from the Strathclyde European Partnership, SCANTO, Scottish Enterprise, some of the NTOs, and others in researching this article.*

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employment-related. This means that we look at the Government's 'volume' schemes for the unemployed, which in Scotland are generally administered by the 22 LECs, only in so far as they are the source of subsidies to employers' VET activities. In any case, the best available VET data tend to be those which relate to the volume programmes.

Our approach is also illustrative rather than comprehensive. For example, we illustrate how employment-related VET is funded through European programmes with reference to examples drawn from the Strathclyde area. A comprehensive approach would have to attempt to pull together data from the 7 Structural Fund Partnership areas, the European Social Fund, and other EU programmes which at times support VET. We comment on data made available to us by three of the larger NTOs. A full analysis would need to examine them all, although it is clear to us that in many sectors the NTOs would be likely to have difficulty in providing the basic data which strategic planning requires. Our analysis suggests that, not surprisingly, the public financing of VET is a mirror-image of the institutional and programmatic fragmentation which characterises this area of public policy. Indeed, the picture is so fragmented that, overall, it is probably impossible to say with any certainty just how much is spent on Government intervention in support of the private financing of VET.

The UK's main approach since the late 1940s has been to promote 'voluntarism' in vocational training. Different approaches have been taken at different times and in different areas. In modern times Northern Ireland has been most distinctive. The establishment of the LECs as very distinctive and Scottish VET institutions was followed by the devolution to Scotland of policy autonomy in VET following the Major Government's 'taking stock' initiative in 1992.

Within a voluntarist approach, the financing of training is seen primarily as the responsibility of employers and individuals,

though there are some limited exceptions. The role of the state has evolved in line with general trends in public policy. It is currently largely confined to assisting employers to organise effectively for the financing of training, to 'priming the pump' where essential developments would not otherwise take place, to providing a coherent qualifications framework, and to encouraging employers and individuals to train within the framework of national VET 'targets'. Recently the UK Labour Government, which supports voluntarism in VET, has begun to develop some focused, publicly-funded initiatives which are justified by the need to overcome skills shortages.

THE ECONOMIC AND SOCIAL RATIONALES FOR THE PUBLIC FUNDING OF VET

Given the fragmented nature of the approach to VET, it is perhaps not surprising that the rationale for intervention lacks a degree of coherence. In fact, there appear to be four main rationales. In practice, it is common for more than one of these rationales to underpin any particular VET intervention. It is commonplace to find a certain 'blurring' and consequent confusion of objectives in VET interventions. Nevertheless, the four main rationales are useful for analytical purposes, and, at times, any one of them may clearly be given priority in a particular intervention.

The main argument of Government is that VET, particularly within a lifelong learning context (DfEE 1995, 1997a; Scottish Office 1998), is essential to improve 'competitiveness'. While this is believed generally to be true everywhere, it is held to be particularly true for countries like Scotland which are on the periphery of major markets, and which depend on exporting. The promotion of competitiveness is the main rationale of Government interventions to support employers and individuals in VET. An extension of this argument is that Scotland will only remain competitive in so far as it is able to change its industrial

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structure so as to focus much more on the so-called 'knowledge economy'. Government intervention in VET is said to be vital to this economic restructuring.

The second aspect is provided at regional and local levels by the two statutory agencies which were set up in 1991 to oversee publicly-funded economic development and VET (Fairley and Lloyd 1995), Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). These two Non-Departmental Public Bodies, which are accountable to the Scottish Executive, operate through 22 LECs which are publicly-funded, private companies. These bodies justify publicly funded interventions in terms of 'market failure'. In its broadest interpretation, intervention is justified where it is reasonable to anticipate that the market, left to itself, will produce sub-optimal outcomes (Fairley and Lloyd 1998). However, interventions must be short-term, and the agency should know its 'exit strategy' at the outset. The exception to this for VET is the role played by the LECs in implementing Government VET programmes for the unemployed, and in guaranteeing training places for unemployed young people.

The third aspect occurs within the framework of urban regeneration. It draws its theoretical justification from planning theory, where an economic and social rationale for spatial policy intervention can be made (Cameron 1990). It is co-ordinated and funded by Government, but it is generally implemented locally or at an urban scale through broad 'partnerships' involving the public, private and voluntary sectors. These partnerships attempt to implement a co-ordinated approach to improving the built environment, providing hard infrastructure, promoting business development, improving the supply of human capital, and building social capital. The tackling of 'social exclusion', and the promotion of 'social inclusion', have become key policy objectives for locally based partnerships since 1997. Support for in-company VET is provided by these partnerships, particularly

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for the small and medium sized enterprises (SME) which constitute the greater part of Scotland's employment base. (It should be noted that there are parallel rural development partnerships, though Scotland is primarily an urban society.) The fourth aspect is that which underpins the recently increased expenditure on training for the unemployed. In 1998 the Government launched its 'New Deal' for unemployed 18-24 year-olds (Fairley 1998a). The goal is to make young people more 'employable' by providing tailored VET, most of which takes place in temporary job placements for which employers receive a labour subsidy. The Government believes that its programme will help to move young people from welfare dependency into work, and that it could end the problem of youth unemployment. Expenditure on the New Deal is justified in terms of the promotion of 'social inclusion', the provision of 'opportunity' to those who were previously economically marginalised, and in terms of the need to reduce welfare spending. The expenditure is also justified as non-inflationary because of the particular way in which it is funded (Fairley 1998a).

There is also a fifth rationale at work in the public financing of VET in Scotland, namely opportunism. Between 1979 and 1996, the European Structural Funds provided Scotland with some £1.9bn for economic development, infrastructure provision, rural development and VET (Danson and others 1999). There is no doubt that many VET projects have taken place because of the availability of funding. These VET initiatives must be regarded as 'budget-led', perhaps in ways which are consistent with Government strategy, perhaps at times with the provision of post hoc justification.

GOVERNMENT SUPPORT TO ASSIST VET FOR PARTICULAR INDUSTRIES

The provision of VET for sectors of the economy is generally overseen by the NTOs, and their co-ordinating bodies. The NTOs are mostly voluntary bodies (DfEE 1997b; SCONTO 1998) formed by employers. They are intended to become self-financing. There are currently 65 NTOs, covering a wide range of 'industries' in the private and public sectors. The NTOs have been generally accountable to the Department for Education and Employment, and to the territorial Departments of Government for Scotland, Wales and Northern Ireland, although one significant NTO is accountable to the Department for Agriculture and Fisheries. This will change, however, and in future the NTOs, and in particular those NTOs which are also NDPBs, will be accountable to the Scottish Parliament for their activities in Scotland, as well as to their sponsoring Whitehall Department. The NTOs generally operate on a Britain-wide basis, although they are required to recognise and plan for the unique aspects of education policy and institutions in Scotland. The NTOs are approved by Government to operate, generally for a three-year period, across the very wide range of education and VET issues which affect their sector, including Modern Apprenticeship, a recent innovation in standards-based training which is available, through a large number of 'frameworks', to occupations in services and in the public sector, as well as in 'traditional' areas such as manufacturing and construction. The NTOs and the LECs have to work together in a number of areas, with Modern Apprenticeship one of the most important. Effective joint working is held to be a feature of the system in Scotland, but there are, inevitably, areas of difficulty. The NTOs have an industrial focus which is generally Britain-wide, while the LECs are solely concerned with broad economic and VET strategy in local areas. Inevitably, when there are so many

agencies with widely varying remits and priorities, it is not always a simple matter to achieve effective collaboration. Many of the NTOs are small, poorly-resourced organisations, with only a very limited capacity for research and planning. There are doubts about their longer term effectiveness, indeed, over their medium term capacity to survive without public subsidy. Government support for the NTOs is difficult to quantify and may come by a number of routes: support for NTO co-ordinating bodies, for example, the SCONTO; some funding for NTO core costs, without which many of the smaller NTOs would be unlikely to survive; project funding which may come through the LECs, or via European programmes, or other local bodies such as education-business partnerships; and through support for Modern Apprenticeship as a specific form of youth training in employment.

Some of the NTOs appear to be adequately resourced to take a strategic view of VET in their industries. Three NTOs are unusual in that they retain a statutory basis, including the power to raise levies of different types, and are subject to five-year reviews by Government. Two of the NTOs raise levies on payroll costs, while the third raises its levy on product weight. The levies are used to pay training grants for approved training, and, to 'lever' in other public funding for VET to the industry. A brief examination of the three NTOs will illustrate these points.

THE SEAFISH INDUSTRY

Seafish Training is the NTO for the UK fish industry, which is particularly important in North East and North West Scotland. It is an arm of the Sea Fish Industry Authority, a NDPB, set up in 1981, and accountable to the Department of Agriculture Fisheries and Food. The NTO collects levies, which vary by species, on the weight of fish landed. This NTO's published data reflect its Britain-wide concerns. In 1998 the total proceeds of catch-based levies were a little over £8m (Seafish 1998), a

higher figure than in any of the four previous years. The levies, and grants from other bodies including the Government, financed a wide range of training activities, including the £290,000 operating costs of 17 Group Training Associations throughout Britain.

The NTO's accounts for 1998 show grants of £802,000 from the EU, and £23,000 from the Government for marketing. In addition there were grants of £35,000 and £132,000 respectively from the European Social Fund and the Government for training. The NTO received a number of grants towards specific research projects, including £60,000 from HIE.

ENGINEERING CONSTRUCTION

The Engineering Construction Industry Training Board (ECITB) is a statutory training body in the terms of the Industrial Training Act 1982, an executive NDPB which is accountable to the Secretary of State for Education and Employment, a registered charity, and an NTO. A favourable government review led to the Board being reconstituted for a further five years from April 1998.

The overall vision of the ECITB is 'to assist all companies engaged in engineering construction to become more competitive by continually improving the competitiveness of their personnel' (ECITB 1998, p.11). In 1997, the ECITB had some 372 companies and some 50,000 employees in its 'scope' (ECITB 1998) throughout Britain. The estimated on-site workforce of 19,360 were in a complex range of occupations from low skilled to some who are graduate entrants. The ECITB is engaged in a wide range of training activities which reflect the range of occupations in the industry. These include Masters level university programmes and support for the New Deal for the unemployed.

The ECITB has the statutory power to raise a payroll levy. In 1997 the levy receivable was some £10.8m. Expenditure on

training grants and initiatives throughout Britain over the same period was some £12.4m.

CONSTRUCTION

The Construction Industry Training Board (CITB) has evolved through the industrial training legislation of 1964, 1973 and 1982. It has broadly the same legal status as the ECITB, and it is empowered to operate a payroll levy. The CITB also operates in England, Wales and Scotland.

In 1997 the CITB covered more than 477,000 employees and more than 47,000 employers, of which 17,000 were assessable to a positive levy. The levy is 0.25% of payments made to employees, with a higher rate of 2.0% of the payments made under labour-only agreements. In 1997, employers in Scotland provided the CITB with £5.2m in levy income¹⁹, while the total for Britain was a little under £55m (CITB 1998, p.43).

The CITB pays training grants for approved in-company training and these totalled some £49.7m in 1997. Once items such as college grants are taken into account, the total of payments made 'for the direct benefit of employers and trainees' was £55.2m (CITB 1998, p.27). The accounts identify more than 70 companies which each received more than £50,000 in grants (or offsets) in 1997. The Board finances quite a wide range of training activity, including training provided directly by four CITB training centres, one of which is in Glasgow. In 1997, the Glasgow centre delivered some 4,196 trainee weeks of training. Total direct training operations throughout Britain cost £11.3m in 1997.

The accounts also show grants received including £562,000 from the European Social Fund, £134,000 from the Department for Education and Employment, and over £20m of funding for New Entrant Training from the LECs, and their counterparts in

¹⁹ *Correspondence with the authors.*

England and Wales, the Training and Enterprise Councils. The data for Scotland²⁰ show that there were 1421 recruits for New Entrant Training in 1998, of whom 381 were LEC-funded and 327 received full-time college bursaries.

The CITB considers itself to be very effective in supporting company training effort for two reasons. First a very high proportion of the levy-yield goes back to the industry in training grants. In 1997, these expenditures represented almost 94% of levy income. And, second the CITB points to its very high 'leverage' of additional public funding from other sources to aid VET in construction. This is regarded as 'value added' to private sector VET. In 1997, the CITB provided evidence that 'for each £1 of levy paid by registered employers, the construction industry gets back' some £1.54 (CITB 1998).

THE LECs AND INTERVENTIONS IN VET AT LOCAL LEVEL

There are 22 LECs which are co-ordinated and overseen in two networks by SE and HIE. The LECs were set up following legislation of 1990, as local companies with a majority of private sector people on their management boards.

The LECs support VET in four main ways: first, they secure the delivery of the Government's training programmes, which increasingly provide trainees with 'employee status', and take place mainly in the work-place; second, they support bespoke training packages in the context of integrated, firm-specific business development; third, they sustain and shape the 'training market', at local level and across Scotland; and some LECs are taking initiatives in trying to bring the public and private sectors together in joint education and training strategies (LDA and others 1999) at local level.

The main 'volume' VET programme overseen by the LECs is for young people and is unique to Scotland. It is known as

²⁰ Correspondence with the authors.

'Skillseekers'. In 1997/98 an estimated 35,000 young people (representing some 55-60% of economically active 16-17 year olds), and almost 12,000 employers (ten per cent of the total) took part in skillseekers (PACEC 1998 pii)

While this programme has evolved from anti-unemployment initiatives, it now must be viewed to a large extent as an intervention in private sector VET. Employers seem to be aware of the direct benefits to them of taking part in Skillseekers. A recent study showed that 51% of participating employers reported improved productivity of young people, 35% improved productivity in general, 23% reported increased expenditure on training 19% reported increased employment and 18% increased profitability - these and other 'performance benefits' 'accruing to employers from their participation in Skillseekers' (PACEC 1998, pp.121-122 and p.168).

In 1994 Modern Apprenticeship was introduced in Scotland. It is funded through the Skillseekers programme. In 1997/98, 57 fully approved Modern Apprenticeship frameworks were in place, and around 7,500 Modern Apprentices were in training (Scottish Office 1998). The Government initially intended this total to rise to 15,000 by the year 2002, but Ministers have recently announced the intention to increase the target to 20,000 Modern Apprentices in Scotland. In 1997/98 SE spent a total of £78.39m on youth training²¹, including support for Modern Apprenticeship.

It was always an intention of the 1990 legislation that the involvement of the private sector would lead to better targeted interventions in VET. Employers on LEC boards would have a better understanding of their local labour market than remote public servants, and this knowledge would enable more effective interventions to be made. Furthermore it was intended that VET interventions should be much more closely integrated

²¹ Correspondence with the authors.

with business support measures. At present we do not have good data for employer-specific VET interventions by the LECs. Indeed there are problems of definition: for example, when the LEC pays for a consultant to work directly in a small company to improve the IT skills of employees should this be recorded as expenditure on 'consultancy', or on 'VET'? It is estimated, on the basis of a study of a small number of LECs, that perhaps £40m is spent by the LECs on company-specific VET interventions with employers from 'non training budgets'²².

TRAINING AND EMPLOYMENT GRANTS SCHEME (TEGS).

The introduction of Skillseekers has attracted some employers away from participating in the long-standing Training and Employment Grants Scheme (TEGS). Since 1984, TEGS has been operating with the twin aims of improving the employment opportunities of young people and long-term unemployed living in regeneration areas designated by LECs and addressing specific skill shortages experienced by employers. The programme provides 60% of weekly wages for up to 26 weeks and up to 100% of approved training costs for up to 52 weeks leading to accepted qualifications.

The most recent evaluation of TEGS showed that over 4,000 trainees had participated in over 2,090 companies over the three years up to May 1997 (Cambridge Policy Consultants 1997). The evaluation found that the scheme was a relatively cost-effective mechanism for promoting access to employment for disadvantaged workers, with the cost per job redistributed or created at the local level being £6,700. Furthermore, there was also some (though limited) evidence of additionality in the investment in workforce skills with 17% of companies reporting that they gave more or different training to TEGS recruits compared to recruits to similar jobs.

²² Reported in discussions with the authors.

NEW DELIVERY MECHANISMS - LOCAL ECONOMIC DEVELOPMENT COMPANIES

The LECs are not delivery agents for VET programmes, rather they are 'enablers' in local markets which they largely shape. Programmes are delivered through a wide variety of Enterprise Trusts, Further Education Colleges, private training agencies and individual consultants working directly with employers. However, an increasingly important role in the delivery system for national VET programmes has been taken by Local Economic Development Companies (LEDCs).

These LEDCs operate at a sub-urban scale in designated regeneration areas. They tend to be independent companies limited by guarantee with core funding from their local LEC and local authority. They can be substantial organisations in terms of the size of budgets they administer and the number of employees (e.g. 50 staff). In the city of Glasgow, for example, there are eight LEDCs in operation in regeneration areas.

The LEDCs research the characteristics and needs of local employers and workers and develop strategic plans which cover issues such as business development, business start-up, the needs of the unemployed and the social economy. The VET activities of the LEDCs fall into two main groups. First, facilitating the delivery of main programmes contracted to them by LECs and local authorities (such as Skillseekers, TEGS, Business Skills Seminars and encouraging employers to sign up for Investors in People). Second, developing and facilitating the delivery of 'custom-built' training programmes tied to local needs. There is, therefore, considerable flexibility at the local scale to operate opportunistically, attract additional funding and develop tailored VET schemes which can draw on a complex package of external, partnership funding.

VET INTERVENTION IN MANAGEMENT AND NEW TECHNOLOGY

A large proportion of VET intervention for business development purposes focuses on enhancing management and new technology skills of existing companies. The single largest scheme in Scotland is the Management and Technology Training Grant (MTTG) which has operated in the Strathclyde area since 1985 and currently operates across a consortium of twelve local authorities, with Glasgow City Council acting as the lead Council with respect to submitting ESF applications and claims.

The MTTG scheme targets companies which have identified skill shortages inhibiting business performance. Its rationale, therefore, is both as a training support mechanism and a business development support programme. There is little evidence that the MTTG scheme has duplicated other programmes run by LECs, a number of which treat the MTTG as the preferred vehicle for providing training and skills development support to companies and have contributed to local council budgets for delivery of the scheme (EKOS 1998).

Over the period April 1996 - December 1997 expenditure totalled £2.6 million of which £2.3 million accounted for grant assistance (attracting 45% ESF support) and 867 companies and over 3,500 beneficiaries were assisted. Three quarters of the companies assisted employed fewer than 25 staff (EKOS 1998). In 1997, the level of intervention was reduced from 80% to 50% but, as this led to increased difficulties in achieving spending targets, there were plans to raise the intervention level to 80% again in 1999.

An evaluation of the scheme in 1998 found encouraging evidence that companies had benefited in a variety of ways from participation in the scheme. The report concluded that the 'results are very positive' (EKOS 1998 p.27). Nearly two-thirds of the companies surveyed reported increased competitiveness

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and nearly three-quarters improved productivity and shifts in attitude or culture in the workplace such as: greater awareness of marketing or quality assurance/quality control matters; more professional attitudes; and better internal communications. Companies were also asked if the scheme had influenced their attitudes towards future training provision. Of the 280 companies surveyed, 50% had been encouraged to make further training provision since using the MTTG, with business computing training being the most common type of training involved (EKOS 1998).

THE EUROPEAN SOCIAL FUND AND THE STRUCTURAL FUNDS

The European Social Fund (ESF) and the European Regional Development Fund (ERDF) have a key role to play in the funding of VET schemes for employers. Employers do not access these funds directly. Rather projects are submitted by intermediary organisations such as LECs, local councils, further education colleges, LEDCs and Universities. Individual companies may then take part in projects.

Strathclyde was the first area in Scotland to develop a serious approach to European funding and in 1988 became the first of the UK regions to negotiate a five-year programme of integrated EC support for economic development programmes (Russell 1995). There are now seven regional structural fund partnerships in Scotland, all of which are involved in employer-focused VET, though Strathclyde is the largest and the most experienced.

THE EUROPEAN SOCIAL FUND (ESF)

The ESF is the main European fund for VET interventions. Training for employed individuals in Strathclyde can be carried out under either Objective 2 (allocated through the Strathclyde European Partnership) or Objective 4 (allocated through Scottish Enterprise). In the Western Scotland Programme most

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(though not all) employed training takes place under Measure 1.4 - Skills Development for SMEs. This Measure covers all employed training, business start-up training and wage subsidy schemes (like TEGS).

Over the three years 1997-99, ESF funding under Measure 1.4 in Strathclyde totaled £13.09 million. On ESF schemes, employers are required to meet a minimum of 15% of the training costs, although in some cases the employer contribution exceeds this figure. Strathclyde European Partnership points out that contributions around this level are not too onerous on employers and also help to ensure that the training is valued so that attendance levels remain high.

Whereas in the past, the ESF has supported volume training at fixed durations, important changes have been taking place. VET of a more flexible, modular and short-term nature has emerged. Providers like further education colleges now operate at weekends, training staff are more able to work within SMEs and flexible learning units are becoming increasingly popular. These changes make it easier for VET to be built around the needs of individual companies, for a more holistic approach to be adopted and for training to be delivered at the company level. These are seen to be positive developments, but also ones which create concerns about the future cost of VET and monitoring its effectiveness. Assessing the value of training for existing employees is a more difficult and complex task than evaluating training for the unemployed. The EC is currently pressing for better performance measurement of SME training in the design of future VET programmes.

The ESF is scheduled to end as it currently operates in December 1999. While it is expected that there will be a programme of some sort in 2000 and beyond, the details of this remain uncertain. The annual funding regime of the ESF has been an ongoing problem inhibiting longer-term VET planning

and some loosening up in this timescale would be widely supported by VET partners.

THE EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

As already noted, there is a grey area about where training and consultancy activity starts. ESF can fund training but not consultancy whereas ERDF can cover consultancy but not training. However, this consultancy often involves a training dimension where the consultant's support leaves behind an enhanced human resource capacity within the company. Under Measure 1.3 - Business Development for SMEs - the ERDF provides funding for many schemes submitted by LECs and Enterprise Trusts where business development and training overlap. In Strathclyde, the ERDF is used to part-fund on the largest human resource development programme (Investors in People) whereas in some other parts of the country the ESF is used for this purpose.

In schemes funded by the ERDF, a minimum employer contribution of 30% of total costs is required. The large network of consultants who deliver business development support are of variable quality and, although considerable expenditure is now going into companies, many existing businesses remain unaware or unconvinced of the opportunities for human resource development through VET interventions.

VET AND SMALL BUSINESS STARTS

It has long been argued that part of Scotland's economic problem is a relatively low level of entrepreneurship as is evidenced by a depressed level of new business start-ups. Various explanations have been put forward for this, including, for example, a cultural inertia stemming from an historical dependence on large manufacturing industries, the high level of public sector housing making it difficult for individuals to access capital, unsympathetic planning policies which have

removed many small, cheaper industrial premises and a conservative attitude towards small businesses within the financial system.

Against this background, training for small businesses has been popular both across urban regeneration agencies and among policy makers concerned with national economic development. Government support has spanned both schemes designed to move unemployed people into self employment and targeting support towards businesses with clear growth potential. In the funding of VET interventions for small businesses there has been a gradual reorientation of resources away from a social rationale (job creation/reducing unemployment) towards an economic development rationale (increasing GDP). Evaluations of new start programmes in Scotland suggest that new start activity is generally effective in generating net economic impacts for reasonable public investment (Segal Quince Wickstead 1998).

THE NEW DEAL - EMPLOYMENT SUBSIDIES TO TACKLE UNEMPLOYMENT

One of the Labour Government's key election pledges in 1997 was to tackle youth unemployment using a mix of measures with employment subsidies at the heart of the programme. In late 1997 the target group of young unemployed was low - 11,000 in Scotland, and 122,000 in the UK (Dyson 1997) - and falling quite rapidly. The Government believed that its proposals could effectively bring youth unemployment to an end. The 'New Deal' for 18-24 year olds was launched in 1998.

The New Deal provides every young person who has been unemployed and claiming benefits for 6 months with a period of individually tailored support and advice, known as 'the Gateway'. Thereafter the young person goes on to one of four options lasting, generally, for six months (Finn 1997). Two of these are based on temporary employment subsidies and are

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expected to cater for up to 60% of New Deal entrants (Fairley 1998a).

The Employment Option is the Government's priority, and is intended to cater for 40-50% of scheme entrants. Young people will receive a wage and remain eligible for in-work benefits for a six-month period. Their employer will receive a £60 per week subsidy for jobs of 30 hours or more per week (£40 for jobs of 24-29 hours). The post must include one day per week of training towards an accredited qualification for which a payment of £750 is made. The average cost per trainee of the Employment Option is estimated at £2,070 (Scottish Affairs Committee 1998, Vol. 1, p.vi).

Private sector employment is intended to be the key to the Employment Option. The programme design document makes it clear that 'the large majority of places on the New Deal Employment Option will be in the private sector reflecting the balance in the workforce as a whole'(DfEE 1997, p.17).

However, public sector employers, including Government Departments, will play a role, and this will be of great importance in areas where the private sector is weak, and/or the pattern of employment is skewed towards the public sector. HIE pointed out that, in the Western Isles, the public sector accounts for 42% of employment, arguing that 'a major issue in the HIE area will be the role of the public sector as employers' (HIE 1997). Self-employment is also possible within the Employment Option, although this is widely regarded as high risk for young people.

In December 1998 the Government announced further incentives for employers to recruit employees from this New Deal option to help meet skill shortages. Where employers facing skill shortages offer a New Deal participant a job lasting for a minimum of 12 months, then the employer is able to claim, at the outset, a payment known as the 'Upfront Skills Shortage

Subsidy'. This is equal to 75% of training costs and other subsidies (European Commission 1999, p.19).

The second option is similar to the first, involving a temporary, six month job with a voluntary sector employer. The trainee will receive an allowance equivalent to welfare benefits plus a grant of £400. This option is expected to cater for 10% of New Deal entrants, and to cost the Government an average of £3,910 per person. The remaining two options involve make-work placements to improve the environment, or places in full-time education for those who lack qualifications for which there is a local labour market demand.

The Government believes that the New Deal represents a radical improvement in the quality of the opportunities made available by Government to unemployed young people. It is therefore requiring eligible young people to join the New Deal, and any who fail to join face the withdrawal of benefits. The Government also believes that its New Deal expenditure is non-inflationary. The £5bn of expenditure on New Deal (and related social programmes) throughout the UK has been financed by the proceeds of a one-off, 'windfall' tax on the excess profits which were made by some of the former public utilities following privatisation.

CAREER DEVELOPMENT - SUPPORT FOR INDIVIDUALS

There is no real tradition of paid education leave in any area of the UK. Governments have rather taken steps to encourage individuals to bear more of the direct costs of their own VET. In 1988 the Government introduced a Career Development Loan (CDL) scheme (DfEE 1995).

CDLs are unsecured, deferred-repayment bank loans for educational and training courses which are offered by four of the main retail banks. Loans are available to people who live in, or intend to train in Britain, and who intend to work in the European Union area. They may be used to fund courses of up

to two years in duration. The Government pays the interest over the life of the course and for the first month afterwards. If the trainee is unemployed after the course, payments may be deferred for five months. After that period has elapsed the individual trainee repays the loan.

Loans generally cover up to 80% of course fees, plus the full cost of other related expenses. Any person who is unemployed for more than three months is eligible for 100% of course fees. However, there is some survey evidence which suggests that some unemployed people who apply for CDLs are not approved for loans by the banks (DfEE 1998).

A survey of successful CDL applicants in 1995/96 found that 69% already had a higher education qualification. Over 60% of applicants sought loans to pursue higher education qualifications, and more than half of the course providers were higher education institutions (DfEE 1998, pp23-25).

Between 1988 and April 1996 some 78,000 loans were taken out throughout Britain. These varied in size from £200 to £8000. In 1995/96 the 13,000 approved loans had an average value of £3,555 (DfEE 1998).

INDIVIDUAL LEARNING ACCOUNTS

In 1998 the Government announced that it would set in place, by April 2000, a system of Individual Learning Accounts (ILA) designed to 'offer people a new means to invest in their own learning at all levels and whatever their circumstances' (Scottish Office 1998, p.26). The Government may contribute to the ILAs for priority learners, for example, people with low level qualifications, in low skill jobs, in SMEs, or people seeking to return to work. It is expected that, for these categories of learner, the Government may contribute up to £150 per ISA and seek an employer contribution of £25.

In Scotland, the Scottish Executive (1999, p.76) will offer a contribution to the first 100,000 ILAs set up by 2002, drawing

on a £22m fund available for this purpose. The costs of ISAs will in part be met by ending the previous system of tax incentives which allowed individuals to claim 23% tax relief on course costs. The UK Treasury has estimated that ending this system will save some £45m throughout Britain.

The development of ILAs is being piloted in North East Scotland by the LEC for that area, Grampian Enterprise, and in Fife by Fife Enterprise. It is planned that there will be 100,000 ILAs in Scotland, with identified Government support of £22m, within a UK-wide ILA system.

CONCLUSIONS

We appear to have a fragmented system for the channelling of public funds into employment-related VET. The available data are, at best, patchy, and are not adequate for strategic planning or direction. Indeed, it is not clear how much the state spends on VET in Scotland, and to what effect. We believe that if the new Parliament wishes to establish an approach to strategy which is more comprehensive and has clearer goals than Scottish Office (1999) thinking, then it needs to establish much better systems for gathering data on VET expenditures, activities and outcomes than are currently available. This will, of course, take some time to achieve.

The financing reflects the much-discussed institutional fragmentation of VET, although it may also exacerbate that problem. It also reflects the different priorities of, and tensions between, approaches based on industrial sectors, economic clusters, particular age groups, and specific areas. The Parliament may need to discuss such issues as whether VET belongs in education policy or in industry. The recent proposals emanating from the Scottish Office to return VET to industry, and apparently confirmed in the announcement of Ministerial responsibilities in the Parliament, seem to be an attempt to pre-empt that discussion, which is not of course to argue that the

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proposals are wrong in principle. And the Parliament will need to consider the extent to which it wishes VET to become more distinctive, and, in so far as this may be encouraged, how to ensure compatibility with the other parts of the UK and with Europe.

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