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# Feature Article 3

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## TRAINING AND DEVELOPMENT IN THE PRIVATE SECTOR IN SCOTLAND

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### INTRODUCTION

Pressure on employers to train their employees has seldom been higher as evidence accumulates that the skills of British workers and managers relevant for modern industry lag behind those of competitor countries, contributing to economic decline and long-term unemployment. One reported effect of the nation's failure to train is persistently high levels of unemployment co-existing with specific skill shortages in some areas of the country. Shortages of technical, managerial and professional occupations have also been noted recently in Scotland, compounded by the effects of skilled migration and growing fears for the future through projections for diminishing numbers of young people attributable to the 'demographic time-bomb'.

Whilst not intervening directly in employers' training provision, the Government has signalled to them the importance it attaches to their involvement by encouraging expansion in the scope and levels of their training. It has also offered employers a leading role in the directions to be taken in training provision through the establishment of a central Training Agency supported by 100 regional councils covering England and Wales. This move will be mirrored in Scotland by combining The Scottish Development Agency with new training responsibilities in a Scottish Enterprise organisation, served by 22 local agencies. All these bodies will have in-built majority representation for private sector employers. Employers are also exhorted by the Government to provide training for unemployed young people through the Youth Training Scheme and for older unemployed through the recent Employment

Training initiative. Both programmes are dependent upon active employer support and participation. Notwithstanding the importance attached by the Government to training and growing evidence of direct links between business performance and training, the suspicion persists of a subdued response by employers. The intention of this paper is to investigate the extent to which private sector employers are responding to the training challenge.

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TABLE 1: SECTOR AND AREA ANALYSIS OF RESPONSES  
(N=389)

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Sector	N	(%)
Oil & Oil-related	22	(6)
Manufacturing	181	(47)
Construction	58	(15)
Distribution	90	(23)
Financial Instns.	38	(10)

Area analysis of responses (N=389)

Area	N	(%)
Aberdeen	83	(21)
Dundee	92	(24)
Edinburgh	47	(12)
Glasgow	167	(43)

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### THE SURVEY

Our knowledge as to how private sector employers in Scotland are reacting to the developments

outlined above is as yet rather limited. For this reason, a brief postal questionnaire was appended to the quarterly Fraser of Allander Scottish Chamber of Commerce labour market survey and sent to 1000 respondents, from whom 389 replies were obtained, distributed by sector and by area as shown in Table 1.

In aggregate, we find that a little over half the establishments claimed to have increased their training expenditure over the past year: only 4% reduced expenditure, the remainder reported no change. Offered a free choice, respondents were invited to indicate where the bulk of their training expenditure had been made.

The most common outlay was on various courses, reported by 71 respondents, or 28% of those replying to the question, followed by craft apprenticeships (26, equivalent to 10%) and management development (23;9%). Very few responses were obtained for retraining, technical aspects, and supervisory and junior management training (each 1%), though some respondents may have included the latter under 'management development' and managers would undoubtedly benefit from the 'various courses' category. Whilst cautious interpretation of these findings is necessary in the absence of figures for overall training expenditure, there is little evidence that companies are directing their training expenditure towards high-technological and retraining activities. These doubts are given added weight through examining the occupations which are given the highest priority for training. These figures are shown in Table 2.

TABLE 2: OCCUPATIONS WITH HIGHEST PRIORITY FOR TRAINING

Occupation	N	%
Prodn. Operatives	54	14
Management Development	48	12
Craft Apprentices	44	11
Sales & Marketing	43	11
Supervisory & jun. m'ment	18	5

Though replies were broadly distributed, there were encouraging indications that management

training and development is receiving some priority, though more worryingly, new technology (2%) and engineers (3%) were weakly represented as independent categories.

Three-quarters of respondents relied upon their own resources as a principal means to train their employees, with a smaller proportion turning to educational establishments (26%) and private training firms (24%) as a major source. Only 16% of respondents claimed to take advantage of government training schemes as a main source for training.

#### USE MADE OF GOVERNMENT TRAINING SCHEMES

Despite the above, widespread participation in at least some aspects of government programmes is confirmed by the finding that two-thirds of respondents are involved in YTS, chiefly for use in clerical positions (22%), but also figuring in production operations and the preliminary stages of craft apprenticeship schemes. Very little use of YTS trainees was made in high technology areas, such as electronics and computers (1%). An encouraging sign for both trainees and Training Agency is that a large majority of participating employers were either very likely (37%) or likely (56%) to retain their YTS trainees for employment.

As an overall recruitment approach, however, government schemes do not figure highly, as Table 3 illustrates:

TABLE 3: TRAINING BACKGROUND FROM WHICH EMPLOYEES ARE MAINLY RECRUITED

Background	%
Other employer	52
Untrained	33
Educational establishment	26
Govt. Training Schemes	11

(NB Respondents may choose more than one category).

More than half of replying respondents (192; 53%) regarded government schemes as inappropriate for their firms, though the higher proportion of YTS

participating companies suggests that some companies do not equate YTS with government sponsored schemes. Not surprisingly, perhaps, most respondents (more than three-quarters) affirming the relevance of government schemes pointed to YTS as most appropriate. Very little use was attributed to other programmes.

The majority of respondents considered government schemes to be inappropriate, and Table 4 indicates the principal stated reasons.

TABLE 4 REASONS FOR FOR GOVERNMENT SCHEMES BEING INAPPROPRIATE

Reason	N	% of replies to this question
Schemes not suitable	35	24
Prefer to use own training/ specific training	30	20
Specific processes/product	24	16
Schemes do not provide right kind of labour	14	9
Specific labour requirements	12	8

Clearly, a significant proportion of respondents see little relevance in government schemes for their labour requirements, and those that do, concentrate on schemes for young people. Consequently, it could be questioned whether existing schemes for unemployed adults are matching labour requirements of employers. An additional point is that whilst YTS participation is fairly widespread, its coverage is largely confined to clerical, operative and craft areas. Though this might mean that occupations previously without formal training schedules are now receiving it, the less positive aspect is that little evidence was found to suggest YTS penetration into high-technology training.

#### Sector Analysis

Reliance upon internal training resources among the five sectors varies appreciably, with the finance sector typified by substantial internal training and correspondingly low dependence on government or other external training agencies.

Construction, and to a lesser extent manufacturing, are less likely to have developed internal facilities. Thus, financial institutions were twice as likely as manufacturing to have their own training department, specific training manager, an identifiable training budget and formal training programmes for employees and for managers. This high rate is almost certainly attributable to the nature of financial responses, which were invariably branches of larger organisations able to offer centralised training facilities. 89% of financial respondents pointed to increased training expenditure over the past year compared with 53% in manufacturing and 48% in construction. The bulk of financial institution expenditure was consistent with expenditure on high-level training in the form of courses, sales and marketing and management development. Most training expense for manufacturing was in the form of courses, followed by operative training, apprentices and new technical skills. The bulk of construction expenditure was directed towards apprenticeship costs, management development and various courses.

Highest priority for training expenditure on employees was spread widely, though one-third of distribution respondents reported that their priority occupations were sales and marketing. One-quarter of manufacturing respondents pointed to production operatives and 14% to management development. However, in manufacturing, only 3% of respondents chose new technology as a priority occupational area for training.

Asked how they mainly train their employees, 89% of financial institutions pointed to own resources, compared with 80% in distribution, about three-quarters in manufacturing and oil and 51% in construction. The latter and manufacturing were the most likely users of government schemes as a main training source. No financial institutions and only 5% of oil respondents used government schemes in this way.

#### YTS and Use of Government Schemes

Table 5 shows YTS participation rates for the five sectors.

The surprising finding is the relatively low participation rate found in manufacturing and, considering their very limited use of government schemes generally, relatively high financial institution participation. Both rates are

possibly explained by examining the occupational areas for which YTS trainees are recruited. The overwhelming majority of recruits to the finance and oil industries are found in clerical and administrative occupations (87% and 77% respectively). Distribution trainees are broadly dispersed, while manufacturing trainees are principally found in clerical/administrative (42%) and production operations (28%) and with very small numbers reported in craft and technological areas. Two-thirds of construction trainees were found in that industry's apprenticeship schemes, though a quarter of respondents reported clerical/administration as the main YTS source.

TABLE 5 SECTOR PARTICIPATION RATES FOR YTS

Sector	YTS Participation (%)
Construction	85
Oil/oil-related	68
Distribution	68
Manufacturing	58
Financial Institutions	50

It appears, therefore, the YTS is used mainly by construction sector companies for training in that industry, whereas the bulk of usage in other sectors, including manufacturing, is found in training for clerical work. Very little use seemed to be made of YTS in high-technology areas, even in manufacturing. The likelihood that firms would retain YTS trainees for subsequent employment was high across all the sectors.

The only industry claiming to use government schemes as a principal source of recruitment was construction, which contrasts with only 6% for financial institutions and 5% for oil. Doubts of either lack of awareness and/or lack of use for government sponsored training grow when considering the finding that 45% of respondents reported that they had experienced difficulty in recruiting during the three months prior to the survey. Over half of the oil/oil related respondents made this claim though this sector made little use of government schemes.

When asked whether they regard government schemes as appropriate, differences between sectors again

emerge. Construction appeared to be the most likely users and finance the least. In all sectors the prime (and sometimes exclusive) use for government trainees was for the YTS; there was little evidence of any substantial use of government adult training schemes. Lack of awareness did not appear in fact to be a problem; finance, distribution and manufacturing simply claimed a clear preference toward training their own employees. Finance respondents also pointed to the specific training required by their industry and not apparently offered through government programmes.

#### SIZE ANALYSIS

A subset of replies was established according to establishment size. The proportions of replies contained in each category are shown in Table 6:

TABLE 6: SIZE ANALYSIS

Size	(%)
Small (1-50 employees)	52
Medium (51-500 employees)	36
Large (500+ employees)	12

Sector analysis shows that the bulk of manufacturing establishments were small (43%) or medium (41%), while the tendency in construction and distribution (52%; 60%) was to small establishments. 90% of financial respondents were in the small category, reinforcing our earlier comments that the majority of these are branches of larger concerns.

The majority of establishments of all sizes showed spending increases, with 51% of small, 55% of medium and 71% of large respondents reporting higher training expenditure over the past year. Whilst small and medium establishments tended to concentrate on course expenditure, larger concerns showed more equal diversification into courses, management development and new technical skills. As these establishments tended to possess more developed internal training resources, it is possible that the smaller numbers reporting expenditure on courses as a principal outlet is attributable to greater use of internal training.

This is consistent with the finding that 84% of large establishments claimed to rely upon their own resources as a main means to train their employees. Interestingly, however, there was also higher proportions of large companies relying upon educational establishments and private training arrangements compared with smaller concerns.

Though more likely to participate in YTS (Small 56%; Medium 71%; Large 80%), large companies are less positive about retaining trainees than smaller concerns, suggesting that the latter may use YTS as a main source of regular employment, whilst larger concerns may deploy the scheme more selectively, for example, in screening potential recruits. The main occupational area for YTS is clerical and administration for all size categories.

Substantial differences were found in the main sources from which the three groups recruited their employees. These are shown in Table 7.

TABLE 7: TRAINING BACKGROUND FROM WHICH EMPLOYEES ARE MAINLY RECRUITED

Size	(%)			
	Govt	Other employer	Educational	Untrained
Small	16	46	25	38
Medium	9	58	24	36
Large	2	80	46	18

Small establishments are more likely to rely upon government schemes and untrained employees, whilst large concerns indicated virtually no major reliance on government schemes as a recruitment source. In all cases the reliance upon recruiting untrained employees is of concern as is the finding that 80% of large establishments turned to other employers as a principal source of recruitment. If labour shortages in some occupations and regions are indeed hardening, the trend toward recruitment of trained personnel from other employers could grow, with obvious potentially adverse effects to the overall provision of training by employers and to the potential distortion of established pay and earnings levels. Where government schemes are used, YTS is seen as the most appropriate

programme, favoured by 80% of large companies using government schemes and two-thirds of medium and small establishments.

#### SUMMARY AND CONCLUDING COMMENTS

The clear message conveyed to employers by the Government is that increased attention to training and development is a vital component of manpower utilisation and increased efficiency. Our findings certainly suggest that recent expenditure on these activities has grown, in larger concerns and especially in the financial sector where the developmental 'growth' of employee capability and management potential is encouraged. However, our findings offer little indication of raised expenditure for highly technological occupations, with the possible exception of the larger companies. Furthermore, focused attention on management development was not widespread.

The most common means to train employees was through the employer's own resources, especially in finance and larger establishments. Only a small proportion of respondents use government schemes as a prime training source, though use of YTS for clerical and administrative positions is common. Very little deployment of YTS was found in high-technology areas.

The majority of respondents found government schemes to be inappropriate for their firms, and in particular, virtually no reference was made to the use of adult schemes. As the survey was undertaken only weeks following the introduction of the new Employment Training programme, lack of reference to this is hardly surprising but use of existing adult schemes seems to be slight. Employers' responses suggest that the schemes are generally not considered to be appropriate or are insufficiently specific for their requirements.

In these circumstances, the prospects for ET are beginning to appear somewhat clouded. Our research demonstrates that large companies do not rely greatly upon government programmes for trained recruits, yet participation by these employers is vital to the success of the scheme. A recent Financial Times editorial identifies a reluctance by large employers to be involved, mainly because 'ET does not complement their recruitment and training plans' (30th December 1988), reflecting our findings for government programmes generally. The recent decision by the Department of Employment to reduce by 10% the

number of ET places, confirms the weak response from both employers and clients to the new scheme.

The proposed introduction of Scottish Enterprise and its local agencies might offer the possibility of matching government-sponsored schemes more closely to the needs of local employers, though our evidence suggests that these are likely to differ according to establishment size, sector and

product market. If these agencies are going to make any meaningful impact in the provision and take-up of government training schemes, it seems clear that more research is required. Such research will be necessary in order to establish employer needs, the most appropriate delivery systems and their financing, as well as the availability and priorities of employees and potential employees.