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PART H

CHANCELLOR'S PAPERS ON
EMPLOYMENT POLICY AND
LABOUR MARKET STATISTICS

/NL/0220

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PART H

Begin: ~~29/11/88~~ 10/11/88

DD: 25 years

Ends: ~~16/12/88~~ (CONTINUED)
28/11/88

13/9/95



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

10 November 1988

Dear Norman,

FUTURE ARRANGEMENTS FOR TRAINING: TVEI

I have seen Kenneth Baker's letter of 11 October to you about responsibility for the management of TVEI and the work related further education initiatives in England. The TVEI issues he raises are very relevant here and I think that like him I shall have to be more closely involved in the management of TVEI in the future. The case for this becomes even stronger given the proposals for Scottish Enterprise, which will carry out most of the present functions of the Training Agency in Scotland. I shall return to the issue in the context of the drafting of our White Paper on Scottish Enterprise.

I am copying this letter to Kenneth Baker, the other members of E(A) and to Sir Robin Butler.

MALCOLM RIFKIND

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 November 1988

BF 15/11

Dear Sir,

NATIONAL TRAINING BOARD

The Prime Minister had a brief talk this morning with your Secretary of State concerning his earlier proposal to establish a National Training Board (my earlier letter of 1 November refers).

Your Secretary of State said that, in the light of the Prime Minister's objections to his earlier proposal, he had been reconsidering the position. He fully accepted that it was essential to avoid an advisory mechanism that was bureaucratic or could provide a focus for lobbying Government. However, the establishment of the new Training and Enterprise Councils represented a major challenge; the Councils would be expected to deliver what no other institutions had ever previously done. Identifying employers of stature to undertake this role would be a tall order. He therefore strongly felt that a national employer-led group was necessary to head up the drive to establish local employer-led groups.

Continuing, your Secretary of State said he had now concluded that the right way forward would be to create a National Training Task Force, with a membership not exceeding twelve, of whom at least two-thirds should be leading figures from industry and commerce. The Task Force would have three tasks:

- i. to assist in the establishment and development of the new Training and Enterprise Councils;
- ii. to promote to employers the necessity to invest in the competence and skills of the working population;
- iii. to undertake any specific studies or tasks required by Government in connection with vocational education and training.

Unlike the Advisory Body, however, this Task Force would have a limited life of four years. Its job would be quite specific and task-oriented. And there should be no question of it becoming bureaucratic or acting as a lobby.

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As far as leadership of the Task Force was concerned, your Secretary of State proposed Brian Wolfson.

Following a brief discussion, the Prime Minister agreed that this revised proposal overcame the objections she had seen in the original idea of a National Training Board. She was content for your Secretary of State to proceed on the basis he now proposed, on the understanding it was made clear when the Task Force was established that it would have a life of only four years.

I am sending copies of this letter to Alex Allan (Treasury), Neil Thornton (Department of Trade and Industry), Tom Jeffery (Department of Education and Science), David Crawley (Scottish Office), Stephen Williams (Welsh Office) and Trevor Woolley (Cabinet Office).

Yours,
Paul

PAUL GRAY

Clive Norris, Esq.,
Department of Employment



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

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REC.	11 NOV 1988
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	Mr de BERKER - COPY 2
	Mr MONCK - COPY 3
	Mr THRIE - COPY 4

10 November 1988

mp-

Dear Alice,

WAGES COUNCILS

The Prime Minister this morning held a meeting to discuss your Secretary of State's minute of 3 November about the future of Wages Councils. Those present were the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer, the Secretary of State for Employment, the Minister of Agriculture, the Lord President of the Council, the Chancellor of the Duchy of Lancaster, the Chief Whip, Mr Wilson and Mr Monger (Cabinet Office) and Mr Dunlop (No 10 Policy Unit).

I should be grateful if you and copy recipients would ensure this record of the discussion is circulated on a strict need to know basis.

Your Secretary of State, opening the discussion, said that the case for abolition of the Wages Councils was clear. The system was inconsistent with the need for pay to reflect individual and local circumstances. It reduced employers' freedom of action to arrange their pay structures to meet their own needs. It was shot through with anomalies. Moreover, the changes made in 1986 had not had the desired effect. Increases awarded in the first two years after they were made had been at rates of 8.6 per cent and 6.3 per cent respectively. The old habits of basing awards on 'reasonableness' rather than on a market test survived. The views of employers, though still not unanimous, had hardened against continuation of the Councils.

Continuing, your Secretary of State said he had earlier drawn attention to the statements made by Government spokesmen in 1986-87 which implied Government acceptance of the need to continue with Wages Councils as reduced in scope by the 1986 changes. Nevertheless, there was a strong case for announcing the intention to abolish the Councils in the White Paper which he hoped to publish in early December, and for including the necessary provisions in the Employment Bill which should be published immediately after the White Paper and carried into legislation during the coming Session.

In discussion, the following were the main points made:

a. Although the case in logic for abolition was very strong, the statements made by Government spokesmen in 1986-87 could not be disregarded. For the Government simply to go back on these statements would be wrong and might undermine its credibility more generally. Any change of policy would need to be justified by demonstrating that circumstances had changed since 1986, for example because new facts or arguments had emerged or because the balance of opinion had shifted. The case for change would have to be steadily built up.

b. There were arguments for the view that circumstances had indeed changed. The withdrawal of the under-21s from the scope of the Wages Councils had certainly done no harm to the employment prospects of that age group, and had indeed been followed by a fall in youth unemployment. Most significantly, there was now evidence that opinion among employers was more strongly opposed to keeping the Councils than in 1986. Some major trade associations were strongly in favour of abolition and so were senior figures in the CBI. Small business opinion generally would also support abolition.

c. One possibility would be to undertake a new round of consultation. The Government could produce a consultative document designed to bring out the very convincing arguments for abolition. The response, although uncertain, should show that a majority of business opinion was in favour of abolition. No doubt those who supported abolition could be encouraged to make their views known. Even now, however, it was not realistic to think that employers would be unanimous, and the Government might still need, at the end of the period of consultation, to give a strong lead in response to majority opinion.

d. The arguments for abolition of the Agricultural Wages Boards were in principle as strong as those for abolition of the industrial Wages Councils. But they could not be abolished before 1993 without breaching a separate ILO Convention. If the Government launched a new round of consultations on the industrial bodies, they would certainly be asked about their intentions towards the agricultural bodies. This question might be answered by saying that the decision could not be taken until 1993, and the Government would need at the due time to follow the appropriate procedures and consult with all those interested.

The Prime Minister, summing up the discussion, said that the group accepted that the arguments for abolishing the Wages Councils were in principle overwhelming. But it would be wrong to disregard the statements made by Government spokesmen in 1986-87 which implied that the Government saw a useful continuing role for the Councils. The Government could only proceed to abolition, without being open to criticism, if it

could demonstrate that the arguments, or opinion generally, had changed since 1986. The group had therefore agreed that, subject to the agreement of E(A) at its meeting on 1 December, the next step should be the issue of a consultative document on the subject, at the same time as the White Paper. This should marshal the facts and arguments in favour of abolition. If the response to the consultative document showed that there was an overwhelming majority of business opinion in favour of abolition, the Government could legitimately decide to give effect to it. In discussion, it had been suggested that a two months' consultation period would be appropriate. If the outcome of the consultation was satisfactory, it would then be open to the Government to decide to insert the necessary provisions by way of amendment to the Employment Bill as it was going through Parliament, although there could be no commitment to this approach at this stage. If the consultation led to questions about the Government's intentions on the Agricultural Wages Boards, they should be answered along the lines suggested in the discussion.

I am sending copies of this letter to the Private Secretaries of the other Ministers at the meeting, and to the others present.

Yours,
Paul

PAUL GRAY

Clive Norris, Esq.,
Department of Employment



BF 18/11
21/11

PRIME MINISTER

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

...I now attach a copy of the draft White Paper which I propose to publish next month.

The White Paper sets out my plans for modernising the framework of the training system, including the introduction of the new local Training and Enterprise Councils. It does this against the background of the changing labour market of the 1990s, and the need to remove barriers to employment in a number of areas and to make our labour market more flexible.

The current draft of the White Paper is virtually complete, but there are a few areas where additional material will be inserted.

My officials are in touch with those of Malcolm Rifkind about relating this White Paper to the parallel document he is producing.

I would be grateful for comments on the draft by close of play on Monday 21 November.

Copies of this letter and the draft White Paper go to Cabinet colleagues.

N F

14 November 1988

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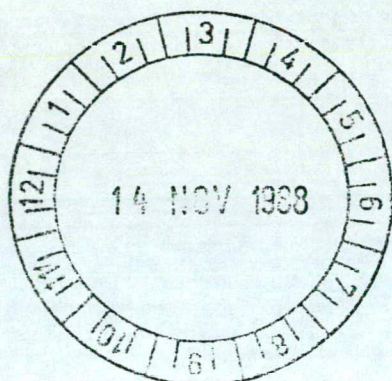
1. Introduction

1.1 Since 1979 the Government have helped create an economic climate in which the British economy can prosper and grow. Britain is now reaping the benefits. Our economy leads the way in Europe in generating new jobs, and as a nation we are now in a better position than for decades to sustain a high level of employment growth. But our future success in job creation is not guaranteed. It depends on our ability to update the skills and productivity of all those in the workforce, on our commitment to wealth creation and economic success and above all on an increased capacity to adjust to change and take advantage of the opportunities it offers.

1.2 This White Paper is therefore about people and jobs in a changed and changing world. It is about enterprise and competitiveness in an increasingly competitive world market place. It is about providing a framework which can facilitate employment growth. It is about opportunity and access to opportunity. But above all it is about people as our key resource.

1.3 The White Paper sets out an agenda for action starting now and developing through the next decade. It concentrates in particular on training, on the historic opportunity to reshape our training system, and on the need to set forward-looking training policies not just for young people but for everyone throughout their working lives. But it also sets important objectives which it is essential to achieve if we are to remove barriers to employment and employment growth.

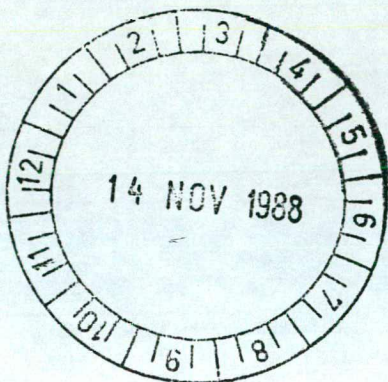
1.4 Much has been done since 1979. The Government's economic and financial policies have created the conditions for improved economic growth. The encouragement of enterprise and deregulation has stimulated the growth of self employment and the creation of over one million jobs in small firms. The industrial relations legislation has helped transform the sorry history of our labour relations, to the benefit of employers and workers alike.



1.5 But more must be done. The world of the 1990s will be one of more rapid change: demographic change, technological change, changing market opportunities, and changing skill requirements. If we are to cope with these changes, we must increase the flexibility with which industry, commerce and individuals respond, and break down the barriers which inhibit progress and which hold back employment growth.

1.6 We must ensure that inflexible pay arrangements and excessive pay increases not matched by increased productivity do not threaten jobs and growth. We must counter outdated attitudes and behaviour in industrial relations, which can still inhibit change and constrain productivity. We must prevent discrimination in recruitment and employment on grounds of race, sex, disability or age, which hinders the best use of the country's human resources at a time when the working population is hardly growing. We must further improve access to advice, information and support for people seeking to create their own jobs and businesses. We must tackle the barriers, some real and some perceived, which hinder people from moving to take up the thousands of new jobs the economy is generating. And, above all, we must invest in the skills and knowledge of our people and build up industry's skill base, through a strategy of training through life, to enable Britain to continue to grow and to generate jobs.

1.7 This White Paper sets out the Government's objectives and intentions in these areas, but of course much depends on the response of employers and individuals. Continuing employment growth depends on a partnership. Government can set the framework for enterprise and economic progress, and for the removal of impediments to job creation. But it is up to employers and individuals, by their actions, to ensure that the jobs come about; and in reskilling the labour force there are necessary partnerships between enterprise, vocational education and training, between delivery at local level and policies and priorities at national level, and between employers and Government, customers and providers.



2. The Labour Market of the 1990s

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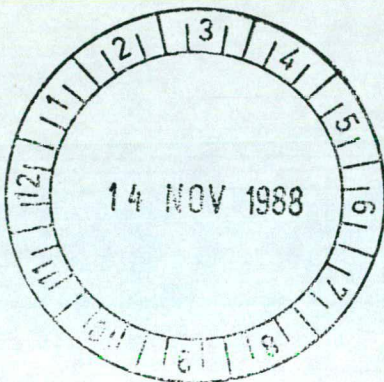
Introduction

2.1 During the 1980s, Britain has had great success in creating new jobs and reducing unemployment. Employment has risen by over two million since 1983, and British industry has created more new jobs than the rest of the European Community countries combined. Over the last two years unemployment has fallen dramatically, and at a much faster rate than in other European countries. Our unemployment rate at eight and a half per cent is well below the European Community average, and below the national rates in France, Italy, Belgium, the Netherlands, Spain and Ireland.

2.2 The benefits of this reduction in unemployment have been widely spread. Long term unemployment has fallen by 290,000 in the last year, the largest annual fall since records began, and is now below one million. There are 400,000 fewer long-term unemployed people than in July 1986. Unemployment amongst workers under 25 is now at its lowest level for over five years, and the United Kingdom unemployment rate for under 25s is substantially below the European Community average of over 20 per cent. All regions of the country have benefitted from the sustained fall in unemployment, and most encouraging of all, the largest reductions have been in regions which previously had particular difficulties - the West Midlands, Wales, the North and the North West.

2.3 The Government's aim is to ensure that progress in reducing unemployment continues. There is only one way for this to happen and that is by the creation of new employment opportunities. The Government can help provide the stable economic environment which is necessary, and can clear away some of the outdated legislation and regulations which act as barriers to employment. But industry and commerce must take the fullest possible advantage of all opportunities, and to do this, and to continue progress in job creation, we must all recognise the changing world of the 1990s.

2.4 Three powerful forces in the 1990s will change the character of Britain's economy and will fundamentally alter our approach to preparing today's workers for tomorrow's jobs. These are **demography**, **global competitive forces**, and the **changing nature of employment itself**.



Demography and the workforce

2.5 During the 1990s the population of working age will stabilise and there will be a major slowing-down in the growth of the workforce. The number of people of working age is projected to rise by only a quarter of a million between 1987 and 1990 and to remain broadly stable at a little over 34 million for most of the 1990s. It will then fall substantially in the first quarter of the next century.

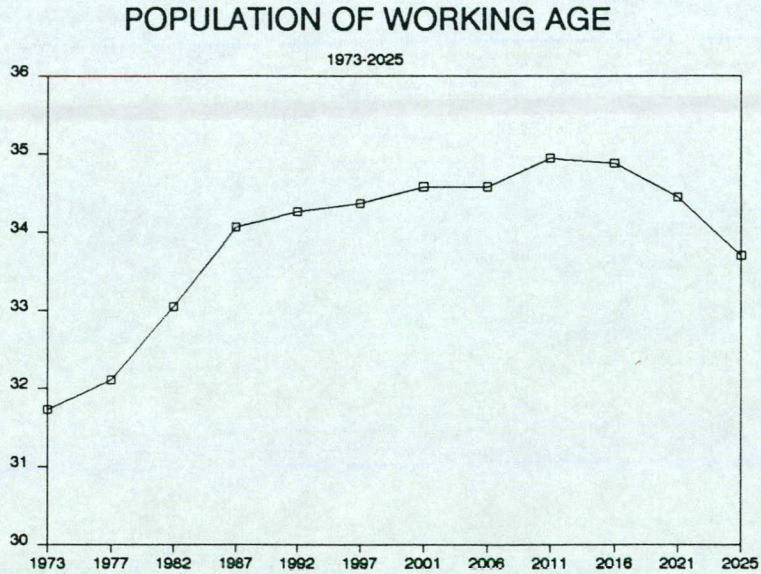


Figure 1 Source: OPCS and Government Actuary's Dept.

2.6 The labour force will continue to grow but at nothing like the rate of the mid 1980s. Between 1987 and 1995 it is likely that the number of people in the labour force will increase by around 100,000 per annum compared with over 300,000 per annum in the four years between 1983 and 1987, and the average increase will be even smaller in 1990 to 1995. **The most radical change is in the number of young people in the labour market: the labour force under 25 will have fallen by 1.2 million between 1987 and 1995.**

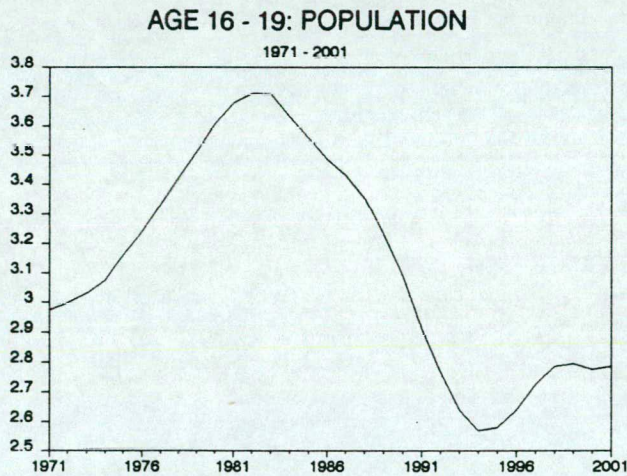
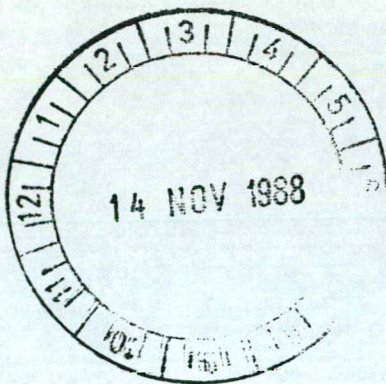


Figure 2 Source: OPCS and Government Actuary's Dept

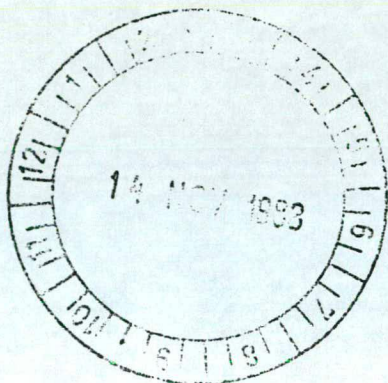


2.7 These demographic changes have substantial implications for employers, Government and individuals. We have experienced a fast rate of labour force growth in the past, and it is easier to adjust to change in such conditions as new entrants go into expanding sectors. In the future, there will have to be greater mobility among those already in employment. In addition, employers cannot expect to recruit as many young people, especially well-qualified young people, as they have in the past. They will have to tap new sources for their recruits. In addition, the relative stability of the workforce emphasises the need for employers to retrain their existing staff to adapt to changes rather than to rely on the market for ready-trained people.



Figure 3 Source: Employment Dept Labour Force Projections 1988

2.8 Provided employers change their attitudes and approaches, new sources of recruitment can provide for tomorrow's needs. The number of **women** in the labour force will increase. Two thirds of labour force growth between 1983 and 1987 was made up of married women, and by 1995 the projected increase in the size of the female labour force is some three quarters of a million, over 80 per cent of the total. Employers must recognise that women can no longer be treated as second class workers. They will need women workers, and must in turn recognise their career ambitions and adapt to their needs. This could include broadening company training policies, and a much more widespread introduction of work flexibility and job sharing, to facilitate the employment of women with families.



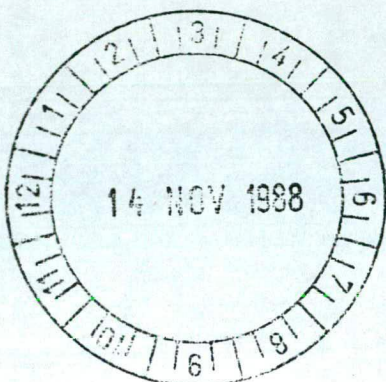
2.9 There are around a million people from **ethnic minorities** in the labour force, about four per cent of the total. More of them are young, and there is a high proportion in the under 16 age group. As they reach working age it is likely that the ethnic minorities' share of the labour force will increase into the 1990s. Discrimination against ethnic minorities by employers is of course unlawful but it is also against their own commercial interests to ignore this potential labour force.

2.10 Though unemployment is falling rapidly, **the unemployed** will remain a resource on which employers can and should draw. Recent research shows that many unemployed people have the skills and abilities to fill jobs which are vacant, given the chance. Some need more than this. Their skills may be outdated, or they may need help to make a new start. For them the Employment Training programme will continue to help very large numbers of long-term unemployed back to work.



Figure 4 Source: Employment Dept Labour Force Projections 1988

2.11 Finally, there are **older workers**. The labour force in the 1990s will contain many more 25 to 54 year olds, and almost as many over 55s (see Figure 4). Many of these workers may have spent most of their working lives in the same job or the same type of job, but in the changing environment of the 1990s they, like younger workers, must expect to be retrained and to change and adjust. Employers must see them as a valuable resource, even workers in the late stages of their working lives and who are too often today seen as a burden. Such a change of attitude will call for new approaches to training. It may also call for a much more flexible approach to retirement: employers should be considering how best



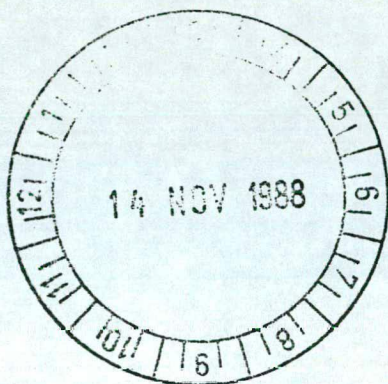
to retrain and use older and experienced workers who want to continue working beyond 60 and 65, rather than how to get rid of them.

Global competition

2.12 The days of a British economy with captive overseas markets are long since over. Britain is now operating in an increasingly competitive international environment where many markets are "knowledge based". Two key international developments underline the importance of developing Britain's human resources. First, the move towards completing the Single European Market in 1992 will open up to British business a market of over 320 million consumers. Most of the other European Community countries have prosperous economies with higher incomes per head than the UK, and the opportunity for UK goods and services is enormous. At the same time, the major European Community countries are themselves tough competitors in UK markets.

2.13 The second key development is the emergence of powerful new commercial competitors in South East Asia and elsewhere. It would be quite wrong to see competitors such as South Korea, the Philippines and Hong Kong as not relevant to Europe or to our markets. These countries have high rates of output and productivity growth and have already made great inroads into many markets previously dominated by Japan. They provide intense competition in the large basic industries such as steel, shipbuilding and vehicles, but they are by no means "cheap labour" economies. One of their most striking characteristics is the scale of the investment they make in education and training and this will give them a capacity not only to tackle the "knowledge markets" but also to adjust more rapidly to the changing market demands of the 1990s.

2.14 The general lesson from this is that to meet competition at home and overseas, industry - and commerce since there is intense competition in services - must be increasingly alert to new opportunities, and must adapt to changing technologies, changing markets and changing tastes. This requires a high degree of commercial expertise. It also requires a more adaptable workforce, from top management to the office or shopfloor. This in turn requires investment in training, and an appropriate training system which will ensure the provision of relevant skills.



The new jobs

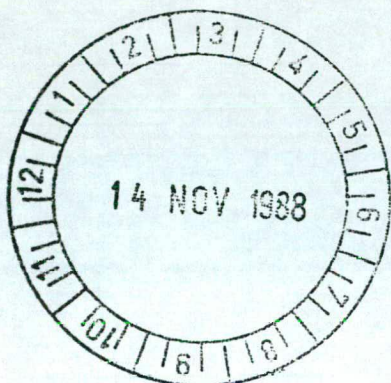
2.15 What kind of jobs can we expect people to be doing in the 1990s? We may not be able to say exactly, but we can be sure that jobs and the patterns of work will change. One important influence is the impact of technological advances. They reduce the cost of production and stimulate new products, and new companies. They change the nature of jobs and the demand for skills. Customer demands change. As people become better off, their spending patterns alter, and new activities create new jobs. For example, the increase in real incomes has stimulated new demands in the recreation and leisure industries, and the number of people working in these industries has increased by a third in the last ten years.

2.16 Job growth in small businesses has been a key feature of the 1980s, and this too will continue into the next decade. More and more people will work for themselves and self employment is likely to be an increasing share of total employment. It already accounts for a large share of jobs in business and personal services, a growing sector of employment. Others may increasingly work in small teams some of which will continue to be employed by large organisations. Many large firms are increasingly contracting out activities previously performed in-house to smaller firms, and sometimes to their own former employees who have been "spun off" into business on their own.



Figure 5 Source: OECD Labour Force Statistics

2.17 As a nation we are now producing record levels of manufactured goods with a third fewer people in manufacturing than at the previous peak in manufacturing production in 1974. This has helped to reduce the prices of manufactured products and to increase consumer choice, and the wealth created by our progress



has helped stimulate greatly increased employment in the service sector, a trend which is common to all major industrial countries.

2.18 Twenty years ago one in two British workers had jobs in service industries. Now it is more than two out of three and it will increase further. The Institute for Employment Research at the University of Warwick* suggest that in 1995 services will account for over 70 per cent of employment. The main areas for growth are in business services, hotels and catering, distribution, and a wide range of other services, such as recreation and cultural services.

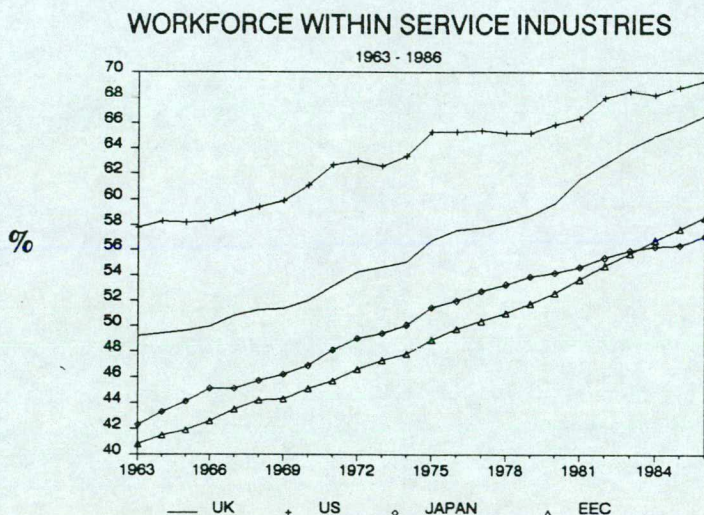
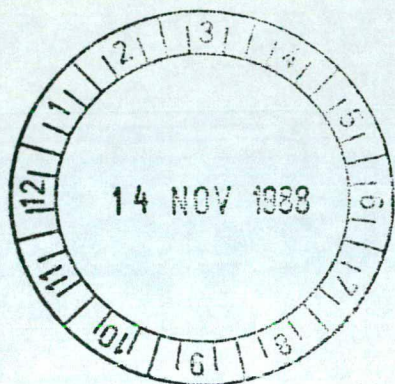


Figure 6 Source: OECD Labour Force Statistics

NOTE Figure 6 based on service sector share of all employment, including self employment.

2.19 Changing patterns of work will develop, with many of the new jobs giving people the chance to follow a more flexible working pattern. The proportion working a traditional day, week or year will decline. Part-time working, temporary work, sub-contracting and homeworking are all likely to increase. There are already over five million part-time workers, a quarter of all employees, and this number is likely to increase in the years ahead because part-time working is popular with both employers and workers. It enables employers to adapt the size of their workforce to match work flows and employees to combine paid employment with domestic responsibilities and leisure.

* University of Warwick: Institute of Employment Research, 1987 Review of the Economy and Employment



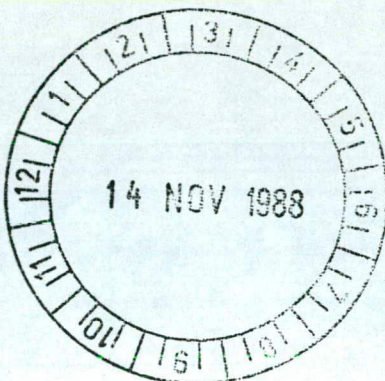
2.20 Where and how we work will also change. The lower cost of new technology, in particular information technology, will mean that the need for employers to maintain all their employees in offices and factories in expensive parts of the country can be substantially reduced. Advances in telecommunications, such as the enormous growth in ownership of fax machines, illustrates how feasible distance working is becoming. As these technologies develop, employers at a local level will need to be aware of how their labour requirements are changing.

Conclusion

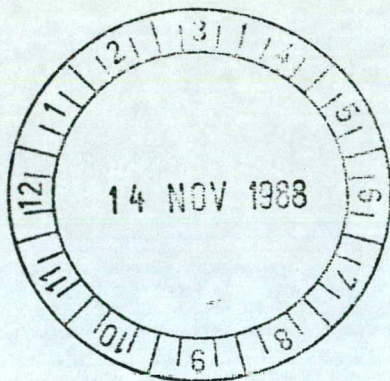
2.21 All these changes - in the labour force, in the structure of jobs, in self employment and patterns of work - reflect the changing demand for skills. There will be an increasing demand for people in occupations which require training, often higher level training. The Warwick University study suggests that of their projected increase in employment of 1.7 million, one million will be in managerial and professional occupations. There will be a lower demand for unskilled and semi-skilled workers, not only because the jobs in which they work are declining, but also because they are likely to be much less adaptable than those with higher levels of education and training. On present trends, however, a relatively high proportion of the workforce will still have no formal qualifications, and may lack the ability to acquire new skills. This emphasises further the need for training and retraining through life.

2.22 The combination of a rapidly changing economy and labour market, and a more slowly growing labour force, underlines the importance of rapid and flexible adjustment to change. In the 1990s what will distinguish successful businesses - and countries - from the rest is how effectively they use the skills and abilities of their people to meet the needs of the market and how quickly they respond to new pressures.

2.23 This will affect every individual and every business in the country. Different skills will be called for. Employers will have to adopt different approaches to training, recruiting and managing their workers as the composition of the workforce alters. Individuals will have to develop new and different approaches to jobs and to working life as the structure and pattern of employment is transformed.



2.24 No-one can predict what skills businesses will require to meet the emerging needs. This means that success in creating wealth and jobs can only be sustained if the labour market and the training system respond smoothly and flexibly to the challenges and opportunities which lie ahead. And that means action by individuals and employers at the local level in acquiring and providing the new skills needed to meet these challenges rapidly and effectively.



3. Barriers to Employment - Industrial Relations

Introduction

3.1 One of the clearest barriers to employment in the 1970s was poor industrial relations. During that period, we lost on average 13 million working days a year through industrial action. Strikes and restrictive practices were a barrier to the creation of new jobs, to growth and to investment. Employers found that management time which should have been devoted to seeking and exploiting new market opportunities was instead frittered away solving petty disputes. Our reputation overseas was dismal. Foreign firms seeking new investment locations looked at our industrial relations record and many went elsewhere.

3.2 The picture is very different today. Days lost through industrial disputes in the last two years were at the lowest level for over ten years. The number of stoppages in each of the past three years has been lower than in any other year since 1940. As the chart below shows, the figures for a particular year can be dominated by a few large disputes but for the vast majority of smaller stoppages there was a very sharp reduction from 7.1 to 2.8 million working days lost per year between the 1970s and 1980s.

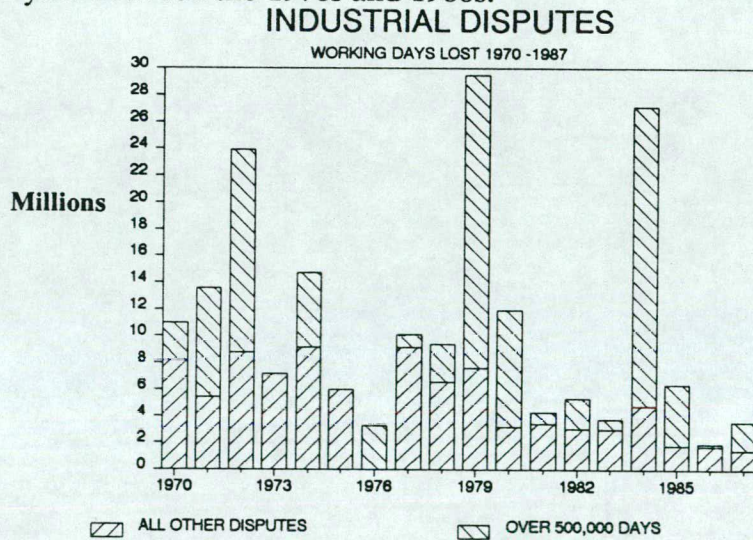
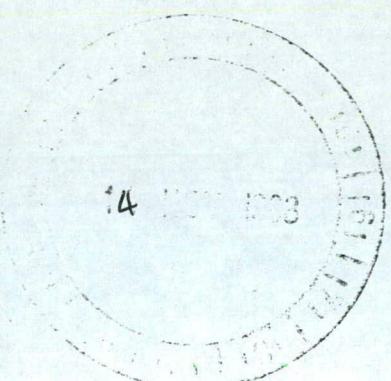


Figure 7 Source: Employment Dept Gazette July 1988

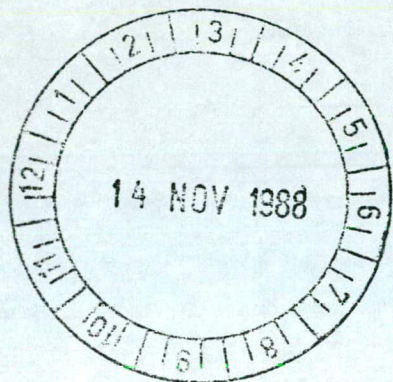


3.3 As a result, Britain's reputation at home and abroad has been transformed. An independent survey covering more than 300 foreign-owned firms, published by the Invest in Britain Bureau in December 1987, showed that 96 per cent believe industrial relations in Britain have improved significantly in recent years. 70 per cent of them planned to increase their investment in Britain.

3.4 There is no doubt about the reasons. In 1979, the balance of power between trade unions and employers and between trade unions and their own members was weighted heavily in favour of trade unions. Recent research shows that trade unions have used their power in ways which adversely affected labour costs, productivity and jobs. The Centre for Labour Economics at the London School of Economics have shown that, in the last decade, employers which recognise and negotiate with trade unions have been less likely to experience job gains and more likely to suffer job losses than establishments which do not. In general, trade unions have tended to push up the earnings of people they represent while blocking the improvements in productivity which are needed to pay for those higher earnings.

3.5 The Government's step-by-step approach to trade union reform has helped to correct the imbalance of bargaining powers between trade unions and employers. The Employment Act 1988 which received Royal Assent in May carries the process further. It is concerned primarily with the protection and promotion of trade union members' rights, but it will also help to break down barriers to a freer and more responsive labour market. The consistent theme of the Government's reforms has been to enlarge the freedom of employers and employees to make their own decisions about how they run their industries and develop their careers and conduct industrial relations on the basis they think best.

3.6 The Government's reforms have led to major and important changes of attitude. The atmosphere of industrial relations today is very different from what it was in the 1970s. Management has regained the freedom to manage, and the incentive and will to do so. National newspaper production is just one example. Costs in the industry soared, despite the possibilities offered by new technology. There was significant overmanning. For years management and unions resisted changes. Eventually new proprietors using modern methods and a new legal framework stepped in; changes in technology and manning levels which might otherwise



have taken decades were achieved in months. The scope for the entry of new businesses to the industry is now far greater than ever before.

3.7 Employers are now free to decide for themselves whether or not to recognise and negotiate with trade unions. They can, in general, settle pay rates with trade unions or employees free from external interference. They can seek legal redress against unacceptable forms of industrial action, including strikes which are not supported by a majority of the trade union's members in a secret ballot. They have the protection of the law against industrial action to force a closed shop upon them. The Government have recently announced further action to free employers from unnecessary burdens, including measures to discourage cases in industrial tribunals which have no reasonable prospect of success.

3.8 There has now been a considerable number of cases where employers have used the legal rights available to them, which have demonstrated clearly the ability of the courts to ensure that the new rights are a reality. If employers are faced with unlawful action on the part of trade unions, the remedy lies in their hands.

3.9 Trade union members can make use of the rights which legislation has given them to ensure that their trade unions are run in accordance with their wishes. Trade unionists have welcomed the opportunity to vote in a secret ballot before being called on to take industrial action, and there have been some notable examples of refusal by members to take part in unballoted action and of members voting against endorsing strike calls.

3.10 The Employment Act 1988 gives the trade union member the specific right to prevent his or her union from calling for industrial action without first holding a secret ballot and protection against union discipline if he or she decides to honour their employment contract and work during a strike or return to work before it has ended. The Commissioner for the Rights of Trade Union Members will be available to assist members who need to take legal action against their trade union over failure to observe the industrial action balloting requirement or other legislative requirements such as those relating to trade union elections, maintenance of membership registers, access to accounting records or payment of indemnities for officials.

Trade Unions

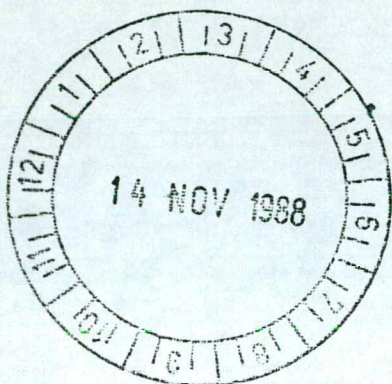
3.11 These developments represent a major challenge to trade unions. The number of trade union members has been declining sharply over the last eight years. Many of the sectors of employment where trade union membership has traditionally been concentrated have shrunk. The growing service industries are unlikely to provide trade unions with recruitment on the same scale as manufacturing industry. Against the evidence that trade unions have reduced employment opportunities, they will in future need to attract and to retain members by convincing them that they can serve their real interests. And they will need to convince employers that it is worth recognising and negotiating with them. The task now for trade unions is to adapt themselves to the changing needs of their members in the 1990s and beyond.

3.12 It is not the Government's job to specify how trade unions should change, but it seems clear that they will attract and retain members only if they promote the real interests of their members: people can no longer be coerced into joining. Trade unions will only be able to do this if they come to terms with economic realities. They should acknowledge that their interests are best served by cooperation rather than conflict, and that flexibility, efficiency and profitability are the best way to guarantee jobs. They should recognise that their members are more concerned with such issues as training and pensions than they are with defending outmoded working practices, and that their members' job prospects will benefit from pay arrangements which link pay to performance and local labour market conditions. They should face up to the view of an increasing number of employers, and employees, that good industrial relations are best promoted by single-union and no strike agreements.

Employers

3.13 The challenge for employers is to involve their staff directly in the economic success of their businesses. In future the individual employee will count for much more. Employees will be more aware of the contribution they are making to the success of the business for which they work. They will want to know how the business as a whole is performing and to contribute their own ideas.

3.14 Furthermore, individual employees will increasingly want terms and conditions - including training and pension arrangements - which reflect their own skills, efforts, capacities and circumstances, and are not solely the outcome of some distant negotiation between employers and trade unions. Employers who are going to capitalise on the skills and enthusiasm of their staff



will need to give them a direct stake in the performance of their business through profit-related pay and share ownership schemes.

Employee involvement

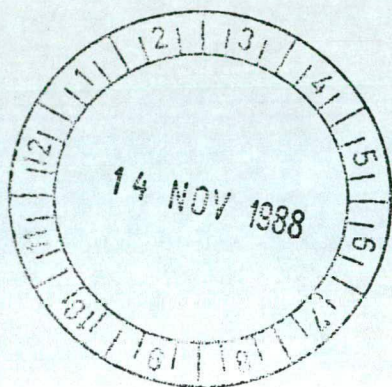
3.15 Many employers already give high priority to promoting employee involvement in their own organisations. There are a number of impressive examples of the contribution this has made to the prosperity of individual firms. For example, Jaguar consider that their arrangements for employee involvement have played a major part in their turn-round from a critical situation in 1980 to their present position. Pirelli regard theirs as a key element in their increase in productivity which nearly doubled over the five years 1981 to 1986 to place their British plants close to the top of the company's productivity league rather than at the bottom. IBM believe that their arrangements have made significant contributions to major productivity improvements and cost savings

3.16 Furthermore, there is growing evidence that financial participation has a positive effect on the performance of those companies which have adopted it in one form or another. Nothing illustrates this more clearly than the commercial success of the National Freight Consortium (NFC). NFC management ascribe much of this success to the motivation of employees. Sainsbury, with its profit-sharing scheme under which employees can opt for either shares or cash, is another example.

3.17 The Government have directly encouraged financial participation by employees through the tax system and through the privatisation programme. Tax reliefs to stimulate employee share ownership have been introduced or extended in eight of the last nine budgets. The privatisation programme has made extensive provision for share ownership by employees of privatised enterprises. Most recently tax relief for profit-related pay has given a direct incentive to schemes in which a proportion of employees' pay is linked to the profits of the business in which they work. The measures already taken have ensured that a large and growing number of employees now have a direct personal stake in the prosperity of their enterprise.

Pensions

3.18 Pension provision has an important part to play in motivating employees and in strengthening their commitment to their firm's success. The Government have increased the range of choices available. The 1986 Social Security Act simplified the conditions

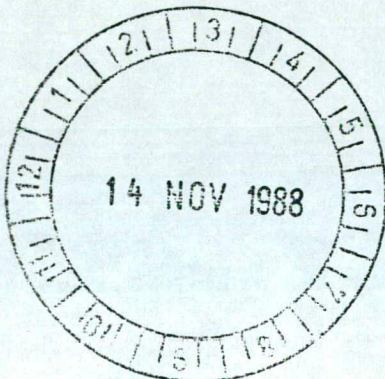


for salary related schemes to be contracted out and allowed money purchase schemes to be used for contracting out for the first time. Employers may now more easily use their occupational pension scheme for contracting out of the State Earnings-Related Pension Scheme (SERPS). Employees for their part now have the choice, as an alternative to SERPs, either to participate in their employer's scheme or to take out a personal pension from a broad range of pension providers. The Government have provided a 2 per cent incentive to those previously in SERPS who become contracted out or take an appropriate personal pension. Money purchase pension schemes, where pension is related not to final salary but to the amounts paid in by the employer and employee, are particularly well suited to many smaller firms and have made possible industry-wide pension schemes in fields where previously none existed.

Regulation

3.19 There are many approaches to employee involvement, and the Government believe it would be wrong to regulate or impose a particular pattern. The Government do not agree with the approach proposed in the context of the European Community. Community legislation requiring worker representatives on the board, or works councils, is not the way forward. The effect would be to impose a straitjacket on management. What is needed is the freedom for firms to develop for themselves, with Government encouragement, the form of involvement that best suits their own circumstances.

3.20 This of course is only one area where there is the threat of greater regulation. The Government believe that a sustained programme of deregulation in the labour market is necessary if we are to secure the flexibility we need. We will only benefit from the creation of the Single European Market if we remain competitive and produce goods and services that people want at a price they can afford. More regulation is the wrong approach. We should concentrate on making Europe's labour markets more flexible, not more regulated. The major social consequence of the Single Market should be the reduction of unemployment by maximising employment growth. The Single Market itself should provide the economic conditions under which workers will be able to benefit from better wages and conditions. It is from this basis that we shall look at any proposals from the Commission to introduce new forms of legislation or to impose industrial relations practices which would turn the clock back to the 1970s.



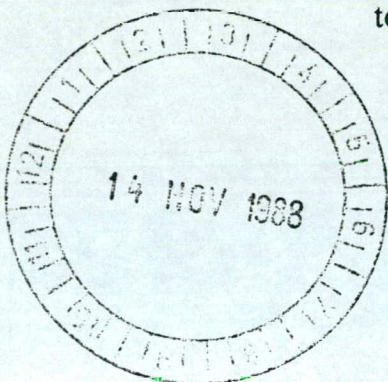
Conclusion

3.21 The legislation the Government have introduced has played an important part in the transformation of industrial relations since 1979. It has helped to correct the imbalance of power between trade unions and employers which lay at the root of the industrial relations problems of the 1970s. It has helped to curb the abuse of trade union power on the picket line and in the closed shop. It has given trade union members important democratic rights.

3.22 The Government are prepared to take further legislative steps if the need becomes clear. The Government are particularly concerned about the operation of the pre-entry closed shop, which inevitably restricts the freedom of choice of prospective employees. Recent research indicates that the damage trade unions do to jobs through inflating earnings while depressing productivity is particularly acute where a closed shop is in operation. The Government will also look with care at any evidence that trade unions are failing to apply practices commended in the Code of Practice on balloting before industrial action.

3.23 However, there are limits to what can be achieved by legislation alone. In particular, trade unions have the urgent task of modernising themselves and their role if they are not to see their membership continue to decline. The crucial task for employers is to develop new ways of involving employees directly in the success of their businesses.

3.24 It would be a great mistake to suppose that all the improvements in industrial relations since 1979 are irreversible. On the contrary, there is a danger that, against a background of high and rising profits and a diminishing supply of skilled labour, some of the gains of the last nine years will be allowed to slip away. Previous decades provide ample evidence of the damaging consequences of short term solutions to industrial relations problems. For their part the Government are ready to take whatever further legislative steps may prove necessary. The Government will resist any European Community regulations which would make the operation of the labour market more inflexible. But it is the responsibility of all those who are actively concerned to ensure that our industrial relations practices do not once again become a barrier to employment.



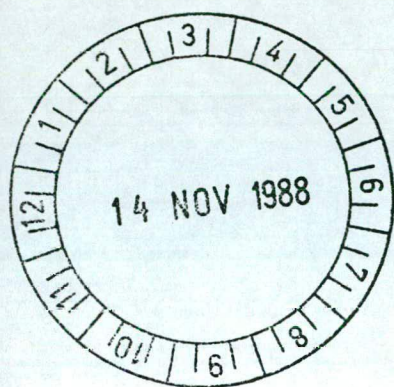
4. Barriers to Employment - Pay

Introduction

4.1 Just as certainly as bad industrial relations act as a barrier to jobs so too do excessive pay increases and inflexible pay arrangements. Excessive pay increases add to industrial costs and prices, and if the prices of our goods rise more quickly than those of our international competitors our competitiveness at home and abroad will be threatened and this hits jobs.

4.2 But there is another reason why excessive pay increases can adversely affect employment. This is simply that if the cost of employing people rises too quickly, employers will use fewer people. This comes about in two ways. First, to produce a given amount, employers often have a choice of how much labour and how much capital or machines they will use. If labour becomes more and more expensive, there will be increasing incentive to adopt more capital intensive production methods. Of course there will not be a massive overnight switch to new methods. But employers make production and investment decisions every day, and an unfavourable pay environment will influence those decisions so that, over time, the trend of employment will be lower. The second direct reason why pay affects jobs is that within a given financial framework, higher pay increases will reduce profits and the scope for investment and for cutting prices. The effect of this will be to reduce the scope for growth, and for employment increases.

4.3 In these ways, one person's pay rise can be another's lost job opportunity. Yet for decades as a nation we have been paying ourselves more than would be justified by productivity and output growth. In the 1970s when productivity growth was around 1 per cent, earnings growth reached the dangerous level of over 20 per cent a year. Since 1979 earnings growth has fallen, although by less than the fall in inflation.



HOURLY EARNINGS IN MANUFACTURING

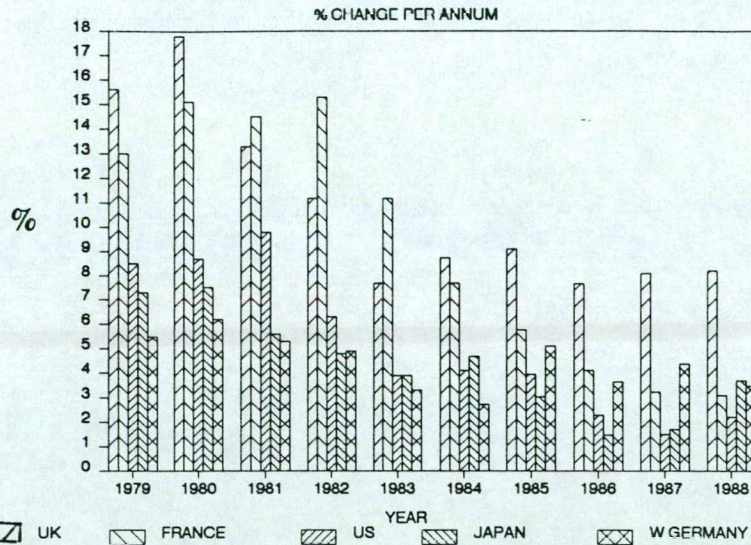


Figure 8 Source: OECD Main Economic Indicators and Historical Abstract.
NOTE Figures for 1988 relate to first quarter only.

4.4 Pay settlements remain too high. Earnings increases are much higher than in major competitor countries. Productivity improvements remarkable by the UK's historic standards - have restricted the rise in unit labour costs, arising from earnings, to about 2 per cent. But that must not lead to complacency on pay. The improvement in our unit labour costs is mainly the result of our much better productivity growth. Our competitors have lower growth in unit labour costs because they enjoy considerably lower growth in earnings. There are limits to the extent to which improvements in productivity can keep our unit labour costs under control. Moderation of pay is essential for competitiveness and jobs.

UNIT WAGE COSTS

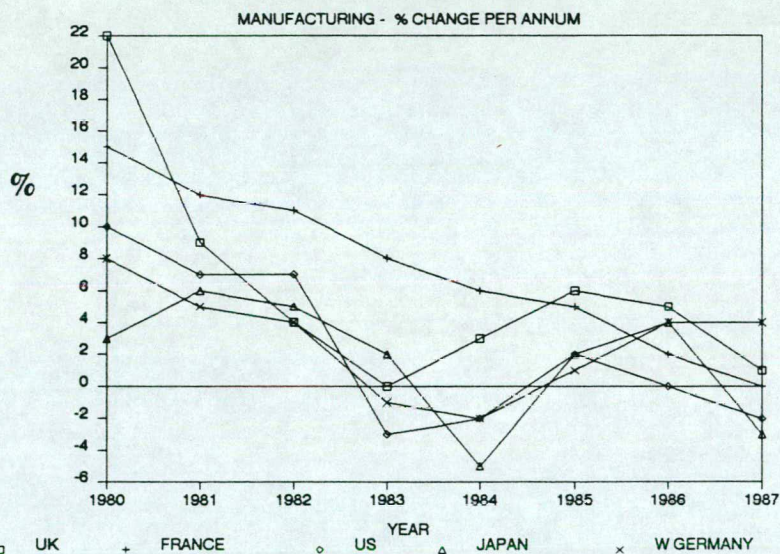
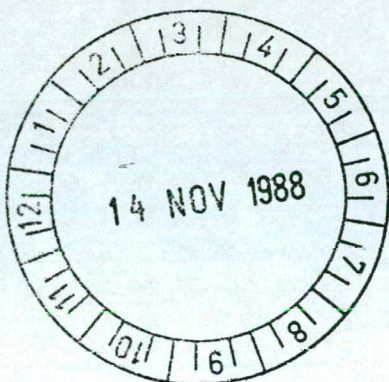


Figure 9 Source: OECD Main Economic Indicators and Historical Abstract



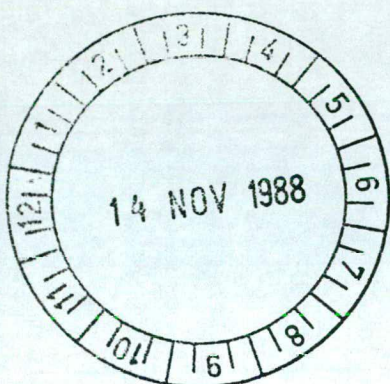
● Pay
determination
in the 1990s

4.5 There is no uniquely right way of determining pay but many existing approaches to pay bargaining in some cases beloved of trade unions and employers alike, will need to be abandoned to secure the flexibility essential to employment growth. In particular "the going rate", "comparability" and "cost of living increases", are all outmoded concepts - they take no account of differences in performance, ability to pay or difficulties of recruitment, retention or motivation. Pay structures too have to change. National agreements which affect the pay of half the workforce all too often pay scant regard to differences in individual circumstances or performance. It is extraordinary to see that in the Northern region, where the unemployment rate is among the highest in the country, average hourly earnings of male manual workers are actually higher than in any region excepta the South East. Finally, the expectations that pay increases should simply happen need to change. Attachment to an automatic annual round of pay settlements adds yet another inflexibility and upward pressure.

4.6 Job growth in the 1990s will depend on replacing these outmoded concepts with pay arrangements which reflect a greater responsiveness to local labour market conditions; changes in product markets and technology; differences in performance, merit and skills; the continuing profitability of the enterprise; and international competitiveness. The importance and relative priority of these factors will vary according to the needs of each individual enterprise at any given time. There is no magic formula, and employers have to be aware of wider considerations. For example, if all productivity gains are passed to existing workers nothing is left to provide for lower prices and more investment on which profitable output and future jobs depend. Similarly, high earnings growth in sectors with high productivity raise expectations and recruitment difficulties in areas such as services, with lower productivity. But the development of strategies, relating pay more directly to these factors and more generally to what can be justified and afforded, is essential as the economy moves into the 1990s.

4.7 There are some encouraging signs that change, is occurring:

- the proportion of the workforce covered by multi-employer national agreements declined from 60 per cent in 1978 to 54 per cent in 1985

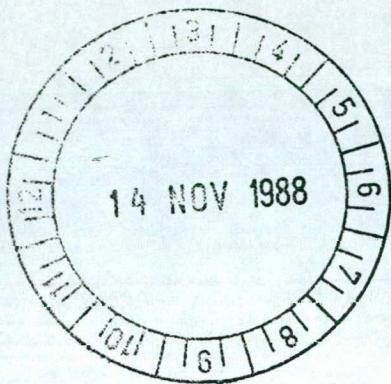


- in many industries, for example oil distribution; banking; retail food; independent broadcasting and shipping; multi-employer bargaining is giving way to negotiations by individual firm
- national pay arrangements in public corporations such as steel and the post office have become more decentralised and similar developments are planned by British Rail
- the growth of small firms and self-employment provides both greater flexibility and less central decision making over pay
- more longer term deals, providing greater stability and often embodying changes which improve efficiency and remove restrictive practices, are being negotiated
- a recent survey by the Advisory Conciliation and Arbitration Service found that over a quarter of those included in their sample had introduced profit or performance-based pay systems.

4.8 These developments are encouraging pointers to the way things must go in the 1990s. Their further development is largely in the hands of employers but the Government can promote them by setting a sound economic and financial framework to control inflation, and by trying to influence attitudes to and good practice on pay. In the case of profit related pay it has also provided a tax incentive. The Government also have an important role as an employer, in encouraging competition and in removing statutory obstacles to sensible pay determination.

Government as employer

4.9 The need for more pay flexibility is acute in public services which do not face the discipline of a profit and loss account. The Government as an employer or paymaster have taken significant steps forward in public service pay. Already over one third of non-industrial civil servants are covered by new flexibility deals replacing the traditional bargaining arrangements and offers of similar deals have been made to unions representing the remainder. Well over half of all civil servants are now covered by arrangements which include an element of performance-related pay, and the pay of general managers in the Health Service is now related to their performance and similar arrangements are being extended to a range of senior and middle managers. Local variations in civil service pay have also been increased.



4.10 The recent report by the Efficiency Unit on "Improving Management in Government: The Next Steps" sets the scene for further moves towards more efficient, responsive Government to which pay flexibility must contribute.

**Product
markets
and pay**

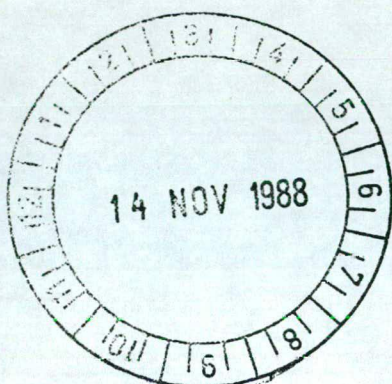
4.11 Action to increase competition is essential to a complete strategy for pay. Pay bargaining arrangements and individual negotiations are bound to be influenced by the general conditions prevailing in both product and labour markets. Links between competition in the labour market and pay can be directly apparent. But increased competition in product markets also helps to keep the growth of earnings in check. It puts pressure on employers to reduce costs and so prevents them from passing on pay rises in higher prices.

4.12 Government action to increase competition has already included measures to reduce trade protection; privatisation; deregulation; and the contracting out of public services to competitive tendering. Contracting-out provides a very good example of the value of markets in securing jobs for those who can supply services at competitive costs. Under the Local Government Act 1988, for example, those who currently provide a range of existing local authority services will have to compete, on price and quality, with outside contractors. This will give a significant impetus to the setting of realistic pay within local government.

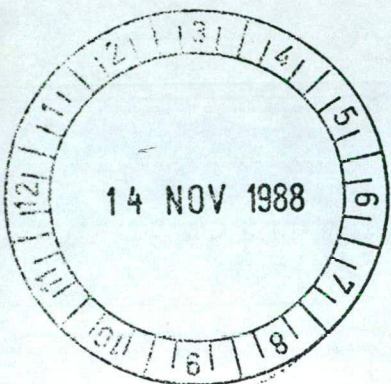
4.13 The movement towards the Single European Market in 1992 will add greatly to competition and make labour and product market changes all the more necessary.

**Removing
obstacles**

[4.14 Bargaining arrangements and pay structures are not the only elements in creating rigidities and inflexibility in pay. Over the years there have been many legislative and regulatory provisions which have had the same effect. The Government have acted in several ways to remove obstacles making for wage rigidities. They have repealed Schedule 11 of the 1975 Employment Protection Act which could be used to require employers to pay the same wages as others whose circumstances were quite different. They have rescinded the 1946 Fair Wages Resolution, which had a similar effect in relation to public sector contracts. They have encouraged more realistic levels of youth pay through training schemes and by removing those aged under 21 from the scope of Wages Councils.



And they have lifted from employers the burden of complex Wages Council Orders.]



5 . Barriers to Employment - Training

Introduction

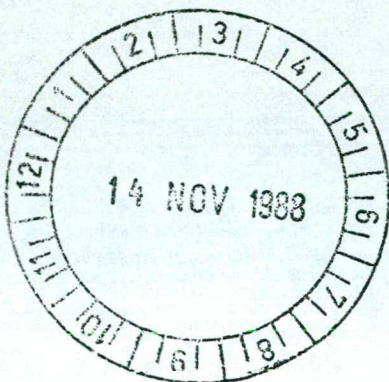
5.1 The 1990s, with more intense international competition and a more rapid pace of change, especially technological change, will highlight the future need for skills throughout the labour force. Our current situation does not give grounds for optimism that these skill needs will be met. Certainly a good deal of training is done. A 1986/87 study showed that employers spent some £15 billion on training, of which about £11.5 billion was the pay of trainees and trainers. This is in addition to the £3 billion spent by Government. But despite this, skill problems are there for all to see.

5.2 We still have over two million people unemployed, yet the irony is that in many parts of the country employers are increasingly complaining of skill shortages. Some complaints may be unreal but many are not, and while the level of shortages recorded by the CBI surveys is still well below the levels of the 1960s and 1970s, the worrying factor is the problem of technician, technologist and white collar shortages in new and developing skills.

5.3 This is not a new problem. Many reports and analyses over the last hundred years have drawn unfavourable comparisons between Britain's training and education systems and those of our overseas competitors. Our apprenticeship system had strengths but also the substantial weakness of inflexibility.

5.4 For a long time we relied on largely time-served apprenticeship for school leavers as the only route into skilled employment. This took in boys to a limited number of traditional industries, and while it assured a high level of craftsmanship, it was restrictive and for many years prevented the skilled labour force adjusting to changes in the labour market. The output of skilled workers from apprenticeship frequently lagged behind employer demand; demarcation disputes between skilled trades bedevilled many industries, and apprentice-trained workers became locked into declining industries.

5.5 The great majority of young people entering the labour market did not go into apprenticeship. Most of them, far more than in competitor countries, left school at the minimum leaving age and received little systematic further training. Nor until the introduc-

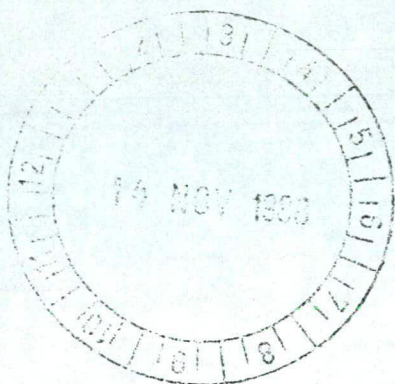


tion of the Youth Opportunities Programme and its successor YTS, was there a determined attempt to deal with the inadequate vocational preparation of young people.

5.6 Of perhaps greatest concern was that most employers in Britain regarded training as relevant for only a tiny minority of their employees, and as an option rather than as a commercial necessity. A whole series of reports show that while our skilled workers, technicians and technologists can stand comparison with their counterparts abroad, we lack competence at all levels including management. In every recession this century employers have cut back on training, so making inevitable shortages of skilled workers in the upturn. Employers who do not train try to "poach" skilled workers from those who do, and in so doing force up pay rates and increase labour turnover.

5.7 Some of these problems have been alleviated by recent improvements in the training system and by greater flexibility within the labour market generally. But recent international comparative studies suggest that we still lag behind competitor countries in training. This seems to be the case whether we take the number of trainees, or the breadth and flexibility of training. There is of course no simple model adopted by foreign countries which we could usefully borrow to help solve our own problems. West Germany and the United States have adopted locally-based training systems which appear more successful in meeting their labour market needs. We have to build on what we have at the moment and to develop a new framework for the years ahead drawing on the best of our current practice. Our present framework at national, industry and local level reflects the needs of the past, and it must change to meet the priorities of the future.

5.8 The Government believe that there are now both an opportunity and a need for radical reform of the training system involving the maximum reliance on local enterprise. Unemployment is on a strong downward trend. Demography is sharply reducing the number of young people entering the labour force and this emphasises the new importance of training adults. More people are becoming self-employed or running their own businesses. Companies are now much more profitable, and are becoming increasingly aware of the commercial necessity of reskilling their workforce, and of linking their training plans with business plans. We must now put in place a new framework of institutions and pol-



icy designed to place enterprise and training at the heart of our strategy, national and local, for economic growth. A number of principles should guide the approach:

First, vocational education, training for specific jobs, management training and development at all levels, including training and counselling for small firms, must all be designed and co-ordinated to contribute to business success and economic growth.

Second, though Government will be responsible for setting the framework and for funding the training of some unemployed people, the major responsibility for training rests with employers.

Third, the training system should give young people and adults qualifications which are relevant to employment.

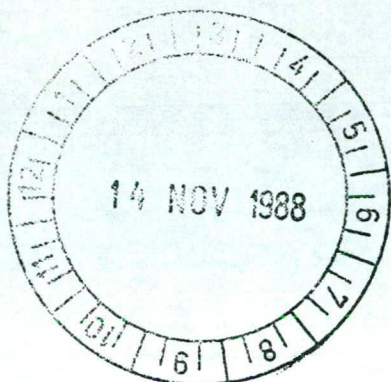
Fourth, responsibility and control must, as far as possible, be devolved to local areas. It is there that we need to mobilise and direct private and public investment and achieve a coherent strategy and timely results. That is where young people learn and where adults learn and work. That is where customer and provider meet.

Finally; we need a system in which enterprises, individuals and local communities can shape arrangements, programmes and opportunities to their changing needs and circumstances.

5.9 The Government's aim is to promote and establish a new training and management development system capable of ensuring Britain's international competitive success and securing commitment to that strategy as an economic necessity. The system must, among other things, establish a framework of recognised standards of competence, and above all it must provide access to relevant education and training throughout working life for every member of the work force, at all levels from entry to top management.

The framework

5.10 A new training system cannot be established overnight. It will need a sustained co-operative effort if we are to modernise the way we provide skills. But if we do not do this we shall drop behind the international competition and economic growth and future employment prospects will be diminished. The Government now pro-



pose a new framework at national and local level. At the national level there should be a new **Training Agency** to develop and encourage training; voluntary bodies for each industry with the prime tasks of establishing recognised standards of competence and promoting training within their sectors; and the early provision of National Vocational Qualifications in all industries and sectors.

5.11 To spearhead this task at national level, the Government have established the Training Agency within the Employment Department, and it will inherit the functions previously exercised by the Training Commission on behalf of the Secretary of State for Employment. Like its predecessors, the Training Agency will work effectively with employers, education, voluntary bodies, and training providers to achieve the partnership needed at all levels in the training system.

5.12 The Training Agency will be responsible for the implementation and development of programmes designed to help achieve the Government's and the nation's training objectives:

- it will encourage employers to develop the skills and experience of their employees of all ages

- it will provide and encourage appropriate training for all young people who choose to leave full time education before their eighteenth birthday

- it will help make the education systems at all levels more relevant to working life and more responsive to changing demands and opportunities

- it will assist the long term unemployed to get the skills and experience that will help them find regular employment

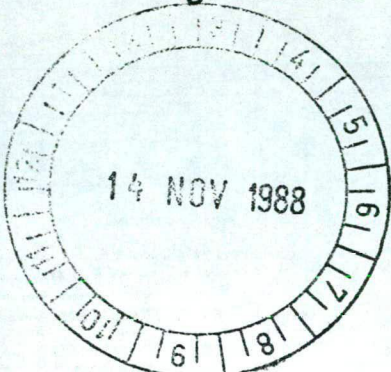
- it will ensure that the distinctive needs of the self-employed and small firms for training and counselling are met.

[National Training Task Force]

[Arrangements in Scotland and Wales]

5.13 At industry level, some sectors are covered by statutory Industrial Training Boards (ITBs) and others by non-statutory organisations which have evolved out of ITBs. The Industrial Training Boards established in the 1960s embodied two main fea-

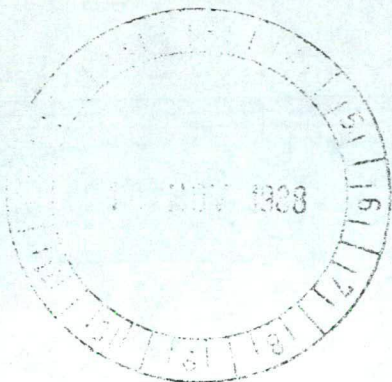
**Industry-level
training
organisations**



tures. First, they operated a system of financial sanctions and rewards designed to persuade employers to train. In the early years their main activity was to levy all employers in their industry and redistribute the money to those employers who trained to a standard set by each board. Over time, most boards ceased to levy all employers in their industry and instead operated a system of levy exemption for those employers who undertook proper training. Secondly, the boards represented the belief of the time that the proper focus for training arrangements was at the level of an industry rather than locally or occupationally.

5.14 Industrial Training Boards have now existed for nearly a quarter of a century. They have achievements to their credit. In particular, they have helped to increase awareness of the importance of training for economic growth. They have stimulated a number of developments in the techniques of training, and they helped sustain apprentice and other youth training through economic downturns. However, as the evidence of employer investment in training indicates, the Industrial Training Boards have not succeeded in raising the standard of training in this country to the level of our major competitors overseas. Nor have they in general made any significant impact on the problem of training and retraining those already in employment to meet the changing needs of our economy. It is in this respect that our training arrangements lag most seriously behind those of other countries. Furthermore from an early stage they were the subject of criticism on the grounds that their activities were a burden to employers and that the boards themselves were too bureaucratic and too distant from the day to day operation of the labour market.

5.15 The Government believe that bodies which aim to develop training for particular sectors of industry or occupations can only positively influence training practices if they win the confidence and commitment of their industry, particularly of senior management. The most effective spur to employers to train and to train well is the demands of the market, not statutorily based compulsion to pay levies, and sectoral bodies must recognise this and provide effective help to meet market demands. The Government does however see a role for national voluntary bodies with a sectoral or occupational focus, fully supported by employers, which set standards of competence and work with the Employment Department and the National Council for Vocational Qualifications to develop qualifications; promote the use of standards and vocational qualifications; consider and disseminate views on the man-



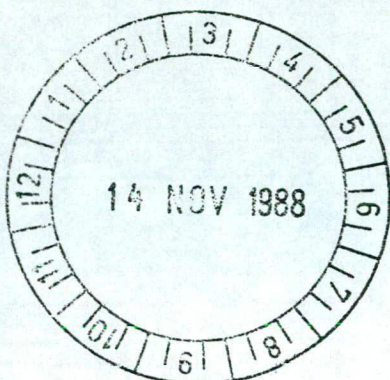
power needs of their industries; and encourage appropriate training.

5.16 The Government therefore consider that the remaining Industrial Training Boards should follow the pattern adopted in many of the industries covered by the pre 1982 boards and develop into voluntary bodies, without the power to impose statutory levies on their industry. Their primary functions should be to set standards of training, and safeguard quality, assess future skill needs and promote training. The Government fully recognise the need to maintain the training effort, and will be consulting the industries concerned about how and when this change might be carried through. It is particularly important that there should be no hiatus between the ending of statutory arrangements and the setting up of effective voluntary arrangements.

Quality and standards

5.17 A flexible and diversified training system requires a system of nationally recognised qualifications which embody the standards of competence required by employers and which allow for maximum mobility. The aim must be a system which enables individuals to build on their skills and experience throughout working life; meets the needs of individuals and employers; facilitates mobility between jobs, between education and training opportunities, and between industries and occupations. It should be capable of delivery by a wide variety of cost-effective means and guarantee high-quality and relevant training opportunities to Britain's workforce.

5.18 In September 1986 the Government set up the National Council for Vocational Qualifications as a focus for action in this area. Working in close cooperation with examining, validating, testing and professional bodies, its operations are crucial to the flexible system focusing on results, which is being developed. The Government welcome the progress made. In its first two years it has established a four level framework of attainment (from shop-floor to sub-degree technician) in well defined occupational areas. To get the NCVQ's accreditation, a qualification must be based on tests of competence determined by the employers in the industry and have sufficient breadth to be the basis of further personal development. Some 70 qualifications had been accredited by October 1988, in a wide range of industrial and commercial sectors.

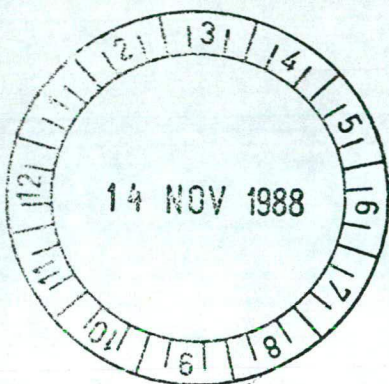


5.19 The full cooperation of employers, educators and others will be essential to build on this success. The development of a National Record of Vocational Achievement is a very significant step forward. It allows small elements of competence acquired at different times and in different ways to be recorded in a standard form and to build up into full National Vocational Qualifications. A coherent system of competence-based qualifications will enable employers to focus their training effort more precisely and encourage individuals to build on their skills throughout working life.

Conclusion

5.20 The training system should be able to provide industry and individuals with the skills they need to meet the demands of the 1990s. Britain needs a framework which can help to deliver relevant and effective training where it is needed; is responsive enough to adjust to changing labour market conditions both nationally and locally; and helps employers and individuals to make the right decisions about their training needs. That system must be articulated by employers, because it is they above all who reap the rewards of effective investment in training. It must actively engage individuals, of every age, background, and occupation, because they must also invest in their own training and skills and it must cooperate with the education service. Radical steps are needed to provide such a framework. The Government will now be working with employers and other interests to set up a framework for the national training and enterprise effort which will meet the needs of every employer and every individual as the nation approaches the new decade. The crucial components are:

- clear national training and enterprise objectives
- effective local bodies led by committed employers
- a standards based approach to assessing competence at work
- more effective national industry bodies with a well-defined remit.



6 Training and Enterprise Councils

Introduction

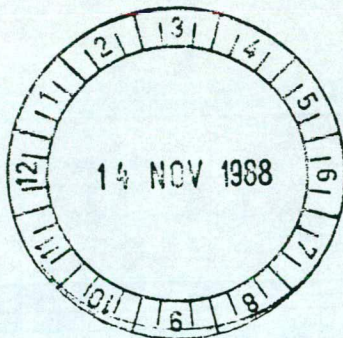
6.1 This White Paper has set out the principles that must underlie the reform of Britain's training and enterprise system and the approach we must adopt to fit our system for the demands of the 1990s.

6.2 A key requirement is that the delivery of training, and its links with small firms and enterprise, must relate closely to the circumstances of each local area. The best prescription for economic improvement necessarily differs from community to community. By tailoring approaches to their own circumstances, localities are more likely to find solutions that work. Moreover, it is at local level where individuals and institutions most directly share a sense of community and can best shape a common purpose. It is where young people and adults learn the skills they need for working life and it is where business develops.

6.3 The capacity of localities to meet the competitive challenge of the 1990s will depend upon a number of crucial ingredients: leadership, partnership, diagnosis, vision and organisation. The key to economic vitality is an innovative, market-driven private sector. Through removing artificial barriers to employment and enterprise the Government can free the energy, talent and motivation for business to compete and perform. But employers themselves must assume active leadership in preparing and maintaining a skilled workforce and in creating a climate conducive to business development, self-employment and vigorous job creation.

6.4 The task of reforming our training system and stimulating new business enterprise will require a strong local partnership. It will demand a new level of cooperation and collaboration between Government, business, provider and consumer - a partnership in which resources and skills are shared in programmes which benefit each partner and the broader community.

6.5 Before a partnership can move to change policies or introduce new ideas into the community, there must be a careful diagnosis of the condition of the labour market - its problems, its opportunities



and its available resources. This does not mean comprehensive and bureaucratic planning that will be quickly outdated. Rather, the approach should identify the seeds of new opportunity and growth and the skills that must be developed to meet future employer demands. Each community must shape a clear vision stretching beyond existing programmes, organisations and methods of delivery. It must place education, training and enterprise in the broader context of economic and industrial development. It must draw on every available resource and every segment of the community to achieve a unified, coherent strategy to create efficient and lasting job generation.

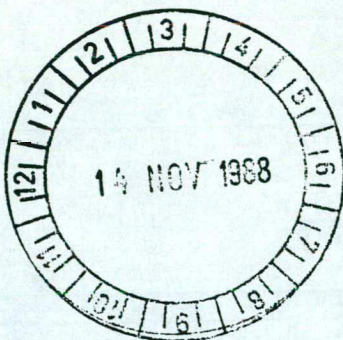
6.6 This cannot happen without an organisation. There needs to be some focal point which can convene the partners, define the aims, manage the resources and delivery, and assess the impact of its collective effort. It is for this reason that Government now propose to establish new institutional arrangements to carry forward their agenda, in partnership with employers and community interests.

Training and Enterprise Councils

6.7 Over the next three years a national network of Training and Enterprise Councils (TECs) will be established to plan and deliver training and to promote the development of small businesses and self-employment at a local level. This will mean the Councils engaging the commitment of employers to education and training and to fostering enterprise in their local communities. TECs will enable training and enterprise activities, including the Government's major training programmes, to be tailored to local needs. They will provide a vehicle to bring decision makers together on the interests of broader economic development and creating active local partnerships. In this way, we hope to give employers "ownership" of the training and enterprise system.

Functions

6.8 The Training and Enterprise Councils will have several key functions. They will examine the local labour market, assessing key skill needs, prospects for expanded job growth and the adequacy of existing training opportunities. They will draw up a coherent plan, containing measurable objectives for securing quality training and enterprise development that meets both Government guarantees and community needs, tailoring national programmes to suit area needs and to achieve agreed performance outcomes. They will manage training programmes for youth, for unemployed people, and for adults requiring new knowledge and technical re-

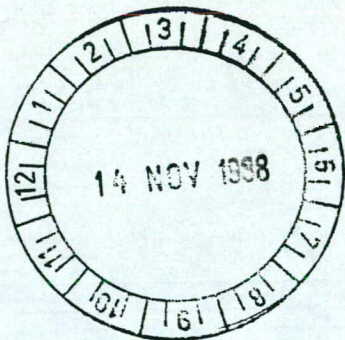


training. They will be responsible for the development and provision of training, counselling and other support for small businesses relevant to local needs through programmes such as the Small Firms Counselling Service and the Enterprise Allowance Scheme and by co-operating with the considerable resources being applied by the private sector to encourage and support small business enterprise through Local Enterprise Agencies. They will be responsible for promoting and directing more private-sector investment in vocational education, training and enterprise initiatives designed to strengthen the local skill base and to spur economic growth. It is envisaged that TECs will become an important local forum and agent for change, building trust among key interest groups, and strategically investing public and private resources to enhance the economic vitality of the community and the social well being of its citizens.

Membership

6.9 In order to fulfil their responsibilities successfully Training and Enterprise Councils must have determined, imaginative leadership with the power to effect positive change within public institutions and the local business community. The aim will be to attract individual men and women with the prestige, energy and expertise to get the job done. TECs will be responsible for managing public funds, and they must be seen as independent of any particular organisation. They must seek to represent the interests of both large and small employers within their area and a wide range of community interests. At least two thirds of TEC members should be drawn from the private sector at top management level. Others on the Councils will include senior figures engaged in local education, training and economic development activities and trade unions who support the aims of the Council.

6.10 TECs will act as the focus for a range of public and private sector initiatives in the area. Only by developing effective working relations with organisations such as local education authorities, Chambers of Commerce, employer associations and Local Enterprise Agencies will they be truly representative and achieve the overall coherence between local education, training and enterprise opportunities which the new arrangements are aimed at securing. Although TECs will be new organisations with a separate legal identity, existing local business organisations may form the nucleus of a TEC. Local Employer Networks (LENs) have already been effective in some areas and given the overlap in functions it would be sensible for TECs to absorb them or to link with them in a constructive way.



Coverage

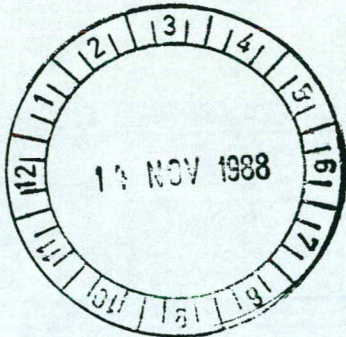
6.11 A national network of approximately 100 TECs and local Scottish agencies is envisaged to cover the whole of Great Britain. The Government do not intend to prescribe exactly what the boundaries of each TEC should be - this will be the subject of future discussion - but in general they are likely to be based on subdivisions or, in certain conurbations, aggregations of the existing 57 Training Agency areas. Each area should represent a labour market of some scale while preserving its own sense of community identity. At the same time, Government must be confident that the total number of TECs does not exceed the number that can be reasonably supported and monitored for performance. In areas lacking a qualified TEC, the Training Agency staff will continue to deliver existing training and enterprise programmes.

Resources and accountability

6.12 The Councils themselves will act as the board of directors responsible for the training and enterprise strategy for their areas, and the delivery of programmes. They will however need an effective and committed staff to support them in the delivery of programmes to agreed levels of performance under their contracts. They will also need good information systems to enable them to keep track of their performance, and to ensure proper accountability of public money. The financial resources for an average TEC will amount to about £20 million, most of it programme money, but including staff, premises and equipment.

6.13 To ensure that the TECs are well served, the Government intend to make available to them the staff who currently serve in Training Agency area offices whose responsibilities will be extended to embrace the Small Firms Counselling Service and the Enterprise Allowance Scheme. These staff have an extensive knowledge of the communities in which they work and an in-depth understanding of national training and enterprise programmes. Their participation in this new initiative will be an important ingredient in its success.

6.14 The TECs will be responsible for the expenditure of significant sums of public money, and for the achievement of guarantees which the Government have given to young people and the long-term unemployed. It is therefore most important that there be a clear framework within which the TECs can operate. TECs will operate a performance contract with the Employment Department's Training Agency. The contract will specify programme and management standards and will contain quantitative outcome



measures governing target groups to be served, such as qualifications to be obtained, acceptable job placement and business start-up-rates, and unit cost requirements.

Programme delivery

6.15 Generally, the TECs will not run programmes themselves. Under the new system training and enterprise activities will be sub-contracted to local providers in the same way as the Training Agency Area Offices currently contract with training managers and managing agents. Existing contracts with the Training Agency will be transferred to TECs. The subcontracts will be performance related and payment will be linked to achieving specified targets. Local training providers will, as at present, need to meet the criteria for award of Approved Training Organisation status if they are to deliver public/private funded programmes.

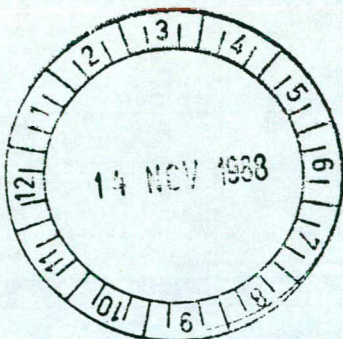
Next steps

6.16 The Government believe that the network of TECs must evolve gradually. It would be quite wrong to impose a top down national structure, and to suppose that this would capture local support and local energies as we wish. The Government therefore believe that we must have a carefully paced development that builds on local activity and initiative. To become credible and influential TECs must emerge through employer leadership and broad community support.

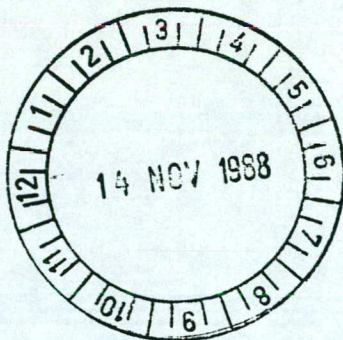
6.17 To support this progressive implementation approach, the Employment Department will issue shortly a TEC Prospectus inviting employer-led partnerships to apply for Development Grants which will be available from April 1989. The Prospectus will outline the aims and objectives, functions, administrative systems, and funding criteria for TECs. Successful applicants for Development Grants will work with the Training Agency to design detailed plans for the establishment of their local TEC. They will be assisted by such national business organisations as Business in the Community, the Association of British Chambers of Commerce, and the Confederation of British Industry. We intend to establish the first TECs before the end of 1989.

Conclusion

6.18 The creation of TECs is a truly radical step. It will give leadership of the training system to employers where it belongs. Through their participation and involvement it will change the focus of training and bring home the importance of training for business success to every employer throughout the country. By increasing employer



responsibility for local training arrangements and enterprise support and development TECs will **ensure that national training policies are more relevant to employers' needs** and so improve the skills and enterprise of the workforce. By promoting training arrangements that are clearly linked to business success TECs will **generate more private investment in training**. As employers recognise the economic necessity to train and the returns available they will be encouraged to make a larger investment in training. TECs will also **meet the needs of new and established small businesses** by applying national programmes and by developing local enterprise support networks to harness the growing opportunities available in local business markets. TECs will enable us to **build a more coherent approach to education, training and enterprise at the local level** and promote the need for flexibility, enterprise and change in response to the challenge of the 1990s.



7. Training for the 1990's

Introduction

7.1 The two previous chapters of this White Paper have described the national and local institutions which the Government is now establishing in order to secure a new training and enterprise development strategy for the years that lie ahead. Part of that strategy was the establishment for every sector and occupational group of a progressive framework of recognised standards of competence which can be tested and certified within a framework of National Vocational Qualifications.

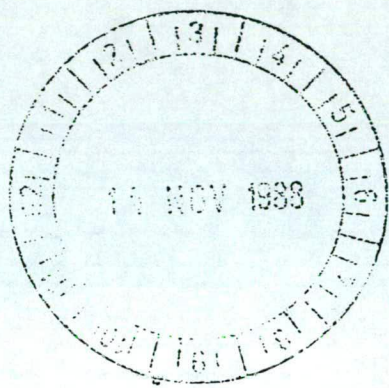
7.2 This chapter sets out the Government's broad programme and objectives. Those objectives are three in number:

- to secure for every young person relevant education and training, full or part time, leading to recognised vocational qualifications and a job
- to secure that every member of the work force should have access to relevant training throughout working life
- to secure that all concerned with training and vocational education should have access to professional, up-to-date and readily available information necessary for the decisions they have to take

In securing these objectives attention will continue to be given to the needs of the physically and socially disadvantaged.

Young people

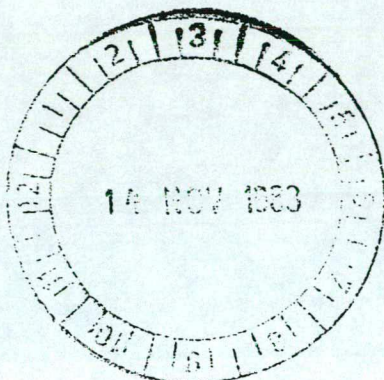
7.3 With the fall in the number of school leavers and the rapidly strengthening demand from employers for young people and, particularly, well-qualified young people, the continued need for relevant training and education for all our young people cannot be in question. That education and training must not simply be about learning specific skills for immediate tasks. It must enable all young people to acquire a broad foundation of skills and knowledge so that they can adapt readily to new tasks and new opportunities and so that they can progress easily to higher levels of achievement.



7.4 The Government has set in train a major programme of reform in our schools with the objective of improving standards of achievement throughout the system. As a result of the Education Reform Act 1988, there is now being established for the first time a national curriculum of core and other foundation subjects. This will be supported by a national system of testing and assessment at 7, 11, 14 and 16 which will ensure that achievement and progress can be effectively and regularly monitored. For all pupils there will be clear attainment targets within a broad and balanced curriculum which prepares them for the opportunities, responsibilities and experiences of adult life. The great majority of schools will at the same time be given wide freedom to manage their own budgets and staff under schemes of local management, with a greater direct involvement of parents and the local community, including local business.

7.5 Meantime, the **Technical and Vocational Education Initiative (TVEI)** has opened up many new opportunities for 14 to 18 year olds throughout the country. That Initiative aims to prepare young people better for working life by making what they learn at school, and the way in which they learn it, more relevant to the world of work. Every education authority in Great Britain is now taking part in TVEI. Forty eight Education Authorities have already started extension programmes which will carry the new opportunities to all schools and colleges so that all young people in those schools can benefit from them. Already 700 schools and colleges are covered by pilot and preparatory schemes within the Initiative. By the early 1990s, all schools and colleges will be covered and all young people at school will have access to the new kinds of opportunity.

7.6 Alongside this Initiative, the Government will press ahead with its **Work-related Further Education Programme**. The main aim of this Programme is to link vocational education more closely with the needs of employers. The programme provides incentives and help to the public sector of further education to enable it to respond more rapidly to the changing needs of employers and to enhance the cost effectiveness of its provision. All Local Education Authorities in England and Wales now have forward development programmes for further education provision. Through these programmes, more relevant and accessible provision is now being made, particularly in the field of the new technologies. And the further education system itself is enhancing the flexibility of its delivery, improving its marketing capacity, developing its use of information technology and improving its management information



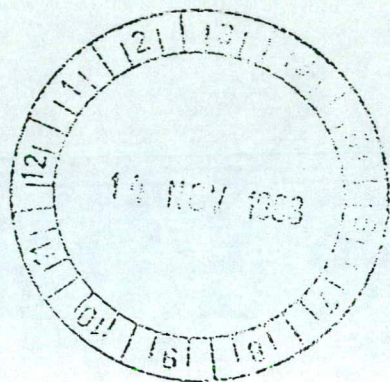
systems. Colleges will be helped to develop in this way by the provisions of the Education Reform Act which create new governing bodies with effective powers over staff, budgets and the range of courses.

7.7 The Youth Training Scheme was introduced in 1983. It has been a resounding success. Since 1983, well over 2 million young people have been trained through YTS, over 1 million of them since the Scheme became a two year programme in April 1986. In October 1988 there were some 435,500 [update for November 1988 if appropriate] young people in training on YTS - the largest number of young people in training this country has ever seen.

7.8 But just as important as the scale of YTS is the development of good quality provision. From 1 April 1988, every organisation wishing to attract Government funding for YTS has had to secure Approved Training Organisation status. Each has had to satisfy ten stringent criteria covering such widely differing matters as the training of supervisors, the design of the programme, health and safety standards, equal opportunities and involvement of trainees in evaluation of training programmes. Over 3,000 training organisations have now secured full Approved Training Organisation status. Through them standards of youth training have been improved to a point where there is now high quality youth training available nationwide for all 16 and 17 year old school leavers who seek it.

7.9 The great majority of that training involves employers and over 90 per cent of organisations offering work experience under YTS are in the private sector. The education service also plays its part: over 40 per cent of trainees attend college as part of their programme. All two year programmes provide at least 20 weeks off-the-job training and the numbers of young trainees securing recognised qualifications - 56 per cent [check November 1988 figure] of those completing YTS in 1987/88 - are rising each year. The overwhelming majority of YTS leavers, when asked, say that their training on YTS was worthwhile.

7.10 The most recent development in the field of education and training of young people is the launch earlier this year of the Compact initiative. A Compact is a deal involving employers, young people and schools. Employers guarantee a job with training, or

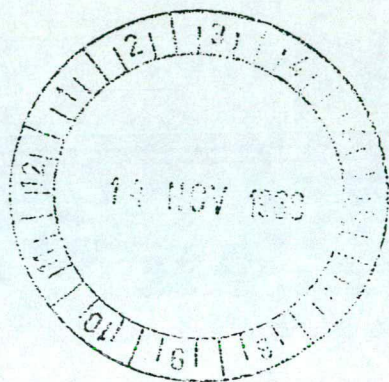


training leading to a job, to at least YTS standards for every young person leaving school. Each young person works towards a set of agreed personal goals and objectives. And every school involved undertakes to support and encourage young people in the achievement of standards and competences.

7.11 Earlier this year, the Government invited bids from employer-led organisations to run such Compacts in Urban Programme Areas. The response from employers was warm and immediate. As a result, the Government is now funding 30 local employer organisations to develop Compacts and operate them initially for 4 years. Twentysix of these Compacts are in England and 4 are in Scotland. In the first year of operation some 120 schools are involved and 18,000 young people. [Check last two figures].

7.12 All these developments will be vigorously pursued by the Government. Implementation of the Education Reform Act is now proceeding rapidly. The Government intend to carry through and complete the nationwide extension of the Technical and Vocational Education Initiative under national arrangements and criteria which will ensure that developments are compatible with the statutory requirements of the national curriculum. The Government will continue to work with the LEAs in England and Wales to improve further the responsiveness and relevance of further education. The influence of the Work-related Further Education programme will be reinforced by the measures in the Education Reform Act. Local education authorities will have statutory responsibility to plan the work of colleges, and will take account of labour market needs. College governing bodies will be reconstituted with greater representation from employment interests and increased powers. Future national arrangements for Work-Related Further Education will take account of the LEAs' new responsibilities for planning and of the new powers of governing bodies. The emphasis will switch progressively towards older people as the numbers of young people decline.

7.13 So far as the Youth Training Scheme is concerned, the Government's guarantee of a place to all young people who choose to leave education and who cannot find a job, will remain. We are the only Western country to have such a guarantee. It has been achieved every year of the life of YTS and it will be a prime objectives of Government to continue to achieve it each year ahead.



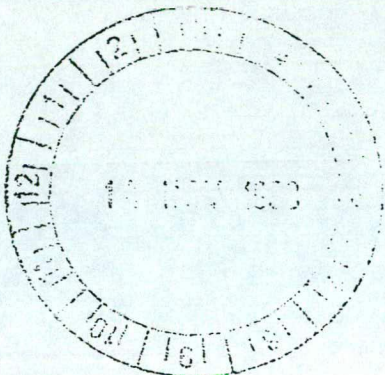
7.14 But the time has now come for employers progressively to assume a fuller share of the costs of the YTS. This has always been the Government's stated intention. In the years ahead there will be fewer young people and every employer will be seeking to recruit and retain the best. Youth unemployment will progressively become a thing of the past. It is in the interests of both employers and young people that, through the new Training and Enterprise Councils, employers should progressively take over from Government the ownership and development of youth training.

7.15 The Government will be looking to the new Training and Enterprise Councils to develop the contribution of YTS and other programmes, in partnership with Local Education Authorities, to ensure that vocational training arrangements meet the needs of employers and young people. In a world in which there will be fewer young people, where the training of each and every one of those young people matters more than ever before to the success of the economy and individual enterprises, it simply does not make sense for various schemes and programmes to be competing with each other or to develop, locally, in watertight compartments.

7.16 Compacts show the way. They are about developing education and training programmes for young people in such a way that they complement each other in a local community and enable each and every young person progressively to develop his or her potential to the full. They are partnerships, involving employers, schools, young people and their parents. That must be the best way forward in the future. We should try to build on the compact approach, to extend it to other areas and to broaden it. Training and Enterprise Councils have a central role to play in this process; promoting the fullest participation of employers in the delivery and financing of the education and training of young people; identifying the skills and qualifications needed by employers and ensuring that their programmes are flexible enough to meet those needs.

Adults

7.17 In the past years, we have developed training and education arrangements for young people very rapidly. There is still much to be do and the various initiatives, programmes and projects have not yet all realised their full potential or brought the full returns they promise. As the 1990s unfold, that return will surely come.

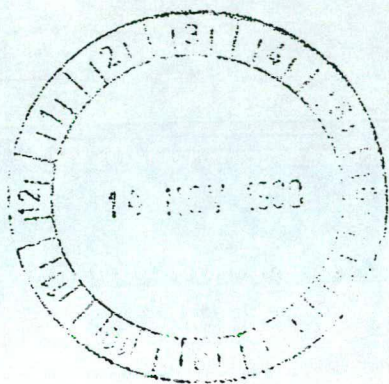


7.18 But we must now turn our attention urgently to the fact that seven out of 10 of the workforce who will be at work in the year 2000 are already at work. It is inconceivable that the great majority of those people will be doing the same job in the year 2000 as they are doing today. On the contrary - those people and the organisations in which they work will be competing in a rapidly changing world. Yet most left school at minimum school leaving age - for some age 16, for very large numbers at lower ages still. The majority have few, if any, educational qualifications. Most have had little training since leaving school. Yet it is upon these people our competitive success depends.

7.19 Training for adults and, in particular, training for employees is relatively undeveloped. Good work is being done by Training Agency programmes and by the DES's Professional and Commercial Updating [PICKUP] initiative. But we must now shift our focus. The recent study of the funding of training shows that half of all employees received no training at all in the previous year. Fewer British workers are qualified than in our competitor countries overseas and few supervisors and managers have had systematic training for the jobs they are doing. Everybody can benefit from training. Nobody is too old, too junior or too senior or in too specialised a job. We have never yet realised or released the full potential of the British workforce. That can only be done by making a reality of training through life for all employees. That is now a business imperative.

7.20 Developing training through life is not a Government responsibility. Employers and employers alone must take the lead. The new Training and Enterprise Councils will have as a prime objective the mobilisation of employers, collectively and individually, to meet this need. What the Government can and will do however is support the effort of employers as and when they take the initiative and set the pace.

7.21 A particular concern of Government will be that new and existing **small firms** should have access to the training and counselling they need to help them realise their potential. Many small firm owners and managers find difficulty in being expert and up-to-date in all those matters they need to master if they are to run a company effectively.

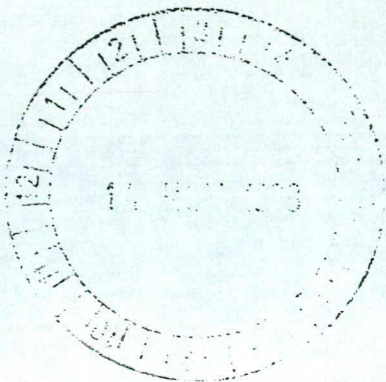


7.22 In recent years provision for both counselling and training for new and expanding small firms has greatly increased with the growth of the Government's Small Firms Service and the Local Enterprise Agency movement. Supporting this has been the development of enterprise training by the Training Agency and its predecessors. The Government will look to the new Training and Enterprise Councils to oversee the provision of all types of advice and training for small firms. The Councils will supervise the work of the Small Firms Service counsellors and they will also be the Government's link with Local Enterprise Agencies. The Government will also look to the Councils to ensure that provision is co-ordinated to maximise its effectiveness and to make access as easy as possible.

**Business
growth
through
training**

7.23 The main responsibility for training employed people must rest with employers but the Government can help businesses to relate the training and development of their people to business objectives, and to spread best practice. To this end, the Government, through the Training Agency, will, from 1 April 1989, be launching 'Business Growth through Training' which will unify the help it at present gives to companies. A number of related services and other support will be available within this new initiative. These will include help to people who are self-employed or who own their own firm, in order to stimulate the provision of relevant, flexible and accessible training for busy owner-managers; help to small businesses to plan and implement the training and development of their employees, including their managers; help to small businesses to produce more effective business and training plans, linked to business directives using a self-help guide; support for firms to mount demonstration projects on innovative training approaches, also linked to their business objectives; and targeted help to industrial training organisations and local bodies such as Training and Enterprise Councils to tackle acute skill shortages in particular areas.

7.24 The Training and Enterprise Councils will also be responsible for the Government's new major programme for the training of unemployed adults, **Employment Training**. This is the largest and most ambitious training programme for unemployed people in the world. It provides up to 12 months training for those who take part. It is now available nationwide through over 1000 training managers with 170 training agents advising and assessing would-be participants. No training programme has got off to a better start. It is

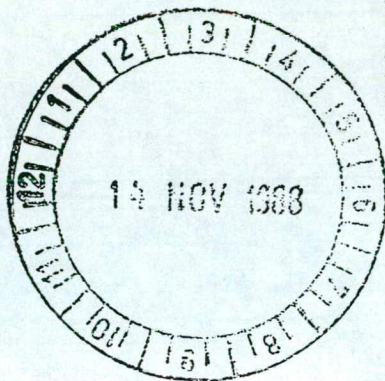


a massive investment in the future of unemployed people, particularly those who have been out of work for some time.

7.25 The active participation of Britain's employers in Employment Training is vital. The potential of the programme for supplying employers with motivated people, with training and experience, at a time when employers' traditional recruitment channels will be drying up, could be of far-reaching significance. The Government will look to the Training and Enterprise Councils to involve employers in the programme to the maximum extent possible so that appropriate training of the right quality is available and so that what is on offer is relevant to the jobs into which trainees might move.

7.26 At national level, the Government will continue to give its full support to the development of the **Management Charter Initiative**. If businesses are to be successful in the highly competitive world of the 1990s, management training, particularly for those already in management jobs, must move to the top of the agenda of every enterprise. In this context, the Initiative, which has been designed and led throughout by industry, is greatly to be welcomed. Its Code of Practice, with its emphasis on continuous development of management skills and leadership qualities, on developing systems to ensure ready access to relevant learning and development opportunities, and on leadership from the top of any organisation, undoubtedly provides a framework within which progress can and must be made. Twenty Government Departments [check latest figure] have already joined the Charter Initiative as the need for professionalism in management is as great in the public service as anywhere else in the economy. The Government wishes to see many more employers subscribe to the principles set out in the Management Charter and many more working actively to make those principles a reality in each and every organisation.

7.27 The Government will also continue to play its part in pump priming new and significant approaches to training and development of employees throughout their working lives. The most significant of these developments in recent years has been the introduction of **open, distance and flexible learning**. This must be one of the keys to the future. It enables individuals to learn at a time, place and pace of their choosing. It can ensure that the highest standards of teaching and training are available to all. And,



after the original investment, the unit cost of training by these means can be very considerably reduced.

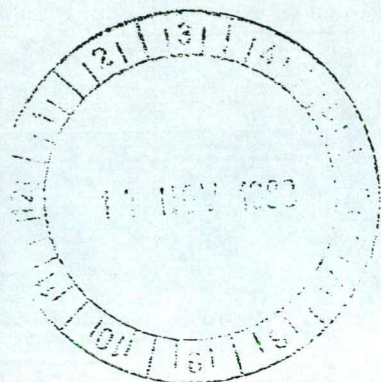
7.28 By the end of the Government's initial Open Tech programme, no fewer than 34,000 hours of new learning materials had been developed and tested. Next year's Open Learning Directory will list some 1,500 courses - nearly four times as many as were available at the end of the Open Tech programme. There is an ever-increasing number of institutions and agencies trading in and supporting open learning.

7.29 In this field, Britain is among world leaders and it is important that we should continue to remain there. That is why the Government will continue to encourage more employers and individuals to try open learning. The Government itself has introduced open learning into major training programmes including YTS and Employment Training. The Government will continue to work, through the Training Agency, to ensure that the open, distance and flexible learning alternative is always available from the providers of training, whether they be employers or training institutions, public or private.

7.30 Finally, the Government will continue to pump prime and stimulate the development of new opportunities for individuals to take responsibility for developing their own careers. That is why **Career Development Loans** are now to be made available nationwide. They help people who want to take up job related training and are prepared to finance it themselves, by providing Government help with obtaining and with the payment of interest on a bank loan. The experimental scheme launched in 1986 was a great success with more than 80 per cent of trainees finding work immediately after training. From July this year, Career Development Loans have been available throughout the country.

Information systems

7.31 A key element in any effective vocational education and training system is the supply of good information about the labour market, national and local, and about the availability of training and training places. For this reason, the Training Agency is now establishing a major **Skills Unit**. Its task is to gather, analyse and interpret information on skills supply and demand and disseminate that information to all concerned in vocational education and training.



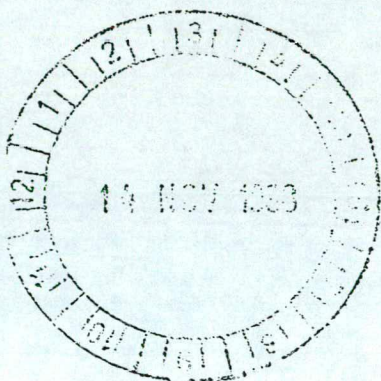
The main focus of its work will be changes brought about by new technology, changing work practices and new materials.

7.32 The Skills Unit will be producing a regular Skills Bulletin and Skills Monitoring Report. It will also provide a reference and library service; mount seminars, workshops and conferences; and publish occasional papers. Already its output is being used by industry and commerce, including Chambers of Commerce and employers' organisations; by the education service; by training providers; and by other Government Departments.

7.33 The Government has also played a major part in the development of a **National On-line Manpower Information System (NOMIS)**. This gives on-line access to statistical data, on population, employment, unemployment and vacancies. This service is now being used extensively by Government Departments, local authorities and the education service to assist in planning of vocational education, and training and policy decisions.

7.34 More recently the Training Agency has been developing **Computer Assisted Local Labour Market Information (CALLMI)**. Employers all over the country have been collaborating enthusiastically in the development of this new system which provides up-to-date information about local labour market trends and developments, skills needs, and training provision. The system has an important part to play in the development of the Work-related Further Education Programme and it has formed an important basis to local planning for provision in YTS and Employment Training. It will be a key tool in the hands of the new Training and Enterprise Councils.

7.35 Another tool of very considerable potential is to be found in the new **Training Access Points (TAPS)**. These provide readily accessible and attractively presented information on education and training opportunities for jobs at every level and in every sector of the economy. Every user of a Training Access Points access point already has access to at least 3,000 local courses (and details of such courses) held on local data bases, together with 83,000 national courses held on national data bases.



7.36 Never before has up-to-date information of this kind been accessible at one point locally to any user, whether employer or individual. There are currently 28 pilot TAP networks and 170 accessible public terminals. [DES to insert reference to their ESG contribution] Some [500,000 - check figure] individuals have already used Training Access Points and monthly usage rates have been rising steadily in the past 12 months. Preliminary results show 4 out of 5 users taking positive action to take up a course of training and it is estimated that 50,000 people were helped to take up a course which, without the Training Access Point, they would never have considered.

7.37 As a service to employers, the TAPs are encouraging reviews of training in the light of never before available information about alternative training facilities. Providers of education and training have also found TAPs very useful, for this enables them to market existing provision better, to see where the gaps in the market lie and to expand what is on offer to meet demand where that demand is growing.

7.38 The Government will continue to develop TAPs towards national coverage. As the new Training and Enterprise Councils are introduced the Government will expect them to consider carefully the potential of Training Access Points and provide for them, wherever appropriate, in their local plans.

Conclusion

7.39 The last 5 years, in particular, have seen the most significant initiatives this century in the development of training and vocational education in this country. More young people have had greater access to more high quality and relevant education and training than has ever been the case in the past. Exciting new opportunities have been developed for adults, both employed and unemployed, in the course of their working lives. Standards have been raised. Investment in training has increased. The need for very much more management training has been recognised.

7.40 But the right comparison for us to make is not with what we were doing some years ago. It is with what our competitors are doing and planning now. This Chapter has set out clear goals for carrying forward the enterprise on which we have embarked. The Government believe the framework for partnership set out in this White Paper is capable of ensuring that they will be achieved.

8. Attitudes to Employment

Introduction

8.1 Previous chapters have looked at the barriers to employment which arise from poor industrial relations, excessive pay increases and skill shortages. This Chapter is concerned with the barriers to employment which can result from the attitudes of employers to recruiting unemployed people and from the attitudes of unemployed people themselves and the efforts they make to find work.

8.2 A survey carried out in January 1988 for the White Paper "Training for Employment" showed that there were some 700,000 unfilled job vacancies in the economy. A survey of employers in London in June showed that there were 150,000 vacancies in the capital city alone. Increasingly there are reports from all parts of the country - not just the South East - that employers cannot find the workers they need to expand their businesses and take advantage of new markets. Employers' inability to fill key jobs can itself be a barrier to the creation of further employment if it hinders business expansion.

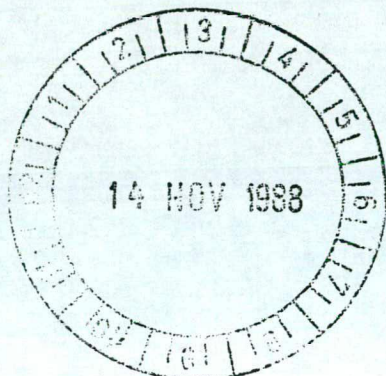
8.3 Some unemployed people - particularly those who have been out of work for 12 months or more - may lack the up-to-date skills employers require. For them training is the route back to permanent employment. Employment Training has been designed specifically with this need in mind.

Employer attitudes

8.4 However, some employers seem reluctant to recruit people who have been out of work for more than a few months, whatever their qualifications and previous experience. Yet a quarter of unemployed adults who have been looking for work for six months or more have served apprenticeships or obtained 'A' levels or equivalents or other higher qualifications. Some employers seem to be not so much prejudiced against unemployed people as simply unaware of their potential for meeting their recruitment needs. The London surveys showed that only a quarter of employers in the capital realised that there was a pool of longer term unemployed

1 Cmnd 316. Specially commissioned survey undertaken by IFF Research Ltd for the Department of Employment, January 1988.

2 IFF Survey of Recruitment in London, June 1988.



people looking for jobs in their area. Fewer than half the employers in high unemployment boroughs thought that there was a significant pool of people unemployed for 6 months or more in their area.

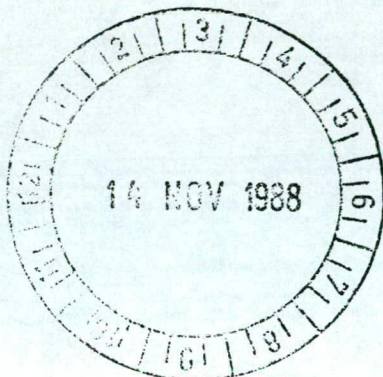
8.5 There are therefore barriers of both prejudice and lack of knowledge to be overcome before some employers are prepared to give unemployed people a fair chance of a job. It seems probable that - particularly in London and the South East - some vacancies remain unfilled for longer than necessary because employers are failing to look for recruits among unemployed people. Employers must recognise that, as demographic change reduces the scope from such traditional sources as school leavers, they will have to recruit and, where necessary, train unemployed people to meet their manpower requirements. The sooner they recognise that fact, and adapt their recruitment and training policies accordingly, the better.

**The attitudes
of unemployed
people**

8.6 There are now more than a million fewer people unemployed than in June 1986. Most benefit claimants are keen to work and have taken full advantage of the additional jobs which have been created by seven consecutive years of economic growth. And the benefits of job growth have by no means been confined to short term unemployment. On the contrary, long term unemployment, which fell by an unprecedented 290,000 in the year to July, is now declining faster than general unemployment.

8.7 However, there is increasing evidence that a significant minority of claimants are not actively looking for work. Some are claiming benefit fraudulently while working at least part-time in the black economy. Others seem to have grown accustomed to living on benefit and to have largely given up looking for work, despite the job vacancies which are increasingly available in all regions of the country. Others believe, mistakenly, that they might be financially worse off taking a job or are reluctant to travel daily more than a short distance to where jobs are available.

8.8 Chapter 7 of the White Paper "Training for Employment" described the measures the Government is taking to tackle fraud and abuse of the social security system by those who are not genuinely available for work. For many years, fraud investigators from the Department of Employment or the Department of Social Security



have been called in where local officers suspect that fraudulent benefit claims are being made. The Department of Employment's fraud detection teams have been strengthened by 50 extra staff (25 of them in London and the South East). [? Quote evidence of recent fraud drives]. The Government remain determined to counter any abuse of the social security system and to ensure that benefit is paid only to those who meet the conditions laid down by Parliament.

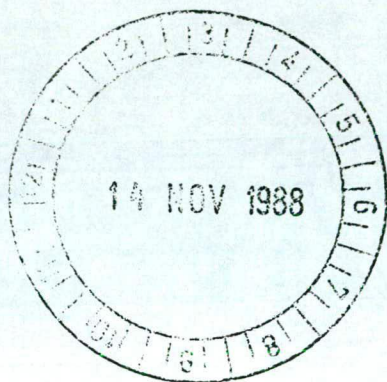
8.9 The nationwide survey³ of unemployed people undertaken in January this year showed that nearly half of the claimants interviewed did not know what benefits they were entitled to receive if they returned to work. Many of those interviewed were seeking unnecessarily inflated levels of pay because they ignored the availability of "in work" benefits. Since then the Government has taken a number of steps - including the "Better Off in Work Campaign" which has involved television advertising as well as distributing explanatory leaflets to all benefit claimants - to ensure that unemployed people are aware that they will be eligible for housing benefits, family credit and other allowances when they return to work.

8.10 However, there is reason to believe that some people remain unemployed not because of misplaced fears of a reduction in their net income if they returned to work or because they are locked into benefit dependency by their personal family circumstances. On the contrary, a recent survey⁴ in London indicated clearly that many of those who have been unemployed for more than the 6 months are well suited to fill the jobs available.

8.11 The surveys showed that over half the long term unemployed people interviewed were single and seven out of ten had no dependent children: family responsibilities were therefore not a significant barrier to their taking jobs. Secondly, most of those interviewed did not have unrealistic wage expectations: on the contrary there was a substantial degree of overlap between the wages unemployed people were looking for and those on offer. Thirdly, nearly one in ten of those interviewed had previously held

³ In January the Employment Service undertook a special exercise to interview 1,000 benefit claimants in four areas of the country about their expectations.

⁴ Harris Survey among the London unemployed, July 1988.

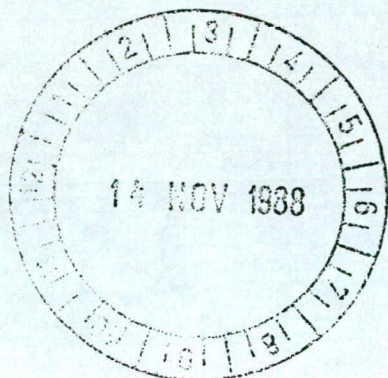


a management or professional job and a quarter had or held a skilled or semi-skilled manual job; furthermore, nearly one in ten had a degree and over half had some kind of academic or vocational qualification. Many of London's longer-term unemployed therefore seem to be well equipped to fill jobs which require experience or qualifications. Fourthly, at least one third of job vacancies in London require no previous knowledge or experience and hence should be suitable for at least some of the 45% of longer-term unemployed people interviewed who had no academic or vocational qualifications.

8.12 Obviously, not all unemployed people can step straight into a job. Some need training to brush up their skills or to learn new skills. That is the purpose of Employment Training. It is welcome news that more than X people in London have already applied to join Employment Training. But the need which some unemployed people undoubtedly have for training does not explain why those with qualifications do not take up skilled vacancies or why other unemployed people fail to take up unskilled vacancies.

8.13 The conclusion seems clear: many of London's unemployed are not looking effectively for the jobs which are available. This conclusion is borne out by specific evidence from the surveys. More than a quarter of unemployed people interviewed said that they had not looked for work in the previous week; nearly half of this group had not looked for work at all in the four weeks before the interview; and nearly 5 per cent admitted that they had never looked for work at all since they became unemployed. In addition, only just over a half of unemployed people interviewed visited Jobcentres at least once a week, despite the fact that a high proportion of manual, retail and catering vacancies are known to be filled through Jobcentres. 70 per cent of unemployed people interviewed had never approached a private employment agency though employers report this as their main method of filling clerical jobs: in other words, the methods many unemployed people use to try to find jobs do not coincide with the methods employers use to fill vacancies.

8.14 The London surveys indicate that unemployment in London could be considerably reduced and many vacant jobs filled if unemployed people looked more intensively and more effectively for work. Further surveys in other areas are being commissioned to discover the extent to which this is true of other parts of the country.

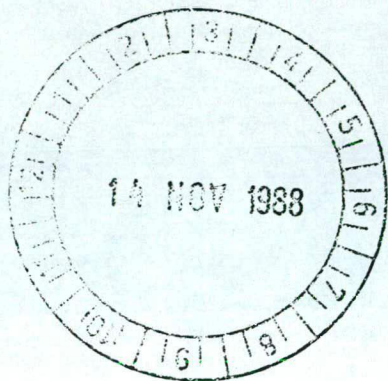


However, the findings of the London surveys accord with the evidence of the most recent (1987) Labour Force Survey. This showed that a substantial number of benefit claimants were not immediately available for work, or were not looking for work, or were already in some form of employment. Some 520,000 claimants said in answer to specific questions that they were not available to start work within two weeks; a further 240,000 said that they were available for work but had not looked for a job in the past four weeks.

8.15 The law requires anyone who is claiming benefit as an unemployed person to be available for work. This requirement applies to each day for which benefit is claimed. The Government has set in hand a range of new measures to check that benefit claimants meet this requirement.

8.16 By March 1989 the number of the Department of Employment's Claimant Advisers will have increased to 1200. This will make it possible to follow up many more cases where there are doubts about a claimant's availability for work, including for example those cases where a claimant agrees to join a Jobclub but does not subsequently turn up. In addition, every claimant now has to satisfy a comprehensive test of his availability for work every six months for as long as he continues to claim benefit. Finally by March 1989 arrangements will be in place for ensuring that all new claimants for benefit are interviewed by senior staff who can advise them on jobs and give them other help to enable them to return to work as well as detecting anyone whose claim to be available for work is doubtful.

8.17 However, there are considerations which go beyond the need to ensure that benefit is paid only to those who meet the current, long standing statutory requirements. To the extent that jobs remain unnecessarily vacant, the growth of the economy - and hence the creation of new jobs - is held back. If unemployed people fail to look for and take those jobs, they are not only denying themselves the chance to return to full-time employment, they may also prevent additional jobs being created in the future for other people to fill. In this sense, the inadequate effort which, on the evidence of the London surveys, some unemployed people put into looking for jobs in itself is a significant barrier to employment growth.

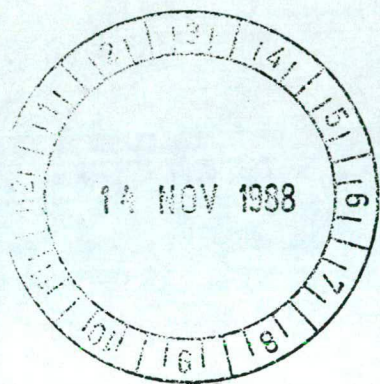


[8.18 The Government have accordingly decided that, in addition to the measures described above, the law should be amended to require those who claim unemployment benefit to take positive steps to find employment. Following a joint review, the Secretary of State for Social Security has introduced a bill to amend the law so as to require that claimants, in addition to being capable of work and available for employment, must actively seek work. In order to satisfy this requirement claimants will have to be able to show that they have taken appropriate steps to find a job every week. These steps might include reading advertisements in newspapers and journals, contacting employers direct, registering with agencies and applying for vacancies.

8.19 In addition the bill seeks to amend the law to require unemployed benefit claimants to consider a progressively wider range of jobs as the length of unemployment increases, and repeal the right of benefit claimants to turn down jobs which do not pay "the rate for the job" even if this is well in excess of what they are receiving in benefit. It also provides a new definition of "suitable employment" so that, after an initial period of six months, a claimant must be prepared to consider any employment provided that he has the aptitude and physical capacity to carry it out. The Government believe that these changes in the law are long overdue.]

Conclusion

8.20 Over the last 12 months job vacancies have been at record level and there is clear evidence that many of these could be filled by people who are still claiming benefit. The Government have put in place a whole range of programmes to help unemployed people return to work, including Employment Training - the largest training programme of its kind anywhere in the world. It is right that the law governing entitlement to benefit should reflect this. Those who remain unemployed when there are jobs ready and waiting for them, do themselves no service, put an unnecessary burden on the taxpayer, and create a barrier to employment growth.



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14 November 1988

Dear Paul,

LABOUR MARKET STATISTICS

... I am enclosing our standard brief on the labour market statistics which are to be issued on Thursday. The brief is personal and confidential until 11.30 on 17 November and confidential thereafter.

I am copying this to Alex Allan (Treasury), Sir Peter Middleton (Treasury), Mr Hibbert (CSO), John Footman (Bank of England), Trevor Woolley (Cabinet Office), Neil Thornton (DTI), Sir Brian Hayes (DTI), David Crawley (Scottish Office), Russell Hillhouse (Scottish Office), Stephen Williams (Welsh Office), David Watkins (Northern Ireland Office) David Fell (Department of Economic Development, Northern Ireland Office), and Andrew Dunlop (No 10 Policy Unit).

Yours,

Angela

ANGELA WILKINS
Private Secretary

COVERING PERSONAL AND CONFIDENTIAL

2/14

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON 17 NOVEMBER 1988

THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTICS: NOTES FOR THE PRIME MINISTER

- A. 1. SUMMARY
- 2. KEY FACTS BRIEF
- 3. ADDITIONAL BRIEFING - OCTOBER FIGURES
- B. DRAFT PRESS NOTICE
- C. DETAILED ANALYSIS AND BACKGROUND INFORMATION
 - 1. GRAPHS: 1a. UNEMPLOYMENT
 - 1b. UNEMPLOYMENT RATES BY REGION
 - 2. UNEMPLOYMENT: ADDITIONAL DATA
 - 3. LONG TERM UNEMPLOYMENT AND UNEMPLOYMENT BY AGE
 - 4. EMPLOYMENT AND TRAINING MEASURES
 - 5. UNEMPLOYMENT: INTERNATIONAL COMPARISONS
- D. ADDITIONAL INFORMATION
 - 1. UNEMPLOYMENT: COVERAGE OF THE COUNT: COMPARISON WITH LABOUR FORCE SURVEY ESTIMATES
 - 2. UNEMPLOYMENT: CHANGES IN THE COVERAGE OF THE COUNT
 - 3. LABOUR MARKET: JOB CHANGES AND FLOWS
 - 4. UNEMPLOYMENT: COMPARISONS WITH 1930's
 - 5. DEMOGRAPHIC AND LABOUR FORCE BACKGROUND
 - 6. EMPLOYMENT: METHODOLOGY
 - 7. EMPLOYMENT: DOUBLE JOBBING AND SPECIAL MEASURES
 - 8. EMPLOYMENT: INTERNATIONAL COMPARISONS
 - 9. EMPLOYMENT: ADDITIONAL DATA
 - 10. EARNINGS

UNEMPLOYMENT IN OCTOBER
SEASONALLY ADJUSTED (UK)

(NEW CONSISTENT SERIES, 18's AND OVER) Down 31,500 in October (follows 33,900 in September adjusted for over-recording caused by postal strike).

Now 2.160 million, 7.7%
Down 27 months running, longest continuous fall since the war. Largest sustained fall on record, Down 973,000 since July 1986.

Lowest level for over 7 years (since May 1981, consistent)

Fall in last 12 months 504,000

Fall of 697,000. since election June 1987

TOTAL (INC. SCHOOL LEAVERS) (UK)
Now 2.119 million (7.5%)

Down 192,000 since September. (figures affected by unwinding of postal strike and new regulations for under 18's)

Regional unemployment

Fall in all regions of UK over last year: rates fallen most in West Midlands, North West and Wales.

Youth Unemployment

Under 25's also lowest for more than 5 years in July. Down by 37% in past two years.

Latest EC unemployment comparison for under 25's (August 88) showed UK 12.3% compared with EC average 20.4% (lower than all other EC countries except Denmark, Germany and Luxembourg).

International Comparisons

UK rate fallen faster in past year than any other major industrialised country. UK unemployment lower than EC average. Latest international rates show unemployment higher in France (10.6%), Italy (12.9%), Belgium (10.2%), Netherlands (9.4%), Spain (19.7%) and Ireland (17.6%). (Comparable UK 8.0%)

Manufacturing employees (GB)
Decreased by 19,000 in September and 18,000 in Q3 1988. Trend still downwards though not at rate observed in 1986 and early 1987.

EMPLOYEES IN EMPLOYMENT (GB)
Increased by more than 1 million since March 1983. Increased every quarter since March 1983. Increased 8,000 in Q2 1988.

Workforce in employment (GB)
(= employees in employment + self-employed + HM Forces + participants on work related government training programmes)

Increased 41,000 in Q2 1988; less than previous quarters but too soon to say growth has slowed. Upward trend for more than 5 years.

Increase in year to June 1988:

	Men	Women	Total
Full-time	66,000	135,000	201,000
Part-time*	98,000	139,000	237,000
Total	164,000	274,000	438,000

*inc. participants in training programmes

Increase since March 1983: 2,177,000
of which: employees 1,068,000
self-employed 778,000
Training schemes 337,000
HM Forces - 5,000

VACANCIES (UK)

Unfilled vacancies at Jobcentres 251,200 in October, up 10,900 since September (but 3% lower than a year ago).

Survey in January showed over 700,000 vacancies in the economy overall. Only about 1/3 vacancies reported to Jobcentres.

AVERAGE EARNINGS (GB)

Underlying increase in average earnings in year to September 9 1/4 %

Long term unemployment (UK) (October data available next week)
948,000 in July, below a million for the first time in more than 5 years.

Labour Market Statistics - additional points A2(ii)

Effect of measures on unemployment count

- Participants in employment and training measures little changed overall in last year when unemployment fallen rapidly.

- Effect of restart in helping long term unemployed back into work (through other schemes and job opportunities) cannot be estimated separately from effect of rapid improvements in labour market. Programme more successful when more jobs available. Success may be some time after interview.

-Availability testing will discourage some people not interested in getting work; cannot estimate how many.

-Those on schemes are not unemployed. They are in jobs or training.

Fiddling the figures

Only 7 changes affecting unemployment count since 1979: 2 statistical and 5 administrative including only 2 changes to compilation.

Seasonally adjusted unemployment is consistent and allows comparisons of trend over time: nothing to hide.

Flows out of unemployment

-Some 400,000 per month leave the count. Over a quarter of those becoming unemployed leave within the first month, over half leave within 3 months.

-Job starts: 7.5 million per year(1987) includes employed and unemployed equivalent to about 30,000 every working day.

Work related government training programmes

= Participants in programmes and schemes who receive training in the context of a workplace and are not employees or self-employed. Inclusion of these people in total employment is consistent with ILO guidelines. Includes most YTS and JTS participants. Employment training will also be included.

Part-time employment

-Rise in part-time employment (54% of increase in employment in year to June.) sign of increased flexibility in the labour market.

-According to LFS, vast majority of those working part-time do not want full-time jobs.

-A part-time job can be up to 30 hours per week, so cannot describe as half a full-time job.

International comparisons of employment

-UK proportion of population of working age in employment (66%) much greater than EC average (58%).

International definition of unemployment

Latest OECD standardised rates show UK unemployment at 8.0% (August).

Labour force survey (GB, 1987)

Again shows claimant count above survey estimate of unemployment using international definitions (ILO/OECD) (2.95m in Spring 1987 compared to 2.88m GB) International measure has been falling since 1984.

Lesser fall in survey estimate compared with claimant count between 1986 and 1987 reflects response among claimants to extra job opportunities, with more frequent job seeking among those yet to find work. (210 thousand fall in count compared to 90 thousand ILO/OECD)

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OCTOBER'S UNEMPLOYMENT FIGURES
: ADDITIONAL BRIEFING

New benefit regulations

The recent extension of the guaranteed offer of a YTS place to all those aged under 18 who have not found a job, and the associated changes in the benefit entitlement of young people will reduce the unemployment count by some 90,000 on average. By October, over 80,000 under 18s had already left the count, with only 8,000 under 18's remaining. These can be expected to reduce further in the next few months.

The changes contributed about 50,000 to the fall in the headline total between September and October with 30,000 already accounted for between August and September.

Revised seasonally adjusted series

The seasonally adjusted series has been revised in order to maintain the consistent assessment of the trend in unemployment. The only means of doing this now is to restrict the series to those aged 18 or over. It is not yet reasonable to estimate the equivalent past numbers and seasonal pattern of the few under 18's remaining in the count. However, since numbers can be expected to diminish, the new series will soon get even closer to the coverage of the full claimant count. The difference could quickly become negligible.

September's postal strike

We estimate that the unwinding of September's over-recording due to the postal strike contributed about 55,000 to the fall in the unadjusted 'headline' total between September and October, reversing the upward effect in September. This estimate of 55,000 was made partly in the light of October's figures.

Adjustments to September's seasonally adjusted figures

Adjustments to allow for the distortion to September's figures have been incorporated in the seasonally adjusted series. Such adjustment follows precedent after the Civil Service strike in 1981, and is appropriate since it removes over-recording caused by the strike rather than a real effect on unemployment.

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A net downward adjustment to September's figures of some 47,000 has been made, prior to seasonal adjustment. As well as the 55,000 effect of the postal strike, it was also necessary to allow for the effect, in the opposite direction, of about 8,000 18 year olds who were caught up in the changes to the benefit regulations and did not claim benefit until after the September count.

Revised fall between August and September

The fall of 34,000 in the new series between August and September is 28,000 more than the fall of 6,000 in the old series published last month. This difference is much less than the 47,000 adjustment made to the September data. The apparent discrepancy is partly due to the switch to the new series itself. (There was a fall in September of some 4,000 among under 18 year olds included in the former series but not in the new one). The remaining difference was due to an improved estimate of the seasonal factors, which were no longer influenced by the erratic September data, once the disturbance was removed.

17 NOVEMBER 1988

LABOUR MARKET STATISTICSSUMMARY STATISTICS

			Change on Level previous period	<u>Thousands</u> Change on previous year
<u>Unemployment (UK)</u>				
Total unadjusted	October 13	2,119	(-192)a	(-633)a
Seasonally adjusted b	October 13	2,160	- 32	-504
<u>Workforce in employment (GB) c,d June Q2 1988</u>		25,174	+ 41	+438
<u>Employees in employment c</u>				
Services	June Q2 1988	14,841	+ 49	+366
Manufacturing	September Q3 1988	4,989	- 18	- 45
Manufacturing (GB) c	September 1988	4,989	- 19	- 45
<u>Vacancies (UK jobcentres)</u>	October 7	251	+ 11	- 9

Percentage change on previous year
(underlying increase)

Index of Average Earnings

Whole Economy	September	9½
Services	September	9½
Manufacturing	September	8¾

Notes

- a Changes in the unadjusted unemployment figures are affected by the new regulations for claimants aged under 18 as well as seasonal influences. The unadjusted fall between September and October is also affected by the unwinding of the effect of the postal strike which resulted in over-recording in the September figures. This distortion has been allowed for in the seasonally adjusted figures.
- b To maintain a consistent assessment, the seasonally adjusted series now relates only to claimants aged 18 and over (see notes to editors)
- c All figures seasonally adjusted
- d The workforce in employment comprises employees, the self-employed, participants on work related government training schemes and HM Forces (see page 8).

The latest figures available on developments in the labour market are summarised below.

Summary

Unemployment (UK seasonally adjusted) fell by 31,500 in the month to October*. Male unemployment decreased by 18,900 and female unemployment decreased, by 12,600. Over the past six months there has been a fall of 40,500 on average compared with a fall of 43,500 per month over the previous six months to April 1988.

The total, unadjusted, decreased in October by 192,111 to 2,118,862. This comparison is affected by the new regulations for claimants aged under 18 and also the unwinding of the over-recording caused by the postal strike in September (see notes to editors A7 and A8).

The number of employees employed in manufacturing industry in Great Britain is estimated to have fallen by 19,000 in September and by 18,000 in the third quarter of 1988 following a fall of 22,000 in the second quarter.

The latest estimates of the workforce in employment in the whole economy in Great Britain remain as published last month except for very slight revisions to reflect some late data now available. The workforce in employment is estimated to have increased by 41,000 in the second quarter of 1988 contribution to overall increases of 438,000 in the year to June 1988 and 2,177,000 between March 1983, when the upward trend began, and June 1988.

The stock of Jobcentre vacancies (UK seasonally adjusted) increased by 10,900 in October to 251,200. Over the past six months there has been a decrease of 800 per month on average.

The underlying increase in average earnings in the year to September was 9½ per cent, the same as the increase in the year to August.

Additional and more detailed information on unemployment, employment, vacancies, average earnings, unit wage costs, hours of work, productivity and industrial disputes is to be found in subsequent sections of the press notice.

LABOUR MARKET STATISTICS

Index

Unemployment	page 4
Employment	page 8
Vacancies	page 11
Earnings	page 13
Wages and salaries per unit of output	page 15
Hours of work	page 16
Productivity	page 17
Industrial Disputes	page 18
Notes to Editors	page 19-24

UNEMPLOYMENT

The seasonally adjusted level of unemployment (+) in the United Kingdom decreased by 31,500 to 2.160 million in October, 7.7 per cent of the workforce*.

Over the past six months on average unemployment has fallen by 40,500 per month.

The unadjusted total decreased by 192,111 between September and October to 2,118,862 giving an unemployment rate of 7.5 per cent of the workforce*. The fall is affected by the new regulations for claimants aged under 18, and also the unwinding of the effect of the postal strike which resulted in over-recording in September (see notes to editors).

Recent figures are shown in tables 1, 2 and 3.

TABLE 1: UNEMPLOYMENT - UNITED KINGDOM

								THOUSAND
								+
TABLE 1: UNEMPLOYMENT - SEASONALLY ADJUSTED (r) - UNITED KINGDOM								
	Male	Female	Number	Change since previous month	Average change over past 6 months	Average change over past 3 months	Unemployment rate: Percentage of workforce*	
1987 Oct	1870.3	793.6	2663.9	-54.2	-48.3	-49.6	9.4	
Nov	1828.3	776.1	2604.4	-59.5	-47.7	-54.1	9.2	
Dec	1800.4	768.2	2568.6	-35.8	-48.1	-49.8	9.1	
1988 Jan	1759.5	759.9	2519.4	-49.2	-48.9	-48.2	8.9	
Feb	1731.3	753.7	2485.0	-34.4	-46.9	-39.8	8.8	
Mar	1709.9	744.0	2453.9	-31.1	-44.0	-38.2	8.7	
Apr	1674.1	728.8	2402.9	-51.0	-43.5	-38.8	8.5	
May	1648.8	715.0	2363.8	-39.1	-40.1	-40.4	8.4	
Jun	1624.0	700.1	2324.1	-39.7	-40.8	-43.3	8.2	
Jul	1586.7	680.6	2267.3	-56.8	-42.0	-45.2	8.0	
Aug	1562.7	662.9	2225.6	-41.7	-43.2	-46.1	7.9	
Sep++	1543.1	648.6	2191.7	-33.9	-43.7	-44.1	7.8	
Oct(p)	1524.2	636.0	2160.2	-31.5	-40.5	-35.7	7.7 **	

+ To maintain a consistent assessment, the seasonally adjusted series now relates only to claimants aged 18 and over (see notes to editors, A7).

++ September's seasonally adjusted figures have also been adjusted to allow for the estimated distortion caused by the postal strike (See note A8).

** The separate rate for males was 9.2 per cent, and for females 5.5 per cent.

* See note A4

(p) Provisional and subject to revision (see note A5)

(r) Revised

TABLE 2: UNEMPLOYMENT SEASONALLY ADJUSTED +(P)- REGIONS October 13 1988

	Male	Female	Total	Change since previous month	Unemployment rate	
					percentage of workforce*	Change since previous month
South East	314.5	140.8	455.3	-6.6	4.9	-0.1
(Greater London)	(189.0)	(78.1)	(267.1)	(-2.3)	(6.2)	(-0.1)
East Anglia	29.9	15.9	45.8	-1.3	4.5	-0.1
South West	80.6	42.5	123.1	-3.0	5.9	-0.1
West Midlands	147.2	65.0	212.2	-6.1	8.1	-0.2
East Midlands	94.4	40.4	134.8	-2.3	6.9	-0.1
Yorks and Humberside	153.9	60.9	214.8	-3.3	9.0	-0.1
North West	220.6	87.3	307.9	-4.8	10.2	-0.2
North	121.9	43.8	165.7	-0.2	11.4	-0.0
Wales	86.7	32.9	119.6	-1.0	10.0	-0.1
Scotland	193.7	76.9	270.6	-1.7	10.9	-0.1
GREAT BRITAIN	1,443.3	606.4	2,049.7	-30.4	7.5	-0.1
Northern Ireland	80.9	29.6	110.5	-1.1	15.9	-0.2
UNITED KINGDOM	1,524.2	636.0	2,160.2	-31.5	7.7	-0.1

* See note A4

(P) Provisional see note A5

+ To maintain a consistent assessment, the seasonally adjusted series now relates only to claimants aged 18 and over (see notes to editors, A7). September's seasonally adjusted figures have also been adjusted to allow for the estimated distortion caused by the postal strike (See note A8).

TABLE 3: UNEMPLOYMENT TOTAL - UNADJUSTED - UNITED KINGDOM

		Male	Female	Number	Unemployment rate percentage of workforce*
1987	Oct	1,903,620	847,764	2,751,384	9.8
	Nov	1,865,842	819,741	2,685,583	9.5
	Dec	1,878,715	817,095	2,695,810	9.6
1988	Jan	1,892,698	829,456	2,722,154	9.7
	Feb	1,852,129	813,340	2,665,469	9.5
	Mar	1,803,143	788,978	2,592,121	9.2
	Apr	1,765,711	770,278	2,535,989	9.0
	May	1,692,052	734,822	2,426,874	8.6
	Jun	1,632,041	708,748	2,340,789	8.3
	Jul	1,606,313	720,390	2,326,703	8.2
	Aug	1,576,548	714,627	2,291,175	8.1
	Sep++	1,594,403	716,570	2,310,973	8.2
	Oct++	1,484,236	634,626	2,118,862	7.5+

+ The separate rate for males was 9.0 per cent, and for females 5.4 per cent.

* See note A4.

TABLE 3a: UNEMPLOYMENT TOTAL UNADJUSTED++ - REGIONS October 13 1988 THOUSAND

	Male	Female	Total	Change since previous month	Unemployment rate percentage of workforce*
South East	306.4	141.8	448.1	-46.0	4.8
(Greater London)	(186.7)	(78.8)	(265.4)	(-25.1)	(6.2)
East Anglia	27.5	15.5	43.0	-4.9	4.2
South West	78.0	42.7	120.6	-9.7	5.8
West Midlands	144.1	65.4	209.4	-24.1	7.9
East Midlands	90.5	40.1	130.6	-13.1	6.7
Yorks and Humberside	149.2	60.5	209.7	-21.0	8.8
North West	214.9	86.1	301.0	-28.3	10.0
North	119.2	43.8	163.0	-11.7	11.2
Wales	84.6	33.1	117.7	-8.1	9.8
Scotland	189.8	75.5	265.2	-19.9	10.7
GREAT BRITAIN	1,404.1	604.3	2,008.4	-186.8	7.3
Northern Ireland	80.1	30.3	110.4	-5.3	15.9
UNITED KINGDOM	1,484.2	634.6	2,118.9	-192.1	7.5

++ Changes in the unadjusted unemployment figures are affected by the new regulations for claimants aged under 18 as well as seasonal influences. They are also affected by over-recording in September caused by the postal strike. (See notes to editors).

TABLE 4: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED UNITED KINGDOM

Month ending	INFLOW		OUTFLOW	
	Total	Change since previous year	Total	Change since previous year
1987 Oct	420.2	-39.3	549.0	-14.2
Nov	375.3	-39.9	432.3	-0.6
Dec	328.6	-28.0	317.5	-25.7
1988 Jan	344.4	-24.3	321.5	+26.6
Feb	345.2	-53.6	406.6	-54.2
Mar	313.0	-29.1	392.5	-38.9
Apr	323.9	-33.2	372.5	-23.9
May	276.7	-44.1	394.9	-30.5
Jun	273.8	-41.7	367.1	-36.3
Jul	347.5	-81.6	359.7	-68.2
Aug	311.6	-72.8	350.1	-69.5
Sep**	327.4	-129.2	305.9	-145.9
Oct**	319.6	-100.6	486.1	-62.9

** See notes A7 and A8.

EMPLOYMENT

The number of employees in employment in manufacturing industries (the new figures available this month) in Great Britain is estimated to have fallen by 19,000 in September 1988 and by 18,000 in the third quarter of 1988 following a fall of 22,000 in the second quarter. The latest quarter's figures suggest that the trend is still downwards though not at the rate observed in 1986 and early 1987.

Figures for employees in the rest of the economy and the workforce in employment (employees in employment, the self-employed, HM Forces and participants in work related government training programmes) in Great Britain remain as reported in October except for a slight revision to reflect some late data now available. The workforce in employment is estimated to have increased by 438,000 in the year to June 1988 and by 2,177,000 since March 1983.

Recent figures are set out in Tables 5 and 5a.

Personal and Confidential until 11.30am 17.11.88

Table 5: The Workforce in Employment in Great Britain †

Thousands, seasonally adjusted

		Employees in Employment			Self Employed **			HM Forces			Work related † government training programmes			Workforce ** in employment		
		Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
1983	March	11,706	8,823	20,529	1,651	496	2,147	306	15	321	0	0	0	13,663	9,334	22,997
	June	11,674	8,802	20,556	1,652	508	2,160	306	16	322	3	5	8	13,635	9,411	23,046
	Sept	11,659	8,952	20,611	1,702	527	2,229	309	16	325	74	64	139	13,744	9,560	23,304
	Dec	11,645	9,025	20,670	1,751	547	2,298	309	16	325	96	82	178	13,801	9,670	23,471
1984	March	11,630	9,074	20,705	1,801	566	2,367	310	16	326	91	77	168	13,832	9,733	23,566
	June	11,625	9,104	20,729	1,850	586	2,435	310	16	326	91	78	168	13,875	9,783	23,658
	Sept	11,638	9,147	20,785	1,868	596	2,464	312	16	328	112	95	207	13,930	9,854	23,784
	Dec	11,688	9,201	20,888	1,886	606	2,493	311	16	327	109	91	200	13,994	9,914	23,908
1985	March	11,699	9,249	20,948	1,905	617	2,522	310	16	326	101	80	182	14,015	9,962	23,977
	June	11,703	9,292	20,995	1,923	628	2,550	309	16	326	94	74	168	14,029	10,010	24,039
	Sept	11,694	9,339	21,033	1,926	628	2,554	309	16	326	120	100	221	14,049	10,084	24,133
	Dec	11,696	9,360	21,056	1,929	629	2,558	307	16	323	114	94	208	14,047	10,099	24,146
1986	March	11,662	9,403	21,065	1,933	630	2,563	306	16	323	103	80	182	14,004	10,128	24,133
	June	11,635	9,444	21,079	1,937	630	2,567	305	16	322	122	96	218	13,999	10,186	24,184
	Sept	11,611	9,487	21,098	1,977	648	2,625	306	16	323	151	125	276	14,046	10,276	24,321
	Dec	11,588	9,559	21,147	2,018	665	2,684	304	16	320	148	119	268	14,059	10,359	24,418
1987	March	11,601	9,611	21,212	2,059	683	2,742	304	16	320	138	108	245	14,100	10,418	24,519
	June	11,628	9,686	21,315	2,099	701	2,801	302	16	319	171	132	303	14,201	10,535	24,736
	Sept	11,642	9,727	21,369	2,118	713	2,832	303	16	319	216	158	373	14,279	10,614	24,892
	Dec	11,667	9,817	21,483	2,137	725	2,863	301	16	317	209	147	356	14,314	10,705	25,019
1988	March	11,703	9,886	21,589	2,156	737	2,894	301	16	317	199	135	334	14,359	10,774	25,133
	June	11,689	9,908	21,597	2,175	749	2,925	300	16	316	201	136	337	14,365	10,809R	25,174R

† The workforce in employment comprises employees in employment, the self-employed, HM Forces, and participants in work related government training programmes.

** See notes B4 and B5.

† See note B7

Estimates for work related government training programmes are not seasonally adjusted.

R = Revised to incorporate late data now available.

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TABLE 5a
EMPLOYEES IN EMPLOYMENT IN GREAT BRITAIN

Thousand: Seasonally adjusted

		Manufacturing Industries			Energy & Water Supply Industries			Service Industries		Other Industries		All Industries and Services		
		Levels	Changes			Levels	Changes		Levels	Changes	Levels	Changes	Levels	Changes
			Mon- thly	Three* monthly	Quar- terly		Mon- thly	Quar- terly						
1986	June	Q2 5,146	-19	-19	- 58	530	- 4	-10	14,114	+ 86	1,288	- 4	21,079	+ 14
	September	Q3 5,107	- 9	-13	- 39	519	- 2	-11	14,191	+ 77	1,281	- 7	21,098	+ 19
	December	Q4 5,084	- 8	- 8	- 23	509	- 1	-10	14,272	+ 81	1,282	+ 1	21,147	+ 49
1987	January	5,065	-19	-11		501	- 8							
	February	5,062	- 3	-10		499	- 2							
	March	Q1 5,053	- 9	-10	- 31	494	- 5	-15	14,373	+101	1,291	+ 9	21,212	+ 65
	April	5,046	- 7	- 6		487	- 7							
	May	5,052	+ 6	- 3		486	- 1							
	June	Q2 5,056	+ 4	+ 1	+ 3	488	+ 2	- 6	14,475	+102	1,296	+ 5	21,315	+103
	July	5,048	- 8	+ 1		484	- 4							
	August	5,043	- 5	- 3		483	- 1							
	September	Q3 5,034	- 9	- 7	- 22	485	+ 2	- 3	14,550	+ 75	1,300	+ 4	21,369	+ 54
	October	5,032	- 2	- 5		479	- 6							
November	5,033	+ 1	- 3		477	- 2								
December	Q4 5,028	- 5	- 2	- 6	477	0	- 8	14,681	+131	1,297	- 3	21,483	+114	
1988	January	5,034	+ 6	+ 1		472	- 5							
	February	5,035	+ 1	+ 1		467	- 5							
	March	Q1 5,029	- 6	0	+ 1	462	- 5	-15	14,792	+111	1,306	+ 9	21,589	+106
	April	5,016	-13	- 6		452	-10							
	May	5,015	- 1	- 7		450	- 2							
	June	Q2 5,007	- 8	- 7	- 22	450	0	-12	14,841R	+ 49R	1,298R	- 8R	21,597	+ 8
	July	5,008R	+ 1R	- 3R		447	- 3							
	August	5,008R	OR	- 2R		446	- 1							
	September	Q3 4,989	-19	- 6	- 18	447	+ 1	- 3						

* = Average monthly change over last three months
R = Revised to incorporate late data now available.

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VACANCIES

The stock of unfilled vacancies at jobcentres increased by 10,900 in the month to October to reach 251,200. Over the past three months to October, seasonally adjusted vacancies have increased on average by 500 per month.

Unadjusted, there was an increase of 11,743 unfilled vacancies in the month to 271,808.*

The inflow of notified vacancies increased on average by 800 per month in the three months ending October 1988, the outflow decreased by 900 per month, and placings decreased by 1,000 per month.

Recent figures are shown in tables 6, 7 and 8.

TABLE 6: UNFILLED VACANCIES - UNITED KINGDOM

THOUSAND

		VACANCIES AT JOBCENTRES+*				VACANCIES AT CAREERS OFFICES
		UNADJUSTED	SEASONALLY ADJUSTED (r)			UNADJUSTED
			Number	Change since previous month	Average change over past 3 months	
1987	Oct	280.2	259.9	15.5	8.2	23.1
	Nov	272.0	265.1	5.2	9.1	22.0
	Dec	239.7	254.9	-10.1	3.5	20.5
1988	Jan	224.8	250.8	-4.2	-3.0	19.9
	Feb	224.2	249.6	-1.2	-5.2	18.8
	Mar	232.0	249.4	-0.2	-1.8	20.4
	Apr	251.3	255.9	6.6	1.7	22.1
	May	262.2	254.5	-1.5	1.6	27.0
	Jun	269.5	255.1	0.6	1.9	30.7
	Jul	258.2	249.7	-5.4	-2.1	32.3
	Aug	244.0	242.8	-6.9	-3.9	31.6
	Sep	260.1	240.3	-2.5	-4.9	31.9
	Oct	271.8	251.2	10.9	0.5	30.6

* There are no longer any Community Programme vacancies. See note C1.

(r) Revised, due to an update of seasonal adjustments.

+ Vacancies at jobcentres are only about a third of all vacancies in the economy. See note C3.

TABLE 7: VACANCY FLOWS AT JOBCENTRES-SEASONALLY ADJUSTED (r)

		UNITED KINGDOM				THOUSAND	
		INFLOW		OUTFLOW		of which: PLACINGS	
		Level	Average change over 3 Months	Level	Average change over 3 Months	Level	Average change over 3 Months
1987	Oct	235.6	4.8	223.8	2.0	157.6	0.8
	Nov	234.9	3.5	229.4	3.3	158.9	1.0
	Dec	234.7	1.8	241.1	6.9	165.6	3.0
1988	Jan	227.3	-2.8	233.4	3.2	165.7	2.7
	Feb	234.7	-0.1	239.2	3.3	165.3	2.1
	Mar	236.0	0.5	236.1	-1.7	163.0	-0.9
	Apr	230.6	1.1	227.3	-2.1	158.1	-2.5
	May	231.2	-1.2	228.0	-3.7	157.9	-2.5
	Jun	230.8	-1.8	229.7	-2.1	156.3	-2.2
	Jul	230.3	-0.1	231.8	1.5	156.4	-0.6
	Aug	227.0	-1.4	232.6	1.5	156.8	-0.4
	Sep	227.7	-1.0	229.0	-0.2	155.4	-0.3
	Oct	232.8	0.8	229.3	-0.9	153.4	-1.0

TABLE 8: UNFILLED VACANCIES* - REGIONS - 7 to 1988

THOUSAND

	VACANCIES AT JOBCENTRES			VACANCIES AT CAREERS OFFICES
	UNADJUSTED	SEASONALLY ADJUSTED		UNADJUSTED
	TOTAL	Number	Change since previous month	
South East	100.6	91.1	2.2	18.5
(Greater London)	(11.0)	(29.0)	(1.2)	(9.5)
East Anglia	21.8	10.3	0.0	1.0
South West	27.7	20.6	0.4	1.9
West Midlands	15.9	25.4	2.4	2.5
East Midlands	17.8	14.6	0.7	1.5
Yorks and Humberside	17.8	16.3	1.0	1.3
North West	27.4	25.8	2.4	1.4
North	12.6	11.5	0.9	0.5
Wales	12.8	12.4	0.3	0.4
Scotland	22.0	20.6	0.6	0.4
GREAT BRITAIN	269.8	248.5	10.8	29.3
Northern Ireland	2.0	2.7	0.1	1.2
UNITED KINGDOM	271.8	251.2	10.9	30.6

* The proportion of total vacancies at Jobcentres varies by region. See note C3.
(r) Revised, due to up-date of seasonal adjustment.

AVERAGE EARNINGS

The underlying increase in average weekly earnings in the year to September was about 9 1/4 per cent, similar to the increase in the year to August. The actual increase in the year to September, at 8.6 per cent, was below the estimated underlying increase, as several groups of workers did not receive pay increases in the twelve month period.

TABLE 9: INDEX OF AVERAGE EARNINGS OF EMPLOYEES IN GREAT BRITAIN:
WHOLE ECONOMY

	Seasonally adjusted			
	Index 1985 = 100	Index 1985 = 100	Percentage increase over previous 12 months	Underlying % increase over previous 12 months
1987				
January	110.8	112.1	7.6	7 1/2
February	111.2	112.8	7.5	7 1/2
March	113.2	113.2	6.6	7 1/2
April	114.0	114.2	6.3	7 3/4
May	115.3	115.4	8.7	7 3/4
June	116.4	115.7	7.7	7 3/4
July	118.2	117.0	8.0	7 3/4
August	117.3	117.1	7.6	7 3/4
September	117.2	117.4	7.9	7 3/4
October	118.4	118.8	8.1	8
November	120.6	120.2	8.4	8 1/4
December	122.4	121.0	8.8	8 1/2
1988				
January	120.4	121.8	8.7	8 1/2
February	120.3	122.0	8.2	8 1/2
March	124.1	124.0	9.5	8 1/2
April	124.3	124.4	8.9	8 1/2
May	124.2	124.2	7.6	8 1/2
June	125.9	125.1	8.1	8 3/4
July	128.3	126.9	8.5	9
August	126.8	126.6	8.1	9 1/4
September*	127.3	127.5	8.6	9 1/4

* Provisional

R Revised

In production industries, the underlying increase in average weekly earnings in the year to September was about 9 per cent, a fall of 1/4 per cent on the year to August, which has been revised downwards from 9 1/4 per cent. Within this sector, in manufacturing industries, the underlying increase in the year to September was about 8 3/4 per cent, a fall of 1/4 per cent on the increase in the year to August, which has also been revised downwards by 1/4 per cent. The actual increases for production industries and manufacturing industries in the year to September were 8.2 per cent and 8.0 per cent respectively.

In service industries, the underlying increase in average weekly earnings in the year to September was about 9 1/4 per cent, similar to the increase in the year to August, which has been revised upwards from 9 per cent. The actual increase in the year to September was 8.5 per cent.

TABLE 10: INDEX OF AVERAGE EARNINGS OF EMPLOYEES IN GREAT BRITAIN: MAIN SECTORS
seasonally adjusted

		Production industries*			Manufacturing industries**			Service industries***			
		Index 1985=100		Index 1985=100		Index 1985=100		Index 1985=100			
		% increases over previous 12 months		% increases over previous 12 months		% increases over previous 12 months		% increases over previous 12 months			
		seas adj	under-lying	seas adj	under-lying	seas adj	under-lying	seas adj	under-lying		
1987	May	115.2	8.3	8	114.7	8.2	8	116.3	9.4	7 3/4	
	Jun	115.7	8.0	8 1/4	115.7	7.9	8 1/4	116.0	7.6	7 1/2	
	Jul	116.9	8.7	8 1/4	116.9	8.9	8 1/4	116.8	7.7	7 1/4	
	Aug	117.7	8.2	8 1/4	117.0	7.9	8 1/2	116.8	7.3	7 1/4	
	Sep	118.6	8.3	8 1/4	118.2	8.4	8 1/2	116.5	7.6	7 1/2	
	Oct	119.9	8.7	8 1/4	119.4	8.5	8 1/4	118.2	7.6	8	
	Nov	120.1	7.9	8 1/4	119.8	8.0	8 1/4	120.4	8.8	8 1/2	
	Dec	121.5	8.1	8 1/4	121.4	8.3	8 1/4	120.6	9.3	8 1/2	
	1988	Jan	121.7	8.0	8 1/2	121.7	8.5	8 1/2	121.4	9.2	8 1/2
		Feb	120.7	6.3	8 1/2	121.1	7.1	8 1/2	122.1	9.4	8 1/2
Mar		123.1	8.6	8 1/4	123.2	8.8	8 1/2	124.4	10.2	8 1/2	
Apr		125.6	9.6	8 1/2	125.2	9.4	8 3/4	123.8	8.6	8 1/2	
May		126.0	9.4	8 1/2	124.9	8.9	8 3/4	123.5	6.2	8 1/2	
Jun		125.3	8.3	9	125.0	8.0	9	125.5	8.12	8 3/4	
Jul		127.0	8.6	9 1/4	126.6	8.3	9	126.6	8.4	9	
Aug		127.2	8.1	9 1/4 R	126.7	8.3	9 R	126.0	7.9	9 1/4 R	
Sep(p)		128.4	8.3	9	127.8	8.1	8 3/4	126.4	8.5	9 1/4	

p provisional R revised * DIVISIONS 1-4 of SIC 1980 covering Energy and water supply and manufacturing. ** DIVISIONS 2-4 of SIC 1980. Included in production industries. *** DIVISIONS 6-9 of SIC 1980 covering Distribution, hotels and catering, repairs; Transport and communications; Banking, finance, insurance, business services and leasing; Other services (including public administration, education, medical and other medical services, etc).

UNIT WAGE AND SALARY COSTS

THIS PAGE WILL BE REVISED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF UPDATED AND REVISED UNIT WAGE COST ESTIMATES WHICH WILL THEN BE AVAILABLE.

In the three months ending August 1988, wages and salaries per unit of output in manufacturing industries were 0.7 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing (see Table 10) as there was a rise of about 7 1/2 per cent in productivity over this period (see Table 13).

In the second quarter of 1988 wages and salaries per unit of output in the whole economy were 4.4 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in the whole economy as there was a rise of about 3 3/4 per cent in productivity over this period.

Both series have been rebased to 1985=100, in common with economic series published by other Government Departments.

Recent figures are:

TABLE 11: WAGES AND SALARIES PER UNIT OF OUTPUT seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1985 = 100	Percentage increase on a year earlier	Index 1985 = 100	Percentage increase on a year earlier
1986	Q1	104.8	8.3	104.1	6.1
	Q2	104.9	6.6	105.2	6.7
	Q3	104.6	3.8	105.7	4.7
	Q4	103.7	-0.3	107.0	4.6
1987	Q1	106.0	1.1	108.4	4.1
	Q2	104.6	-0.3	109.8	4.4
	Q3	104.8	0.2	110.1	4.2
	Q4	105.7	1.9	112.3	5.0
1988	Q1	106.5	0.5	113.5	4.7
	Q2	106.8	2.1	114.6	4.4
1988	Mar	107.2	1.2	..	..
	Apr	107.7	3.4	..	..
	May	106.5	2.2	..	..
	Jun	106.2	0.7	..	..
	Jul	105.6	0.5	..	..
	Aug	104.4	1.0	..	..
3 months ending					
1988	Mar	106.5	0.5	..	..
	Apr	107.3	2.2	..	..
	May	107.1	2.3	..	..
	Jun	106.8	2.1	..	..
	Jul	106.1	1.1	..	..
	Aug	105.4	0.7	..	..

CONFIDENTIAL UNTIL 11.30AM ON 17 NOVEMBER 1988
HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries remained high, at 13.49 million hours per week in September.

Hours lost through short-time working in manufacturing industries remained low, at 0.21 million hours per week in September.

The index of average weekly hours worked by operatives in manufacturing industries (which takes account of hours of overtime and short-time as well as normal basic hours) was estimated at 101.1 in September 1988 giving an average of 101.2 over the three month period ending September 1988. Recent figures are set out in Table 12.

TABLE 12: WORKING HOURS OF OPERATIVES IN MANUFACTURING INDUSTRIES
 Great Britain, seasonally adjusted

		Hours of overtime worked	Hours lost through short-time working (stood off for whole or part of week)	Index of average weekly hours (average 1985 = 100)
		Millions per week	Millions per week	
1986	Aug	11.77	0.43	99.7
	Sep	11.68	0.43	99.6
	Oct	11.77	0.81	99.4
	Nov	12.06	0.48	99.7
	Dec	11.62	0.51	99.7
1987	Jan	11.47	0.57	99.6
	Feb	12.09	0.42	100.0
	Mar	12.27	0.36	100.2
	Apr	12.44	0.41	100.3
	May	12.38	0.37	100.2
	Jun	12.68	0.31	100.5
	Jul	12.49	0.35	100.4
	Aug	12.70	0.28	100.6
	Sep	12.96	0.24	100.7
	Oct	13.66	0.29	101.1
	Nov	13.58	0.38	101.0
	Dec	13.42	0.28	101.2
1988	Jan	14.48	0.25	101.7
	Feb	13.44	0.28	101.1
	Mar	13.40	0.23	101.2
	Apr	13.33	0.22	101.0
	May	13.59	0.23	101.2
	Jun	13.18	0.24	100.9
	Jul	13.91R	0.32R	101.3R
	Aug	13.83R	0.27R	101.3R
	Sep	13.49	0.21	101.1

PRODUCTIVITY

THIS PAGE WILL BE REVISED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF UPDATED AND REVISED PRODUCTIVITY FIGURES WHICH WILL THEN AVAILABLE.

Manufacturing output per head in the three months to August was 3.0 per cent higher than in the three months ending May and 7.5 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the second quarter of 1988 was 0.7 per cent higher than in the previous quarter and 3.8 per cent higher than in the same quarter a year earlier.

Recent figures are:

TABLE 13: OUTPUT PER HEAD seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1985 = 100	Percentage increase on a year earlier	Index 1985 = 100	Percentage increase on a year earlier
1986	Q1	99.9	-0.3	100.8	1.6
	Q2	101.8	0.9	101.8	1.4
	Q3	103.4	3.3	102.9	2.8
	Q4	107.0	8.3	103.5	3.2
1987	Q1	106.4	6.5	103.5	2.7
	Q2	109.9	8.0	104.5	2.7
	Q3	112.0	8.3	106.3	3.3
	Q4	113.7	6.3	106.7	3.1
1988	Q1	114.5	7.6	107.7	4.1
	Q2	117.0	6.5	108.5	3.8
1988	Mar	115.0	7.7	..	..
	Apr	116.2	5.7	..	..
	May	117.3	6.5	..	..
	Jun	117.6	7.3	..	..
	Jul	119.9	7.8	..	..
	Aug	121.5	7.4	..	..
3 months ending					
1988	Mar	114.5	7.6	..	..
	Apr	114.8	6.1	..	..
	May	116.2	6.6	..	..
	Jun	117.0	6.5	..	..
	Jul	118.3	7.2	..	..
	Aug	119.7	7.5	..	..

Industrial stoppages

In September 1988, it is provisionally estimated that 1,210 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 413 thousand in August 1988, 56 thousand in September 1987 and an average of 1,713 thousand for September during the ten year period 1978 to 1987.

During the twelve months to September 1988 it is provisionally estimated that a total of 3,758 thousand working days were lost through stoppages of work due to industrial disputes. During this twelve month period a total of 791 stoppages have been provisionally recorded as being in progress, involving a total of 680 thousand workers. The comparable figures for the twelve months to September 1987 were 3,665 thousand lost working days, 1,084 stoppages in progress and 943 thousand workers.

Table 14. Industrial stoppages in progress in the United Kingdom.

	<u>Working days lost (thousand)</u>	<u>Number of Stoppages</u>	<u>Workers involved (thousand)</u>
1987			
Sep	56	84	19
Oct	76	96	24
Nov	127	108	80
Dec	60	72	35
1988			
Jan(p)	106	87	45
Feb(p)	653	119	148
Mar(p)	257	93	48
Apr(p)	64	50	17
May(p)	145	73	43
Jun(p)	295	82	40
Jul(p)	354	68	41
Aug(p)	413	52	130
Sep(p)	1,210	54	136
<u>Cumulative totals</u>			
12 months to September 1987	3,665	1,084	943
12 months to September 1988(p)	3,758	791	680

(p) Provisional and subject to revision, normally upwards, see note H1.

GENERAL SYMBOLS

The following symbols are used throughout: .. not available, - nil or negligible, p provisional, r revised. Occasionally, totals may differ from the sum of components because of rounding or separate seasonal adjustments of components.

UNEMPLOYMENT (Tables 1-4)

A1. The unemployment figures are based on records of those claiming benefits at Unemployment Benefit Offices. The figures therefore include those who claim Unemployment Benefit, Income Support (formerly Supplementary Benefit up to April 1988) or National Insurance credits. The figures include the severely disabled but exclude students seeking vacation work and the temporarily stopped (see below). A full description of the system of compiling the figures appeared in the September 1982 *Employment Gazette*.

A2. The unemployment figures exclude students who are claiming benefit during a vacation but who intend to return to full-time education when the new term begins. From November 1986 most students have only been eligible for benefits in the summer vacation. On 13 October 1988 these numbered 8,776 in Great Britain and the United Kingdom.

A3. The figures exclude temporarily stopped workers, that is, those who had a job on the day of the count but were temporarily suspended from work on that day and were claiming benefits. On 13 October 1988 these numbered 3,426 in Great Britain and 4,445 in the United Kingdom.

A4. National and regional unemployment rates are calculated by expressing the number of unemployed as a percentage of the estimated total workforce (the sum of employees in employment, unemployed claimants, self-employed, HM Forces and participants on work-related government training programmes) at mid-1987. Until July 1986, all rates were expressed as a percentage of employees plus the unemployed only. These narrower based rates, continue to be used for local areas (travel-to-work areas and counties) because estimates for the self-employed needed to calculate the new rates are not made below regional level. The UK narrower rates on 13 October 1988 were 10.7 per cent for males and 5.9 per cent for females, 8.6 per cent in total (unadjusted).

A5. The latest figures for national and regional seasonally adjusted unemployment are provisional and subject to revision, mainly in the following month. The seasonally adjusted series takes account of all past discontinuities to be consistent with the current coverage. (See the article "Unemployment adjusted for discontinuities and seasonality" in the July 1985 *Employment Gazette* and also page 422 of the October 1986 edition for the list of previous changes in coverage taken into account). The seasonally adjusted series has now also been revised to relate only to those aged 18 and over in order to maintain a consistent series, allowing for the change in benefit regulations for those aged under 18 from September 1988. See also notes A7 and A8.

A6. The unemployment flows, in Table 4 relate to people claiming and ceasing to claim benefit. A seasonally adjusted series cannot yet be estimated. The figures are standardised to a four and one third week month to allow for the varying periods between successive monthly count dates, and may therefore appear not to balance with the monthly changes in unemployment levels.

A7. The recent extension of the guaranteed offer of a YTS place to all those aged under 18 who have not found a job, and the associated change from 12 September in the entitlement of young people to claim unemployment-related benefits have inevitably affected the coverage of the claimant count mainly from October. In addition, this summer's school leavers were not eligible for benefits on the 8 September count date. There are now only a few under 18's remaining in the count. The effect of the new regulations is to remove about 90,000 on average from the total count with over 80,000 of this having taken place by October. Previously the seasonally adjusted unemployment series included those under 18's who had had a job since leaving school (i.e. those not classed as school leavers); and without amendment there would be a discontinuity mainly from October 1988. To maintain consistency over time, the seasonally adjusted series has consequently now been restricted to claimants aged 18 and over. On recent levels of unemployment the new series is about 40,000 lower than the former series. The new series are available back to January 1971 at national level (1974 for the regions).

A8. The seasonally adjusted unemployment figures for September 1988 now allow for the estimated effect of temporary over-recording caused by the postal strike. The adjustments made at regional level are less precise than those at national level. September's unadjusted figures, however, remain distorted by this effect, estimated at around 55,000. This arose mainly through the special action taken to ensure that the unemployed received their benefits during the strike and delays in the post of information about when claimants ceased to be unemployed. The outflow from unemployment between the August and September counts was therefore understated, with a consequent upward effect on the September totals.

EMPLOYMENT (Table 5)

B1. Information on the number of employees in employment is for most industries collected quarterly and monthly from sample surveys addressed to individual establishments and for other industries from returns provided by major employers in the industry. These figures are used to calculate rates of change in employment since the last Census of Employment was held, and the rates of change are applied to comprehensive census results to provide current estimates.

B2. The surveys cover all large establishments and a proportion of small establishments (but none of the smallest employers). 30,000 establishments are surveyed each quarter month (e.g. in March, June etc.), and of these 12,000 are in manufacturing industries. 6,000 of the manufacturing establishments are also surveyed in non quarter months. Estimates for these months are less reliable than those for quarter months, and the first estimates are subject to revision when the following quarters figures become available (e.g. January and February estimates are revised in the light of figures for March). As the estimates of employees in employment are derived from employers' reports of the numbers of people they employ, individuals holding two jobs with different employers will be counted twice. Participants in government employment and training schemes are included if they have a contract of employment. HM forces, homeworkers and private domestic servants are excluded.

B3. The estimates of employees in employment presented in this press notice also take account of the results of the 1985, 1986 and 1987 sample Labour Force Surveys. The series include allowances for undercounting in the estimates of the number of employees in employment derived from the sample survey of employers. Since the second quarter of 1986, 33,900 per quarter has been added to the raw estimates of total employees in employment based on the sample. The reasoning behind such allowances is described in the *Employment Gazette* April 1987 (page 201).

B4. The self employed are those who in their main employment work on their own account, whether or not they have any employees. Second occupations classified as self employed are not included.

B5. Comprehensive estimates of the number of self-employed are taken from the Census of Population, the most recent of which was held in 1981. Estimates for the other years are made by applying rates of change, derived from the sample Labour Force Survey results, to the census benchmark. In this way self employment is estimated to have increased by 12,800 a quarter between mid 1981 and mid 1983, by 68,800 a quarter between mid 1983 and mid 1984, by 28,800 a quarter between mid 1984 and mid 1985, by 4,100 a quarter between mid 1985 and mid 1986, by 58,500 a quarter between mid 1986 and mid 1987. Pending the results of the 1988 Labour Force Survey it is assumed that the numbers of self employed are continuing to increase at the rate of 31,000 a quarter observed between 1981, the date of the latest Census of Population which provides a benchmark for the self employment series, and 1987, the date of the latest available Labour Force Survey data. The derivation of recent estimates is described in the *Employment Gazette*, March 1988 page 144.

B6. Figures for HM Forces are provided by the Ministry of Defence.

B7. Estimates of numbers on work related government training programmes consist of those participants in programmes and schemes who in the course of their participation in the programmes receive training in the context of a workplace but are not employees, self-employed or HM Forces. At present it covers most YTS participants without contracts of employment (the small proportion, about 2 per cent, whose training does not include work experience with an employer are excluded) and the participants on the new JTS. The estimates are not seasonally adjusted.

B8. The workforce in employment which comprises employees in employment, the self-employed, HM forces and participants on work related government schemes was introduced in the July 1988 issue of this press notice. See page 56 of the August 1988 edition of *Employment Gazette* for further details.

VACANCIES (Tables 6-8)

C1. The statistics do not include any vacancies on government programmes (except for vacancies on Enterprise Ulster and Action for Community Employment (ACE) included in the figures for Northern Ireland). Previously up to August 1988, unadjusted vacancy figures have additionally been provided including Community Programme vacancies. With the introduction of Employment Training (ET) from September 1988 there are no longer any CP vacancies. ET places are training opportunities determined according to the individual needs of unemployed people and therefore cannot be considered as vacancies or counted as such.

CP vacancies handled by jobcentres have been excluded from the seasonally adjusted series since the coverage was revised in September 1985. The seasonally adjusted series are therefore not affected by the cessation of CP vacancies. Figures on the current basis are available back to 1980. (See *Employment Gazette* October 1985 page 413 for further details). The series has been revised this month due to an update of the seasonal adjustment.

C2. Vacancies at Jobcentres are mainly for adults aged 18 or over, but include some vacancies for persons under 18. Vacancies at Careers offices are mainly for young persons under 18 years of age, but include some vacancies suitable for adults. Where the vacancy is notified to both services by an employer, it will be included in both counts; for this reason, the two counts should not be added together to give a figure for total vacancies.

C3. The vacancy figures do not represent the total number of vacancies in the economy. Latest estimates suggest that nationally about one third of all vacancies are notified to Jobcentres; and about one quarter of all engagements are made through Jobcentres. Inflow, outflow, and placings figures are collected for four or five week periods between count dates; the figures in this press notice are converted to a standard four and one third week month.

EARNINGS (Tables 9 and 10)

D1. The whole economy index of average earnings was introduced from January 1976. It was described in the April 1976 issue of *Employment Gazette*. The present series is based on January 1980 = 100. Separate indices for 26 industry groups of Standard Industrial Classification (1980) are published in the *Employment Gazette*.

D2. All the series are based on information obtained from the Department's monthly survey of a representative sample of firms in Great Britain, combined with information supplied by the Ministry of Agriculture Fisheries and Food about agricultural earnings in England and Wales. The survey obtains details of the gross wages and salaries paid to employees, in respect of the last pay week of the month for the weekly paid, and for the calendar month for the monthly paid. The earnings of the latter are converted into a weekly basis. The average earnings are obtained by dividing the total paid by the total number of employees paid, including those employees on strike. The sample of returns contains information relating to some 10 million employees.

D3. The analysis of underlying changes was described in Employment Gazette, April 1981, page 193, and the most recent analysis appeared in *Employment Gazette* in June 1988. The next analysis will appear in the September 1988 issue.

D4. The average earnings figures are not intended to measure solely the average increase in rates of pay for a standard week reflected in annual pay settlements. Changes in hours worked are not regarded as a temporary factor and therefore continue to influence the underlying rate. Irregular variations in bonuses, sickness, etc., on which no information is available, can also affect the underlying trend, as can changes in the composition of the labour force.

D5. All the seasonally adjusted average earnings series have been updated by the introduction of revised seasonal factors.

UNIT WAGE AND SALARY COSTS (Table 11)

E1. Wages and Salaries per unit of output in manufacturing is compiled using monthly series of average earnings, employment and output; it is described in *Employment Gazette*, June 1982, page 261. Both series of unit wage costs have been rebased to 1985=100 in common with other official economic series.

E2. See note G2.

HOURS OF WORK (Table 12)

F1. The hours of overtime and short-time worked by operatives in manufacturing industries are collected by the surveys of individual establishments which are used to collect numbers of employees. Figures are collected monthly; those for non-quarter months are based on a smaller sample, and are therefore subject to retrospective revisions in the same way as the employee estimates.

F2. The index of average weekly hours relates to average weekly hours worked by operatives in manufacturing industries. It is based on the normal weekly hours of full time operatives as in national agreements plus average net overtime. The calculation of this index is described on page 240 of *Employment Gazette*, June 1983.

PRODUCTIVITY (Table 13)

G1. Index numbers of output per person employed are calculated by dividing an index of output by an index of the numbers employed. The indices have all been rebased to 1985=100.

G2. The calculation of the productivity (and hence the unit wage cost) series is not affected by the changes to the employment series. The present calculation, using a denominator which excludes participants on work related training schemes, provides a better indicator of productivity (and wage cost) trends than would the revised employment series. This is because of the smallness of the scheme participants' contribution to output, the fact that some of the contribution will be excluded from the national accounts measure of output, and practical difficulties in the way of producing an analysis of participants.

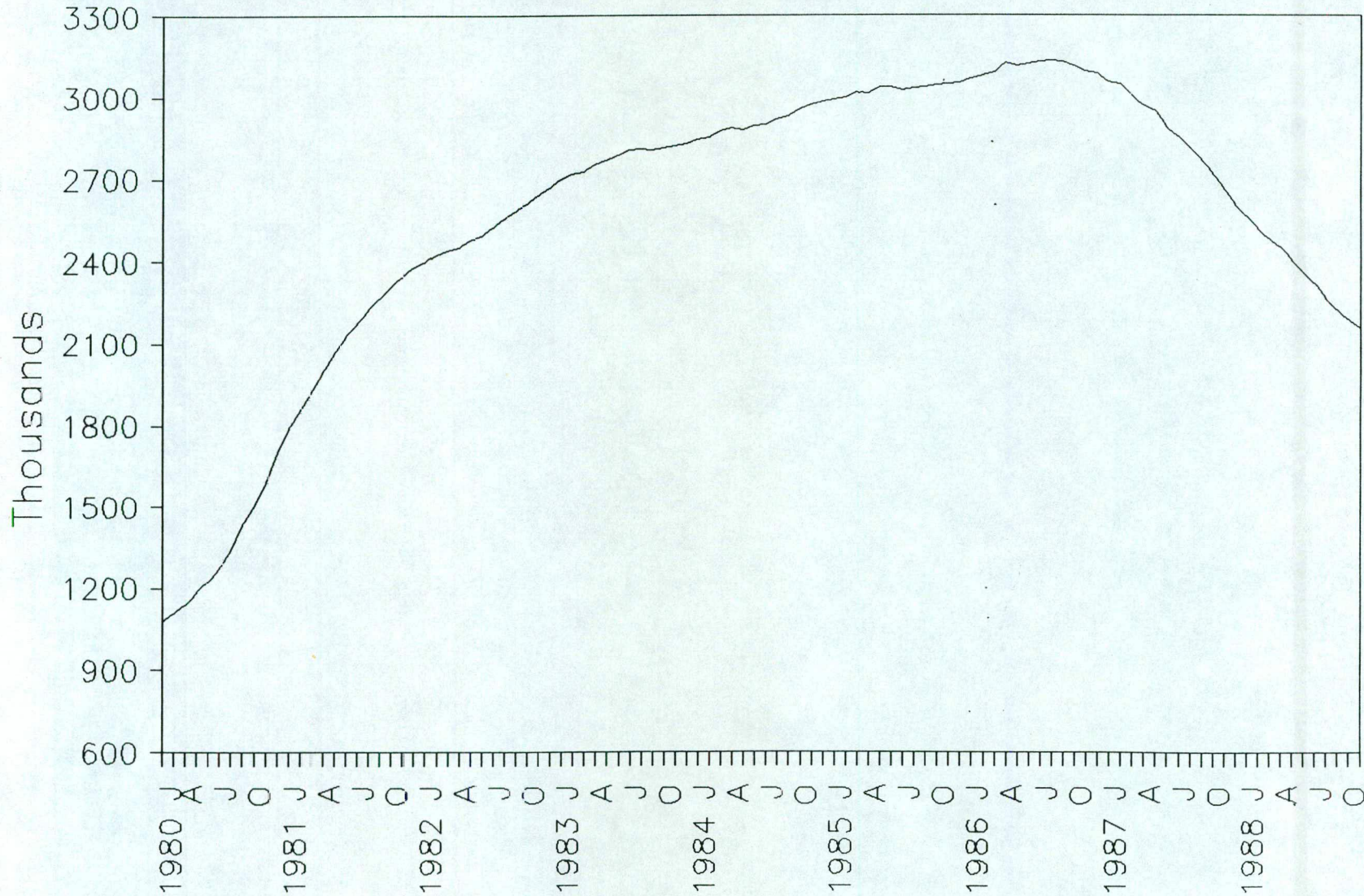
INDUSTRIAL STOPPAGES (Table 14)

H1. Statistics of stoppages of work due to industrial disputes in the United Kingdom relate only to disputes connected with terms and conditions of employment. Stoppage involving fewer than 10 workers or lasting less than one day are excluded except where the aggregate of working days lost exceeded 100. However, there are difficulties recording stoppages near the margin of this threshold and consequently greater emphasis should be placed on the figure for working days lost rather than on the number of stoppages. The monthly figures are provisional and subject to revision, normally upwards, to take account of additional or revised information received after going to press.

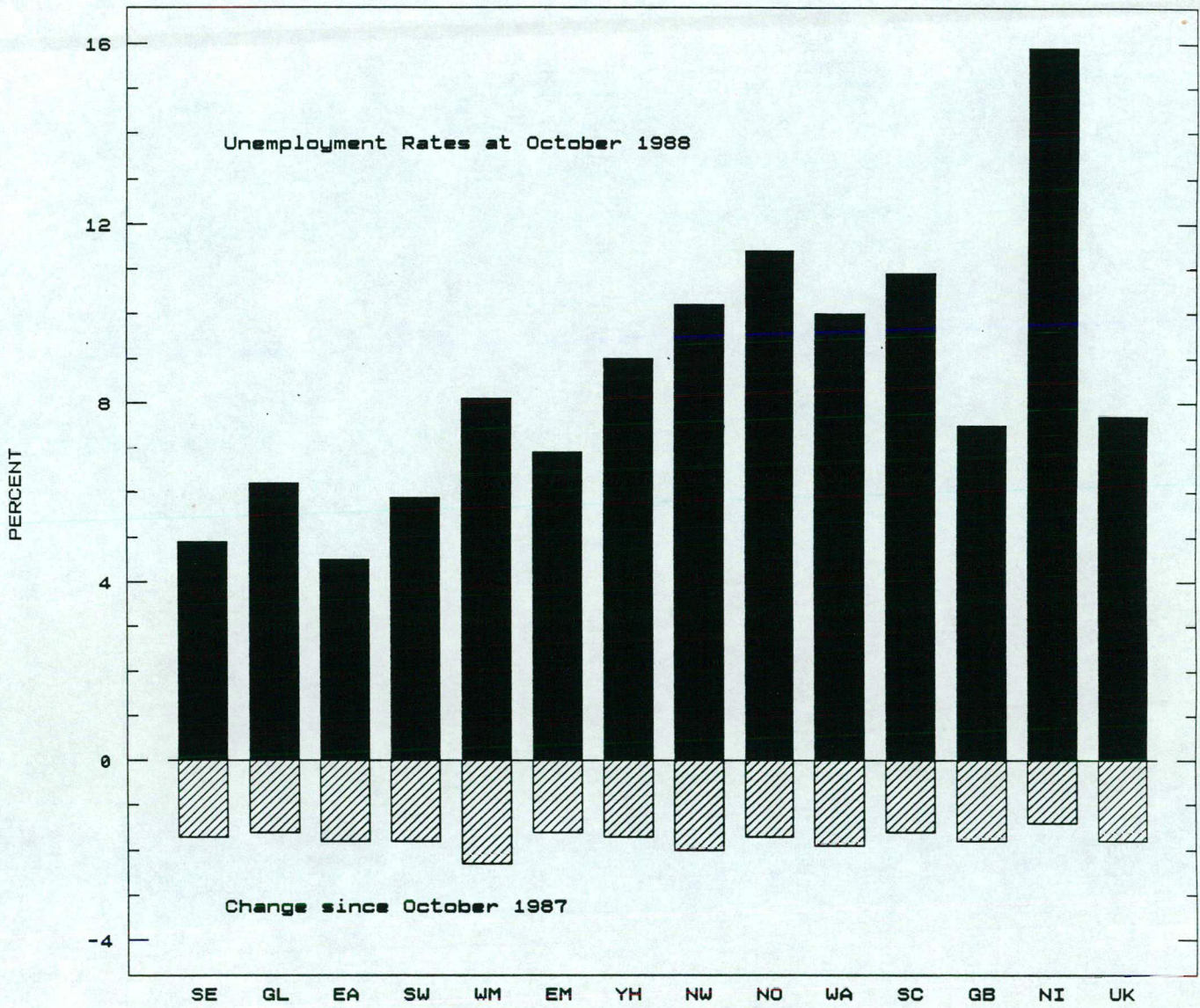
SEASONALLY ADJUSTED UNEMPLOYMENT

CONSISTENT WITH CURRENT COVERAGE

U.K. October 1988



REGIONAL UNEMPLOYMENT RATES
SEASONALLY ADJUSTED
(CONSISTENT WITH CURRENT COVERAGE)



Unemployment
-regions and sexUNEMPLOYMENT - regions and sex: Oct 1988
SEASONALLY ADJUSTED

	NUMBER (Thousands)		UNEMPLOYMENT RATE (Per Cent)*		
	At Oct 1988	Change in month since Sept 1988	At Oct 1988	Change in month since Sept 1988	Change in year since Oct 1987
REGIONS					
South East	455.3	-4.9	4.9	-0.1	-1.7
(Greater London)	(267.1)	-1.2	6.2	-0.0	-1.6
East Anglia	45.8	-1.2	4.5	-0.1	-1.8
South West	123.1	-2.6	5.9	-0.1	-1.8
West Midlands	212.2	-6.8	8.1	-0.3	-2.3
East Midlands	134.8	-2.6	6.9	-0.1	-1.6
Yorks & Humber	214.8	-3.5	9.0	-0.1	-1.7
North West	307.9	-5.5	10.2	-0.2	-2.0
North	165.7	.5	11.4	0.0	-1.7
Wales	119.6	-.3	10.0	-0.0	-1.9
Scotland	270.6	-3.3	10.9	-0.1	-1.6
GREAT BRITAIN	2049.7	-30.4	7.5	-0.1	-1.8
Northern I.	110.5	-1.1	15.9	-0.2	-1.4
UNITED KINGDOM	2160.2	-31.5	7.7	-0.1	-1.8
MALES AND FEMALES					
UK Males	1524.2	-18.9	9.2	-0.1	-2.1
UK Females	636.0	-12.6	5.5	-0.1	-1.4

* Percentage of whole workforce (new basis, taking account of self-employed, armed forces and participants on work-related Govt. training programmes)

UNITED KINGDOM, claimants

July 1988

C3a
THOUSANDSUnemployment by Duration

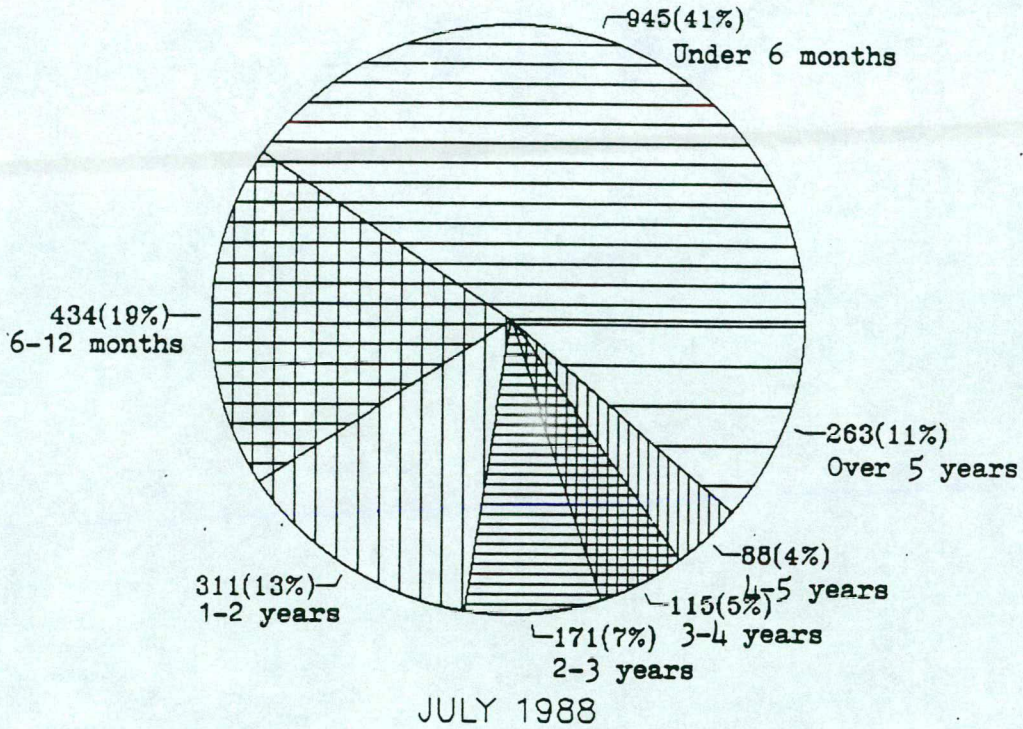
<u>Duration</u>	<u>Number at JULY 1988</u>	<u>Change since JULY 1987</u>
All durations	2327	-580
Over 6 months	1382	-401
Over 1 year	948	-290
Over 2 years	637	-147
Over 3 years	466	-91
Over 4 years	351	-49
Over 5 years	263	-14

Up to 6 months	945	-179
6 to 12 months	434	-111
1 to 2 years	311	-143
2 to 3 years	171	-57
3 to 4 years	115	-42
4 to 5 years	88	-35
Over 5 years	263	-14

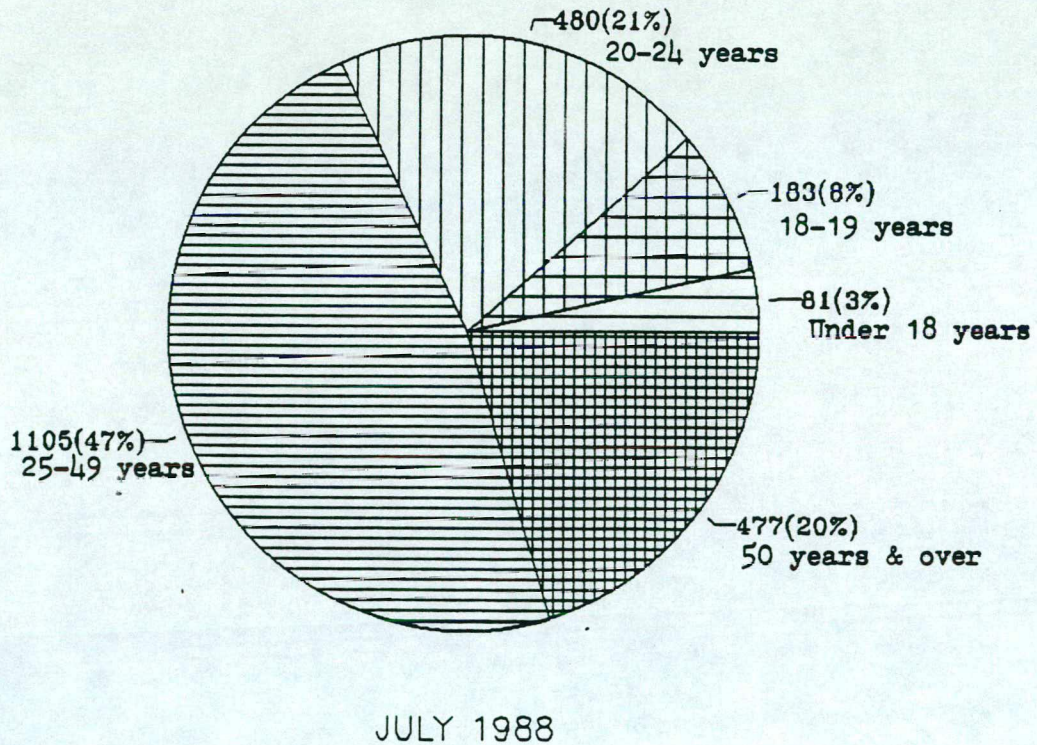
Unemployment by Age

	<u>Number at JULY 1988</u>	<u>Change since JULY 1987</u>
Under 18	81	-35
18-19 years	183	-64
20-24 years	480	-131
25-49 years	1105	-258
50 and over	477	-91
All ages	2327	-580

U.K. UNEMPLOYMENT BY DURATION THOUSANDS.



U.K. UNEMPLOYMENT BY AGE THOUSANDS



Scheme Participants in GB

Thousand

	EAS	CP	CI	NWS*	YOP+	YTS++	JTS	JRS	ET
<u>Quarterly</u>									
March 83	2	39	8	103	234	0		79	
June 83	2	64	8	93	154	21		81	
Sept 83	8	97	8	103	69	173		85	
Dec 83	20	115	8	105	22	257		88	
Mar 84	27	113	8	98	22	252		95	
June 84	37	120	8	70	4	244		91	
Sept 84	39	123	8	63		287		86	
Dec 84	39	130	8	57		279		78	
Mar 85	41	133	8	52		252		70	
June 85	48	138	8	43		236		61	
Sept 85	49	151	8	50		296		54	
Dec 85	52	174	8	57		278		48	
Mar 86	55	200	8	51		243		43	
June 86	60	221	8	31		270		37	
Sept 86	66	235	8	28		333		32	
Dec 86	74	248	8	33		323	1	27	
March 87	81	244	8	34		306	2	24	
<u>Monthly</u>									
May 87	87	235	8	29		290	8	22	
June 87	90	232	8	24		348	13	22	
July 87	93	231	8	18		377	17	21	
Aug 87	94	229	8	18		390	20	21	
Sept 87	96	229	8	18		424	22	21	
Oct 87	97	224	8	19		413	24	20	
Nov 87	96	222	8	20		410	25	20	
Dec 87	96	221	8	19		403	24	19	
Jan 88	95	221	7	19		393	26	19	
Feb 88	95	224	7	18		385	28	19	
Mar 88	95	223	7	16		373	30	18	
Apr 88	94	223	7	14		368	30	16	
May 88	94	220	7	13		371	31	15	
June 88	94	213	7	12		393	31	14	
July 88	94	208	7	11		419	32	13	
Aug 88	93	202	7	10		426	32	12	
Sep 88**	93	(10)	7	9		436	NIL	11	(175)

* Figures prior to June 1986 relate to similar Young Workers Scheme

** Figures in brackets are approximate estimates. The ET figure includes transfer from CP and JTS

+ Excludes trainers

++ Excludes trainers figures for latest months subject to revision

INTERNATIONAL COMPARISONS OF UNEMPLOYMENT

C5a

International standardised unemployment rates are used wherever possible in the following table comparing levels of unemployment. They are more comparable than the figures on national definitions which are subject to greater differences in coverage. OECD standardised rates are used wherever possible. (The latest available national figures are however used in tables C5b and C5c for the purposes of comparing recent changes.)

STANDARDISED UNEMPLOYMENT RATES* SEASONALLY ADJUSTED		
	% rate	Latest month
Spain	19.5	MAY
Ireland	(17.6)*	AUG
Italy	(12.9)*	AUG
France	10.6	AUG
Belgium	10.2	AUG
Netherlands	9.4	AUG
United Kingdom	8.0	AUG
Canada	7.9	AUG
Greece	(7.4)*	APR 87
Australia	7.0	AUG
Germany	6.6	JUL
Denmark	(6.6)*	AUG
Portugal	6.1	MAY
United States	5.5	AUG
Austria	[5.5]a	AUG
Norway	3.2	MAY
Luxembourg	(2.8)*	AUG
Japan	2.5	JUL
Sweden	1.6	AUG
Switzerland	[0.7]a	AUG

* NOTE: For those EC countries for which no OECD standardised rates are available, similar harmonised rates compiled by the statistical office of European communities (EUROSTAT) are shown in brackets. These showed the UK rate at 8.3% in August compared with the EC average of 10.4%.

a National definitions. Standardised rates not available for Austria or Switzerland. Figures for Switzerland are not seasonally adjusted.

The following table shows the changes in unemployment using national definitions, both in terms of percentage increases and, more significantly, changes in percentage rates. The latter are recommended for comparisons.

UNEMPLOYMENT, LATEST MONTH COMPARED WITH A YEAR EARLIER

Unadjusted unemployment, national definitions				

RECOMMENDED				

	Change in % rate	Change (000s)	% Change in total	Latest month
	-----	-----	-----	-----
Italy	+ 2.6	+ 608	+ 19	AUG
Norway	+ 1.6	+ 22	+ 68	AUG
Portugal	+ 0.2	+ 8	+ 3	AUG
Austria	+ 0.1	NC	NC	AUG
Netherlands	NC	+ 1	NC	SEP
Denmark	NC	+ 22	+ 11	MAY
Switzerland	NC	- 2	- 11	AUG
Japan	- 0.1	- 20	- 1	AUG
Germany	- 0.1	- 18	- 1	OCT
Sweden	- 0.1	- 7	- 8	SEP
Luxembourg	- 0.2	NC	- 12	AUG
France	- 0.3	- 41	- 2	SEP
Ireland	- 0.5	- 5	- 2	OCT
USA	- 0.5	- 489	- 7	SEP
Spain	- 0.6	- 67	- 2	AUG
Canada	- 0.7	- 70	- 7	SEP
Australia	- 1.0	- 63	- 10	AUG
Greece	- 1.0	- 15	- 15	JUL
Belgium	- 1.6	- 42	- 10	SEP
<u>United Kingdom*</u>	- 1.8	- 504	- 19	OCT

NC No Change

* Seasonally Adjusted series consistent with current coverage.

Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc.

When assessing the change in unemployment in more recent periods than over the past year, seasonally adjusted figures need to be used. The following table compares seasonally adjusted rates for the latest three months with the previous three months.

UNEMPLOYMENT, LATEST 3 MONTHS COMPARED WITH PREVIOUS 3 MONTHS

Seasonally adjusted, national definitions RECOMMENDED				
	Change in Percentage rate	Change Number (000s)	Percentage Changes	Latest month
Italy	+ 1.2	+ 279	+ 8	AUG
Norway	+ 0.6	+ 6	+ 13	AUG
Denmark	+ 0.4	+ 12	+ 6	MAY
Canada	+ 0.2	+ 32	+ 3	SEP
Ireland	NC	NC	NC	OCT
Portugal	NC	- 2	- 1	AUG
United States	NC	+ 75	+ 1	SEP
France	NC	+ 35	+ 1	SEP
Netherlands	- 0.1	- 4	- 1	SEP
Germany	- 0.1	- 24	- 1	OCT
Austria	- 0.1	- 3	- 2	AUG
Belgium	- 0.2	- 5	- 1	SEP
Japan	- 0.2	- 103	- 6	JUL
Sweden	- 0.2	- 9	- 11	SEP
Spain	- 0.3	- 36	- 1	AUG
United Kingdom	- 0.4	- 126	- 5	OCT
Australia	- 0.5	- 43	- 7	AUG

Note Seasonally adjusted figures not available for Greece, Luxembourg and Switzerland.

NC = No change

Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc



BF 24/11
~~25/11~~
29/11

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The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Welsh Office
Whitehall
LONDON
SW1H 0ET

CH/EXCHEQUER	
REC.	17 NOV 1988
ACTION	MR MONCK ✓ 17/11
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	SIR P MIDDLETON
	SIR T BURNS
	MR BARR
	MR PICKFORD
MR HEBBERD	
MR MEYRICK	
MR CALL	

15 November 1988

LOCAL AREA UNEMPLOYMENT RATES

Following your letter of 18 August, I have been considering further the question of whether local area unemployment rates should include self-employment in their denominator.

We know that the present figures overstate the unemployment rate in each local area, sometimes to a considerable degree. That seems to me unacceptable.

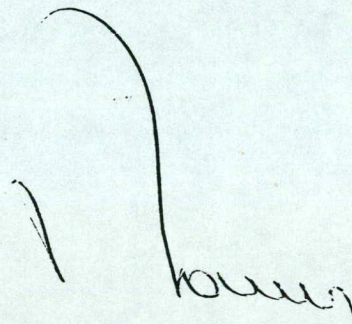
It means that the unemployment rates which we quote for any area below that of the region are artificially inflated because they ignore self-employment. This makes no sense when we are putting an increasing emphasis on the local labour market. Nor does it make sense to continue to produce national and regional unemployment rates on an entirely different basis for local unemployment rates when we have the means to produce unemployment rates on a consistent basis. I believe that it is better on all accounts to announce this change now when unemployment is falling steadily.



Against this background and in the light of what you say, I have decided to publish both sets of rates, the new one to be shown alongside the old. This information will be included regularly in the monthly regional press notices and in my Department's Employment Gazette. Once better data become available, presently expected by about mid-1990, we will move exclusively to the new rate.

It will take some time to carry out the necessary work to produce the two local rates alongside each other but, unless you have further comments, I intend to move to publication early next year.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Scotland and Trade and Industry, the Paymaster General, the Chief Secretary and the Head of the Government Statistical Service.

Yours ever

 NORMAN FOWLER

CONFIDENTIAL

PS/ Ministers
 PS/ Secretary
 Mr Hawley
 Mr Reid
 Mr Dworkin
 Mr Tucker
 Mr Stanton
 Mrs Wheatcroft
 Ms Rout
 Mr Fenwick Stats B.
 Mr Gulliett
 Mr Lightfoot.

FROM: P L PATTERSON
DATE: 16 November 1988

The downward trend in unemployment continues; and earnings growth is unchanged from last month.

1. MR PICKFORD *Sally 16/11* cc Chief Secretary
2. CHANCELLOR (+ 1 for No.10) Paymaster General

Mr Burr
Mr Gieve
Mr Hibberd
Mr Meyrick
Mr Bush
Mr Darlington
Mr Dyer
Mr Hudson
Mr O'Brien
Mrs Cnaplin
Mr Tyrie
Mr Call
HB/001

Ch
Earnings was 9 1/4% last month
Manuf have been revised down and
services up, but total unchanged
Thanks. AA

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 17 NOVEMBER

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	Thousands	Level	Change on previous period	Change on previous year
<u>Unemployment (UK) October</u>				
Total (aged 18 and over)		2,160	-32†	-504
Total (not seasonally adjusted: 'Headline Total')		2,119	(-192)*	(-633)*
<u>Vacancies (UK) October</u>		251	+11	- 9
<u>Workforce in employment 1988Q2</u>		25,174	+41	+438
<u>Manufacturing employees September</u>		4,989	-19	-45
			Percentage change on previous year	
<u>Index of average earnings, September</u>				
Whole economy, underlying (actual)			9 1/4 (8.5)	
Manufacturing, underlying (actual)			8 3/4 (8.1)	
Service industries, underlying (actual)			9 1/4 (8.5)	
<u>Wage and salary costs per unit of output</u>				
Whole economy, 1988Q2			4.4	
Manufacturing, 1988Q3			0.8	
<u>Output per head</u>				
Whole economy, 1988Q2			3.8	
Manufacturing, 1988Q3			7.4	

* figures distorted by change in regulations for claimants under 18 and by unwinding of effects of postal strike

† following revised fall of 34 thousand in September

ASSESSMENT AND COMMENT

2. This month's figures for unemployment are affected by a number of factors, including the change in benefit regulations, the exclusion of all claimants under the age of 18, the unwinding of the effects of the postal strike on the September figures, and the routine revisions to the seasonal adjustment factors. However, aside from the resulting difficulties in interpretation, the picture continues to be one of a further significant fall in unemployment, with no reason to suppose any departure from the recent downward trend. The average fall over the past six months remains around 40,000 a month.

3. The seasonally adjusted series has been revised and is now restricted to claimants aged 18 and over. This has been done in order to maintain a consistent coverage of the trend in unemployment over a long run of years. It means that there is a slight difference between the new series and the number of claimants, since about 8,000 under 18s remain on the count at present. Their numbers can be expected to diminish soon and this will bring the recorded series closer to the coverage of the claimant count.

4. In addition, DE have made an allowance for the over-recording in the September figures due to the postal strike. This allowance, estimated at 55,000, has been made partly in the light of the October figure and is necessarily very uncertain. DE have a lot more confidence in the size of the fall in September and October taken together than in either month on its own. The revision to the fall in September is much smaller because of offsetting changes in the seasonal adjustment factors, etc.

5. Recorded claimant unemployment (seasonally adjusted, aged 18 and over) is therefore estimated to have fallen by 32,000 between September and October. This figure, and the new series as a whole, do not alter our view of recent trends which point to a continued strong decline in unemployment.

6. The revision to the September seasonally adjusted figure because of the postal strike is both appropriate and customary in the event of an administrative distortion to the figures which is not a reflection of genuine developments in the labour market. However the headline total in September has not been revised and consequently remains around 55,000 higher than the underlying figure. In addition, the level of the seasonally unadjusted total in October has been reduced by a total of about 80,000 as a result of the change in benefit

regulations and consequent removal of under-18s from the count. This factor contributed some 50,000 to the reduction in the headline total between September and October, on top of the 30,000 fall between August and September. The remainder of the fall in the headline total is accounted for by the normal seasonal movement (around 55,000) and the downward trend (32,000 this month).

7. Vacancies rose quite sharply in October but remain a little lower than a year ago (following a similar sharp rise in this seasonally adjusted series in October 1987). DE do not think that too much significance should be read into this month's rise, but the general picture remains one of a high level of vacancies.

8. The underlying increase in whole economy average earnings in the year to September is unchanged from the August figure of $9\frac{1}{4}$ per cent. A downward movement in the figure for manufacturing is countered by upward revisions to the services sector as a result of recosting of the nurses' pay settlement.

[NOT FOR USE:

9. Overtime working remains higher than a year ago but by a smaller amount than in recent months. It may now be contributing about $\frac{1}{4}$ per cent to the rise in both whole economy and manufacturing earnings growth over the past year. DE estimate that settlements in the year to September have contributed about 0.8 percentage points, or half of the increase in whole economy underlying earnings growth from $7\frac{3}{4}$ to $9\frac{1}{4}$ per cent over this period. In manufacturing, settlements more than account for the rise in underlying earnings growth over the past year.

10. There are prospects of some downward movement in the annual rate of increase in underlying earnings over the next few months. There would be a lower contribution from overtime if it remains at or below recent high levels (which are close to the plateau reached in October 1987); the downward influence of the local authority manuals' settlement, and the second stage of the teachers' 1987 settlement will begin to fall out of the calculation; and bonus payments may not increase at the same rate as last year, although this will only become clear in the November figure when a large number of pre-Xmas bonuses are paid.]

THE FIGURES IN DETAIL

Unemployment

11. Seasonally-adjusted adult unemployment (excluding school leavers) fell by 32,000 between September and October to 2.160 million (7.7 per cent of the workforce), following a revised fall of 34,000 between August and September. The average fall over the past six months is close to 40,000 a month.

12. The 'headline' total fell by 192,000 to 2.119 million, 7.5 per cent of the workforce. More than half of this month's fall reflects special factors (see paragraph 6 above).

13. The stock of vacancies at Jobcentres (seasonally adjusted) rose sharply by 11,000 between September and October to 251,000.

14. Points of interest:

(a) Seasonally adjusted total at lowest level for over 7 years (since May 1981) on a consistent basis).

(b) Seasonally adjusted total has fallen for twenty-seven months in succession since July 1986, by 973 thousand in total. This is the longest period of continuous decline in unemployment since the War.

(c) Fallen by 504,000 over past year.

(d) Unemployment has fallen in all regions over the past year. Unemployment rates have fallen fastest in the West Midlands, the North West and Wales, but there have been significant falls in all regions, including Northern Ireland.

(e) UK unemployment rate fallen more in past year than in any other major industrialised country. Latest figures (national definitions) show fall in UK rate of 1.8 percentage points over past year, compared with falls of 0.5 in US, 0.3 in France, and 0.1 in Japan and Germany. UK unemployment rate lower than EC average, but still well above the total OECD and major 7 averages, reflecting lower unemployment in the three largest countries- US, Japan and Germany.

(f) The 'headline' total in November is likely to fall only slightly. Seasonal influences are marginally upward, but this will probably be offset by the continuing downward trend.

(g) [NOT FOR USE: The full quarterly analysis of October's figures for unemployment by age and duration (due for release on 22 November) is not yet available. A preliminary estimate suggests that the number of long-term unemployed fell by a further 60,000 in the quarter since July, bringing the total down below 900,000. The change in benefit regulations accounts for about 10,000 of this fall.]

Employment

15. Apart from minor revisions to the whole economy workforce in employment series, the only new information is the usual monthly figure for employees in employment in manufacturing industries in September. This shows a fall of 19,000 from the revised August figure. Although the monthly fall is larger than of late, DE advise that the August figure may be erratic on account of unusual seasonality as well as possibly a distorted response because of the postal strike. The fall of 18,000 in the third quarter as a whole is likely to be a reliable indicator. This follows a fall of 22,000 in the second quarter, rather larger than the downward trend over the past year of about 4,000 a month.

Other features

16. The underlying increase in whole economy average earnings in the year to September is unchanged from the August figure of $9\frac{1}{4}$ per cent. The underlying increase in the manufacturing sector is $8\frac{3}{4}$ per cent, down $\frac{1}{4}$ per cent from the August figure which has itself been revised down to 9 per cent. This downward movement reflects in part the declining positive effect of overtime on earnings as overtime hours started to increase in September a year ago. In the services sector, the underlying earnings increase in the year to September is $9\frac{1}{4}$ per cent. This is unchanged from the August figure which has been revised up from 9 per cent, in part due to a revised costing of the nurse's pay settlement of 17.9 per cent (previously 15.3 per cent). However so far only 4 per cent has been paid.

17. The level of overtime working in manufacturing remains high at 13.49 million hours a week in September. It has now remained at around this high level for 12 months.

18. Output per head in manufacturing rose by 7.4 per cent in the year to 1988Q3. Unit wage and salary costs increased by less than 1 per cent over the same period.

Per cent change on year earlier

	Average earnings	Output per head	Unit wage and salary costs
1987 Q3	8.4	8.3	0.1
Q4	8.3	6.2	1.9
1988 Q1	8.1	7.6	0.5
Q2	8.8	6.0	2.6
Q3	8.2	7.4	0.8

Peter Patterson

PETER PATTERSON



MP

SCOTTISH OFFICE
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CONFIDENTIAL

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

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REC.	17 NOV 1988
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17 November 1988

Dear Norman,

NATIONAL TRAINING BOARD

I was pleased to see that you had been able to reach agreement with the Prime Minister about the creation of a National Training Task Force to advise Government on training matters.

It will clearly be essential over the next few years that developments north and south of the border go forward as smoothly and as harmoniously as possible. I suggest that our officials get together in due course to work out what sort of links might be needed between the Task Force and Scottish Enterprise so as to achieve this.

It would be helpful to have on the Task Force a Scot who could act as a bridge in this context. Bill Hughes, if available, is the obvious choice. If he is not able to serve, then we would be able to offer alternative names.

I am copying this to the Prime Minister, Nigel Lawson, David Young, Kenneth Baker, Peter Walker, and to Sir Robin Butler.

*Yours ever,
Malcolm Rifkind*

MALCOLM RIFKIND

CONFIDENTIAL

LABOUR MARKET STATISTICS

Summary

Unemployment continues its steady fall. In October it fell a further 32,000, following a revised fall of 34,000 in September. There was a fall of nearly 200,000 in the headline total, but over half of this was due to special factors. The stock of vacancies rose in October and remains very high. The increase in average earnings for September was unchanged on August, 9¼ per cent higher than year ago.

Unemployment

UK unemployment, seasonally adjusted (now revised to include only claimants aged 18 and over*, to maintain a consistent coverage) fell by 31,500 between September and October to 2.160 million, 7.7 per cent of the total workforce. This follows a revised fall of 33,900 in September. The September figure has been adjusted to remove over-recording caused by the postal strike. Additional briefing on this and the new series is attached.

The new seasonally adjusted series shows a similar pattern to the old one. In particular, it shows a continuous fall since July 1986, now for 27 months running. The fall has averaged 40,000 per month over the past six months. Other key figures are attached separately.

Unadjusted 'headline' total

Unadjusted, there was an exceptionally sharp fall of 192,000 in the claimant total between September and October to 2.119 million. But over 100,000 of the fall was due to the combined effect of the new benefit regulations for young people and the unwinding of over-recording caused by September's postal strike. (See additional briefing.) In addition nearly 60,000 of the fall was due to seasonal influences.

* On recent levels of unemployment the new series was about 40,000 lower than the old one which included claimants aged under 18 not classed as school leavers because they had had a job. This is to allow for the discontinuity arising from the new benefit regulations for under 18 year olds introduced in September.

The number of under 18 year olds remaining in the count (but excluded from the new seasonally adjusted series) was 8,000 in October, a reduction so far of over 80,000 on average (on current levels of unemployment) as a result of the new benefit regulations. The numbers in this group will continue to diminish over the next few months.

Long-term unemployment

The full quarterly analysis of October's figures by duration (due for release on 22 November) is not yet available, but a preliminary estimate of the number of claimants unemployed for more than a year, suggests a further fall of some 60,000 in the quarter since July, bringing total below 900,000. Approximately 10,000 of the fall will be due to the September change in benefit regulations for young people.

November figures

Little change can be expected in the headline total between October and November. Seasonal influences on the count will be marginally upward, but probably more than offset by the downward trend, assuming this continues.

Employment

The number of employees in manufacturing industry in Great Britain is estimated to have fallen by 19,000 in September and by 18,000 in the third quarter of 1988 following a fall of 22,000 in the second quarter. In the first quarter of this year employment in manufacturing was estimated to have increased by 1,000 and following a slow down in the rate of decrease in manufacturing employment during 1987 it appeared that the trend might be levelling out. The recent quarter's figures suggest that the trend is still slowly downward.

Figures for employees in the rest of the economy and the workforce in employment (employees in employment, the self employed, HM Forces and participants on work related government training programmes) in Great Britain remain as reported in October except for a slight revision - reflecting some late data now to hand - to employees in the services sector. As a result, the workforce in employment is now estimated to have increased by 41,000 in the second quarter of 1988 and by 2,177,000 between March 1983, when the upward trend first began, and June 1988.

Overtime working by operatives in manufacturing industries remain high with an estimated 13.49 million hours per week worked in September. Hours lost through short-time working in manufacturing industries remain low, 0.21 million hours per week were lost in September.

Vacancies

The stock of vacancies (UK Jobcentres, seasonally adjusted series, now updated) rose sharply by 10,900 to 251,200 in the month to September, some recovery from recent falls. Too much significance should not be attached to this one month's rise, but the general picture is that the level of vacancies remains high, although some 3% lower than a year ago.

Average Earnings

The estimate of the underlying increase in earnings for the whole economy for September is 9¼ per cent, the same as the level in August. The estimate for the production industries, at 9 per cent, is ¼ per cent lower than the revised August level of 9¼ per cent, and the estimate for manufacturing of 8¾ per cent is also down ¼ per cent from its revised August level of 9 per cent. For service industries, the estimated underlying increase in average earnings is unchanged from the revised figure for August of 9¼ per cent - revised up ¼ per cent in the light of the recosting of the nurses' pay settlement at 17.9 per cent rather than 15.3 per cent.

Overtime worked in the manufacturing and production sectors has been high for the last 12 months. It is now contributing less to the increase in earnings than a few months ago.

While reported settlements remain generally higher than their corresponding level in 1987, there are prospects of some downward movement in the annual increase over the next few months through a combination of certain large 1987 increases falling out of the calculation, overtime remaining at (or below) the high plateau reached a year ago, and bonus payments not increasing at the same rate as at this time last year.

Next Labour Market Figures

The next labour market brief will be issued on Monday 12 December, in advance of the press release on Thursday 15 December. It will contain unemployment data for 10 November, manufacturing employment and earnings for October and vacancies for 4 November.

Personal and Confidential until 11:30 am 17.11.88
Thereafter confidential.

CONFIDENTIAL



py

FROM: A C S ALLAN

DATE: 17 NOVEMBER 1988

MR PATTERSON

cc: Mr Pickford

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 17 NOVEMBER

The Chancellor was grateful for your minute of 16 November.

ACSA

A C S ALLAN

SECRET

10



MP

CHIEF SECRETARY	
REC.	18 NOV 1988
	Mr Burr
TO	Cx Sir P Middleton
	Mr Anson, Mr Marick,
	Mr Byngner, Mr Call

ELIZABETH HOUSE
 YORK ROAD
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000549

Rt Hon Norman Fowler MP
 Secretary of State for Employment
 Caxton House
 Tothill Street
 London SW1H 9NF

18 November 1988

Dear Norman,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

I have seen a copy of your minute of 14 November to the Prime Minister enclosing a copy of the draft White Paper on barriers to employment.

I very much welcome the radical steps you are taking to involve employers in the local management and direction of training programmes. This will complement well the measures I have introduced in the Education Reform Act to involve employers directly in the management of education in schools and colleges. My comments that follow aim to make sure that our respective policies on education and training are properly in balance. We need to get the messages in the White Paper exactly right.

I think you are right in chapter 6 of the White Paper to confine the remit of the Training and Enterprise Councils (TECs) to training and to emphasise the need for effective working relations with the education service. I welcome your proposal to include senior figures engaged in local education among the membership. But there remain one or two references in the text to a TEC responsibility for education. In particular, I think that "education" should be deleted from the final sentence of the chapter.

You have had my letter of 11 October about the location of responsibility for the Training Agency's two major education programmes, the Technical and Vocational Education Initiative (TVEI) and Work-Related Further Education (WRFE). When we met on 3 November, we spoke briefly about this. As you know, I do not want to press the case for a transfer of responsibility to DES for the TVEI. I welcome your agreement that it should continue as a national programme with the

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contracts managed by TA Regional Offices and with the continuing close participation of my Department. This, I believe, is necessary if we are to ensure compatibility with the statutory National Curriculum.

I believe that Work-Related FE should be handled in the same way as TVEI. It would make good sense for the people in TA Regional Offices dealing with TVEI also to tackle Work-Related FE since both affect the 16 to 18 year old age group in colleges. Under the new arrangements introduced by the Education Reform Act, as many as half the members of college governing bodies will be employers with a real influence on the work of colleges. It would be counterproductive also to involve the employers on TECs in the planning of college provision. In any case, the TECs will have many other burdens in their early days. I should prefer to wait until the effectiveness of my reforms of FE has been evaluated and until we have seen how the TECs get on with their main tasks before contemplating their involvement in Work-Related FE.

I therefore suggest that in paragraph 7.15 you insert "training" before "programmes" in the first sentence and insert a new sentence after the first:

"The TVEI and Work-Related FE programmes will continue to be run by the Training Agency through its regional offices, in consultation with the TECs."

Your draft White Paper proposes a new passage on the proposed National Training Task Force. I have seen the minute of 10 November from No 10 about the meeting you had with the Prime Minister on this. I support the proposal which has now emerged since it neatly avoids the risks of creating another bureaucracy. The minute from No 10 refers, at (iii), to the Task Force "undertaking any specific studies or tasks required by Government in connection with vocational education and training". On any tasks concerned with vocational education, I shall expect to be fully involved, both in agreeing the work to be commissioned and in considering the outcomes. When tackling education issues it will be important too for the Task Force to contain appropriate educational expertise, and to be able to draw on such expertise during the conduct of its studies. The Secretaries of State for Scotland and Wales and for Trade and Industry should similarly be involved in work carried out by the Task Force that impinges on their responsibilities.

These are my main comments. I also enclose some detailed drafting points in the Annex to this letter. Copies of this letter go to the Prime Minister and members of Cabinet, and to Sir Robin Butler.

Tom
Kenneth

SECRET

DRAFTING POINTS ON THE WHITE PAPER

Para. 5.8 first indent - This could imply that the arrangements for TECs, referred to in the following chapter, will embrace the design of vocational education courses. That is mainly the preserve of the colleges working within the framework set for LEA planning. The passage might be redrafted as follows:

"First, training for specific jobs, management training and development at all levels, including training and counselling for small firms, must be designed to contribute to business success and economic growth, and must be coordinated with vocational education.

Para. 5.12 second indent - Not all young people who leave full-time education before their 18th birthday will benefit from training arranged by the Training Agency. Some will attend college through, for example, day release. The word "all" in the first line should be deleted.

Para. 5.12 third indent - This could be read to imply that the Training Agency's interests in education extend as far as primary schools. The passage might be redrafted:

"- it will help make the education system more relevant to"

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"..... to acquire a broad foundation of skills, knowledge and understanding ..."

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"An increasing emphasis will be needed on training for older people as the number of young people decline".

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"The most significant of these developments in recent years has been the introduction of open, distance and flexible learning, which enable individuals to study at a time, place and pace of their choosing. These techniques can be used to make teaching and training of quality available to all. After the original investment, the unit cost of training can be very considerably lower than conventional provision."

Para. 7.36. DES is in no position to check the figures presented in this paragraph. You asked for a contribution on the ESG programme:

"Education Support Grants in England and Wales in 1989-90 and subsequent years will enable the development of further compatible local databases using TAP software, within the framework of adult education guidance services."

SECRET

FROM: T J BURR
DATE: 18 November 1988

1. MR ~~BURGNER~~ *Discussed in draft*
2. CHIEF SECRETARY

cc Chancellor
Paymaster General
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr C W Kelley
Mr G Jordan
Mr Meyrick
Mr Knight
Mr Call

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Mr Fowler's minute to the Prime Minister of 14 November seeks comments on a draft of this White Paper.

2. The purpose of the White Paper is essentially to announce the new policy of administering the former Training Commission programmes through employer-based Training and Enterprise Councils (TECs). There will be a parallel Scottish White Paper dealing with the related proposal to establish Enterprise Scotland to administer the present Scottish Development Agency and Training Agency Programmes in Scotland. For this limited purpose, the draft White Paper is lengthy, and substantial parts contain little if anything new. But we understand that Mr Fowler is proposing to add references to the planned work on the future of the Skills Training Agency, including the option of privatisation, and to a planned consultative document on the abolition of Wages Councils. The policy content of the White Paper is therefore likely to be rather greater than in the present draft.

3. We have a substantial number of comments on the draft, most of which we can feed in at official level. We have however identified a few major issues on which we recommend that you should comment to Mr Fowler. Two of these points relates specifically to the TECs. Briefly, they are:

- (a) The draft is not sufficiently clear on whether the TECs will be formed by appointment or at employer initiative;

- (b) The draft does not deal adequately with the status of the staff who will service TECs.

There are also two other points:

- (c) The draft is silent on the question of the future level of Government spending on training;
- (d) There is a restatement of the Youth Training Scheme guarantee which ignores the need to rethink the role of YTS in the changing youth labour market.

These points are discussed in turn below.

Basis of TECs

4. Paragraph 6.9 of the draft is written in terms which would be appropriate if the Government itself was proposing to establish TECs and appoint members to them. It says that "the aim will be to attract" the right sort of members, and that senior figures from education, trade unions, and elsewhere will be included alongside the private sector managers who will make up two thirds of the membership. Paragraph 6.17, on the other hand, implies that the initiative will come from employer-led partnerships who will take the lead in constituting the TEC once their application is accepted.

5. Mr Luce may be advised by the OMCS, on machinery of Government grounds, that it would be better to go for the former model, and for the TEC appointments to be made by the Secretary of State. The TECs would then be treated as controlled fringe bodies. That, however, is not our understanding of what Ministers want to achieve, which is to get employers to take the initiative, and a considerably greater degree of employer responsibility for and ownership of training programmes. But this is less than clear from the draft, and we think that you might suggest that the White Paper needs to give a clearer account of the way in which TECs are expected to emerge, and of how the Government will exercise any desired influence over composition and membership. This influence could include informal guidance to prospective TECs on the balance of their membership, but would stop short of making specific appointments of its own.

Status of Staff

6. Paragraph 6.13 of the draft says that the Government will "make available" to TECs staff who currently serve in Training Agency area offices. The intention is that these staff should, at least initially, be seconded to work for the TECs. But without new legislation they could not be compelled to accept secondment. A significant proportion might refuse to do so, fearing that secondments would only be a first step to permanent transfer to TEC employment and loss of Civil Service status. That, however, might leave the TECs with insufficient staff adequately to run the programmes for which they were responsible. DE accept that they cannot gloss over these problems, and are giving further thought to what the White Paper ought to say on this point. There is a risk that they will want to offer such things as rights of return and guarantees against redundancy in order to persuade staff to volunteer for secondment. We recommend that you should ask for further consideration of what might be said (and done) about this point. DE are hoping that a combination of a relatively slow build up of TEC numbers, and a positive presentation to staff of the advantages of TEC employment, will enable them to get by. But this does represent a significant area of risk for the whole policy, to an extent which Mr Fowler may not fully appreciate.

The level of training programmes

7. The draft refers to the role of TECs in generating more private investment in training (paragraph 6.18). It does not indicate any corresponding reduction in Government expenditure on training programmes. We certainly think it legitimate to expect that if TECs succeed in their aim of getting employers to take more responsibility for training, the role of the Government can be diminished; and this point was indeed made when E(A) discussed the issue on 29 September. It is understandable that Mr Fowler should not wish to imply that employers, in volunteering to set up TECs, would be accepting a new financial responsibility to contribute to Government training programmes, and we would not suggest that you press him on that. There is however a danger that, once the new policy is launched, Mr Fowler will argue that any reduction in Government training expenditure is unacceptable because it will threaten the success of

the TEC initiative, in much the same way as he initially argued in the last Survey, ^{that} provision for Employment Training could not be reduced because it was a new and politically sensitive policy.

8. We think that there will continue to be good arguments for reducing expenditure on DE training programmes, if only because of continuing falls in the numbers of the unemployed and young people to whom those programmes are primarily directed. There is a risk that, as less resources are needed for those groups, pressure will emerge for TECs to be allowed to redirect them to subsidise training programmes for the employed, which ought to be the responsibility of employers both on the TECs and more generally. We therefore think that it needs to be made clear in the White Paper that the existing level of Government spending cannot be assumed to continue. A possible amendment to the text is suggested in the attached draft.

Youth Training Scheme

9. Chapter 7 of the draft goes further than before on the aims of YTS and on the related Government guarantees. The Manifesto said:

"We will now guarantee a place on the Youth Training Scheme to every school leaver under 18 who is not going directly into a job."

That guarantee can be assumed to apply for the duration of this Parliament; but the draft White Paper implies that it will extend beyond that point. Paragraph 7.13 says that "the Government's guarantee ...will remain"; and that "it will be a prime objective of Government to continue to achieve [the guarantee] each year ahead". We think that this is questionable. The youth labour market in the early 1990s will be very different from what existed at the time of the last election, and it is not obvious that a national training programme of the YTS type will continue to be the right answer, at any rate for everyone.

10. Both in this respect and more generally the draft gives the impression that the present role of YTS will continue and indeed strengthen. But the substantial reductions in YTS provision which were made in the last Survey will require a rethinking of that role, as will the changing labour market for young people. Chapter 7

therefore needs to be toned down in this respect, and it would be helpful if it recognised that some review of YTS will be necessary. Paragraph 7.2 also exaggerates in saying that the Government's objective is:

"To secure for every young person relevant education and training leading to recognised vocational qualifications"

That clearly does not apply, for example, to young people going into higher education. The attached draft letter makes these points.

TVEI

11. Paragraph 7.5 of the draft says that the Technical and Vocational Education Initiative will by the early 1990s cover all schools and colleges. You may recall that at your Survey bilateral with Mr Fowler, you suggested a pause in the expansion of TVEI until experience so far had been properly evaluated. The DE Permanent Secretary, Mr Holland, promised evaluation evidence which would satisfy you, and on that basis the case for a standstill was not pursued. In spite of reminders we have still not received that evidence; and while this is not a major point on White Paper, the inclusion of this reference to TVEI provides an opportunity for you to remind Mr Fowler.

Other Points

12. There remain a number of significant issues, including issues of accountability and monitoring, connected with the establishment of TECs and the substantial sums of public money which they will handle. We have therefore included in the attached draft letter a reminder that work on these issues will need to be vigorously pursued.

T. J. Burr

T J BURR

DRAFT LETTER FROM THE CHIEF SECRETARY TO SECRETARY OF STATE FOR
EMPLOYMENT

Copies as indicated

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

I have seen the draft White Paper enclosed with your minute of 14 November to the Prime Minister.

2. We have a number of comments, most of which my officials will let yours have separately. The draft does however raise a few significant issues with which I deal in this letter.

3. As regards the proposed Training and Enterprise Councils, I thought that the draft needed to be clearer as to where the initiative would lie. The language of paragraph 6.9 is perhaps more appropriate to a system under which TECs were constituted by Government, with members appointed by the Government. As I understand it that is not your intention, and I think that the White Paper will therefore need to make clear that the initiative in putting prospective TECs together will lie with employers. Against that background, it will need to explain how the Government would exert any desired influence over the composition of TECs. This would, I assume, stop short of, for example, Government appointment of educational or trade union members, as might I think be inferred from paragraph 6.9.

4. On the staffing of TECs, I think that further thought needs to be given to what is said in paragraph 6.13. Short of legislation, I am aware of no mechanism for transferring Civil Servants to the TECs

accept as volunteers. There clearly is a risk that the successful operation of the TECs could be jeopardised if insufficient volunteers were forthcoming. Any question of inducements or reassurances to encourage volunteers could also raise obvious difficulties. I think that we need to be clear how you would propose to handle this aspect of the matter, so that we have a reasonable assurance that any problems can be satisfactorily overcome before going ahead. We can then consider what might be said in the White Paper.

5. More generally, I welcome the reference in the draft to the role of TECs in generating more private investment in training. But I am also interested in the implications for public expenditure on training. The need to shift responsibility for the cost of training from Government to employers was emphasised in our discussion in E(A) some weeks ago. I recognise that you will not want to present this point in a way which might lead employers to see participation in TECs as a potential financial burden. But it is nevertheless important that the general point should be made in the White Paper. It could for example be included at the end of paragraph 5.1, in the following terms:

"This is in addition to the £3 billion spent by Government, mainly on the unemployed and young people. As unemployment falls the level of Government funding can also be expected to adjust, but it will be important for employers and individuals to accept a correspondingly increased responsibility for the training of those in work."

"Meanwhile" could then be added at the beginning of the following paragraph.

6. I thought that Chapter 7 of the draft White Paper went further than we had gone before on policies for youth training. The first indent of paragraph 7.2 cannot be right in referring to a recognised vocational qualification for every young person, since that clearly does not apply, for example, to those going into higher education. I see no reason for any broader statement here than we have already made. As regards the Youth Training Scheme I welcome the reference to the need for employers to assume a fuller share of the costs. But I think that we need to go further than that and recognise that the role of YTS needs to be rethought in the light of the rapidly changing youth labour market and, indeed, of the reductions made in the last Survey. In advance of such a review, I do not think that the draft should imply an unchanged, let alone expanding, role for YTS. Nor do I think that the YTS guarantee should be restated in ^{the} terms of paragraph 7.13 of the draft. This goes further than the Manifesto in giving a clear implication that the YTS guarantee will continue beyond the end of the present Parliament. I do not think that we should slip into making that assumption, let alone committing ourselves to it, given that the very different youth labour market of the early 1990s may well call for different approaches.

7. My officials will have a number of further points to add. The only other point which I would mention here is that I am reminded by paragraph 7.5 that I was offered evaluation evidence on TVEI at our Survey bilateral which as far as I am aware we have still not received. As you know I had doubts about pressing ahead with

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national TVEI coverage in the absence of proper evaluation evidence, and I would like to see that evidence before we include the target at the end of paragraph 7.5 in the White Paper.

8. There are of course a number of issues on the TECs on which further work is needed, though not directly affecting the White Paper. These include the questions of accountability and monitoring which were mentioned at ^{our} E(A) discussion. It is important that work on these points should be given due priority.

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CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

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The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL

Telephone: (01)-270 5929

C88/5717

Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

18 November 1988

Dear Norman,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Thank you for sending me a copy of your minute to the Prime Minister of 14 November, enclosing your draft White Paper on this subject.

I warmly welcome the general thrust of the White Paper towards employer-led local training arrangements and the opening this should create for shifting the cost of training away from Government and on to employers. There are however three matters on which the White Paper is either silent or unclear, and which are of concern to me.

First, the creation of the Training Agency following the abolition of the Training Commission will inevitably lead to questions on whether it is intended to become a "Next Steps" executive agency. As you indicated in your minute to the Prime Minister of 13 September, there is a great deal to be said for such an approach. I hope some positive signals can now be given, for example by stating in the White Paper that the Training Agency is under consideration as a candidate for executive agency status under the Next Steps approach.

Second, paragraph 6.13 of the draft refers to existing Training Agency staff being "made available" to the new Training and Enterprise Councils (TECs) at local level. In the absence of legislation, there appears no way of achieving this other than through the voluntary secondment of staff. I hope that this can be achieved, and an initial network of TEC's established, without putting undue pressure on staff to volunteer for secondment.

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Finally, I am concerned about the relationship between the TECs and Government. As the White Paper makes clear, the TECs are, and will be seen as, bodies created at the Government's initiative, and (among other things) as agents for the delivery of guaranteed Government programmes to the public. And most if not all of the TECs will be very heavily dependent on Government funding for the foreseeable future, and would inevitably be wound up if things went radically wrong in a particular area and functions had to be taken back into government. However, the White Paper envisages that the relationship between your Department and the TECs will be primarily contractual, underpinned by the kind of financial memorandum conventionally used in relation to public bodies, with no direct influence or control over appointments to the TEC Boards. While in no way dissociating myself from the concept of involving local interests as much as possible or from the need to set targets for performance, I am concerned that Ministers will be seen as answerable for these bodies without having adequate control over their actions.

The simplest way to achieve this would be for Ministers to take powers to appoint (and dismiss) the Chairman of each TEC and to give him clear guidelines on appointments to the Board. This could be used to prevent Boards becoming self-perpetuating oligarchies, or lobbyists for extra funding. It would also allow Boards to be more susceptible in response to future shifts in the emphasis of Government policy. In all, I suggest that a power to achieve a Board reconstruction in this fashion would be a less interventionist way of dealing with any TECs that went off the rails than detailed involvement in their financial affairs, and less damaging to the credibility of the policy than taking functions back into your Department. I recommend that further consideration should be given to such an approach.

I should perhaps add that I very much welcome the White Paper proposals on the composition of TEC Boards, the move away from the discredited tripartite approach, and the new emphasis on a more entrepreneurial approach; and I also welcome the proposal to develop the remaining Industrial Training Boards into voluntary bodies. I do not believe that what I have suggested is in any way incompatible with these objectives.

I am copying this to the Prime Minister and other members of the Cabinet, and to Sir Robin Butler.

h
Richard

RICHARD LUCE

SECRET



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

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Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NF

18 November 1988

Dear Norman,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

I have seen a copy of your minute of 14 November to the Prime Minister enclosing a copy of the draft White Paper on barriers to employment.

I very much welcome the radical steps you are taking to involve employers in the local management and direction of training programmes. This will complement well the measures I have introduced in the Education Reform Act to involve employers directly in the management of education in schools and colleges. My comments that follow aim to make sure that our respective policies on education and training are properly in balance. We need to get the messages in the White Paper exactly right.

I think you are right in chapter 6 of the White Paper to confine the remit of the Training and Enterprise Councils (TECs) to training and to emphasise the need for effective working relations with the education service. I welcome your proposal to include senior figures engaged in local education among the membership. But there remain one or two references in the text to a TEC responsibility for education. In particular, I think that "education" should be deleted from the final sentence of the chapter.

You have had my letter of 11 October about the location of responsibility for the Training Agency's two major education programmes, the Technical and Vocational Education Initiative (TVEI) and Work-Related Further Education (WRFE). When we met on 3 November, we spoke briefly about this. As you know, I do not want to press the case for a transfer of responsibility to DES for the TVEI. I welcome your agreement that it should continue as a national programme with the

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contracts managed by TA Regional Offices and with the continuing close participation of my Department. This, I believe, is necessary if we are to ensure compatibility with the statutory National Curriculum.

I believe that Work-Related FE should be handled in the same way as TVEI. It would make good sense for the people in TA Regional Offices dealing with TVEI also to tackle Work-Related FE since both affect the 16 to 18 year old age group in colleges. Under the new arrangements introduced by the Education Reform Act, as many as half the members of college governing bodies will be employers with a real influence on the work of colleges. It would be counterproductive also to involve the employers on TECs in the planning of college provision. In any case, the TECs will have many other burdens in their early days. I should prefer to wait until the effectiveness of my reforms of FE has been evaluated and until we have seen how the TECs get on with their main tasks before contemplating their involvement in Work-Related FE.

I therefore suggest that in paragraph 7.15 you insert "training" before "programmes" in the first sentence and insert a new sentence after the first:

"The TVEI and Work-Related FE programmes will continue to be run by the Training Agency through its regional offices, in consultation with the TECs."

Your draft White Paper proposes a new passage on the proposed National Training Task Force. I have seen the minute of 10 November from No 10 about the meeting you had with the Prime Minister on this. I support the proposal which has now emerged since it neatly avoids the risks of creating another bureaucracy. The minute from No 10 refers, at (iii), to the Task Force "undertaking any specific studies or tasks required by Government in connection with vocational education and training". On any tasks concerned with vocational education, I shall expect to be fully involved, both in agreeing the work to be commissioned and in considering the outcomes. When tackling education issues it will be important too for the Task Force to contain appropriate educational expertise, and to be able to draw on such expertise during the conduct of its studies. The Secretaries of State for Scotland and Wales and for Trade and Industry should similarly be involved in work carried out by the Task Force that impinges on their responsibilities.

These are my main comments. I also enclose some detailed drafting points in the Annex to this letter. Copies of this letter go to the Prime Minister and members of Cabinet, and to Sir Robin Butler.

Thomas
Kenneth

SECRET

DRAFTING POINTS ON THE WHITE PAPER

Para. 5.8 first indent - This could imply that the arrangements for TECs, referred to in the following chapter, will embrace the design of vocational education courses. That is mainly the preserve of the colleges working within the framework set for LEA planning. The passage might be redrafted as follows:

"First, training for specific jobs, management training and development at all levels, including training and counselling for small firms, must be designed to contribute to business success and economic growth, and must be coordinated with vocational education.

Para. 5.12 second indent - Not all young people who leave full-time education before their 18th birthday will benefit from training arranged by the Training Agency. Some will attend college through, for example, day release. The word "all" in the first line should be deleted.

Para. 5.12 third indent - This could be read to imply that the Training Agency's interests in education extend as far as primary schools. The passage might be redrafted:

"- it will help make the education system more relevant to"

Para. 6.15 third sentence - This implies that all contracts currently with the Training Agency will be transferred to the TECs. But this will not be the case for education programmes such as TVEI and WRFE. The sentence might be redrafted as follows:

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Para. 7.36. DES is in no position to check the figures presented in this paragraph. You asked for a contribution on the ESG programme:

"Education Support Grants in England and Wales in 1989-90 and subsequent years will enable the development of further compatible local databases using TAP software, within the framework of adult education guidance services."

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PRIME MINISTER

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Norman Fowler has invited colleagues to comment on the draft of his White Paper which he sent you with his minute of 14 November.

2 I support the main thrust of Norman's proposals, to involve private sector employers more closely in the delivery of the publicly funded programmes designed to enhance the quality and amount of vocational training. I am in favour of establishing locally based, private sector bodies for this purpose, working under tightly drawn contracts from central Government.

3 The draft White Paper contains a powerful indictment of the shortcomings of British industry in the training field. This calls for a coherent strategy capable of inducing a major shift in the climate of opinion towards training among employers. The White Paper presents our policy largely in terms of the existing functions of the Agency. I am discussing with Norman Fowler the value of demonstrating that these and the changes proposed are a coherent and convincing strategy focussing on the issue of skills.

4 The description of the new Council's training functions would be clearer if their relationship with other continuing programmes, for which DES and DTI will remain responsible, were made more explicit. Readers will want to know which, if any, existing programmes will be run locally by the Councils, and which will continue as national programmes. My own particular concern



the department for Enterprise

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is with the Enterprise and Education Initiative. I attach a form of words on this which I hope Norman will be willing to include in Chapter 7 of the White Paper. My officials will be in touch with his to consider how this Section can reflect the spirit of the joint paper Norman Fowler, Kenneth Baker and I put to NEDC last month on how our activities fit together.

5 I note that the Councils will combine the functions now carried out by the Training Agency with the Department of Employment's small business support functions, notably the Small Firms Service and the Enterprise Allowance Scheme. This could improve the consistent presentation of these services to business. But I fear that the present draft will add to the confusion which already exists about the proliferation of bodies, and of initiatives, to help small firms. Part of my concern relates to the name of the new Councils. If they were called "Training and Small Firms Councils" this would indicate that, in their business support role, their main function was to supervise Department of Employment programmes. The title "Training and Enterprise Councils" almost invites confusion between their activities and my own Department's Enterprise Initiative.

6 Even with this change, the apparently wide focus of the Councils, and the absence of any reference to the Enterprise Initiative, is likely to sow confusion. The draft needs, in my view, to draw a clear distinction between the functions of small firm counselling, training and human resource development, which will fall to the Councils to coordinate; and the complementary help in the form of assisted consultancy for the development of key management skills which the Enterprise Initiative provides. This functional distinction is important; it is not a matter of DTI simply concentrating on advice to larger firms. 30% of our assisted consultancies are to very small firms with growth



the department for Enterprise

SECRET

potential. Indeed, one or two of our schemes are particularly directed at firms employing less than 25. These points could be ... covered by two small additions to the text. I attach suggested wording.

7 It is also important that we should continue to stress the importance of speedy cross-referral between the two Departments. I included an explicit reference to this in my own White Paper of last January, and I hope that Norman will feel able to include a similar statement in his.

8 There are also a number of points at which the draft suggests that the Councils will have an ill-defined role, cutting across the clear distinction between programmes. I have in mind the reference to "enterprise initiatives" in the penultimate sentence of 6.8; the first sentence of 6.10; and the third sentence of 7.22. I feel that these may only add to the risk of confusion and I hope that on reflection Norman can agree that they are not essential to his purpose.

9 I welcome the proposal that the remaining Industrial Training Boards should develop into voluntary bodies, and that industry should be consulted about the timing and manner of the change. However, without prejudice to those consultations, I hope that the White Paper can give some indication of the broad plan and timetable for carrying through this important deregulatory reform. I would also have liked to see further deregulatory reforms of Wages Councils.



the department for Enterprise

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10 I am copying this minute to Norman Fowler and to other Cabinet colleagues.

A handwritten signature in black ink, appearing to be 'D Y', is written over the typed name.

D Y

21 November 1988

Department of Trade and Industry

Additional Passage on the Enterprise and Education Initiative:

"The Department of Trade and Industry's contribution comes through the Enterprise and Education Initiative launched by the 3 Secretaries of State in September which encourages more employers to become involved with their local schools. In particular, a network of Advisers on Enterprise and Education, mainly based in the private sector, is being established to help employers find out what they can do to link up with schools in their area.

They will work closely with all those involved in business/education link activities in their areas and will contribute to better coordination at the local level. Specific objectives include ensuring that enough employers are involved so as to provide work experience for every pupil before they leave school and for 10% of teachers a year."

Additional Passages on Business Support:

Insert in para 5.8at the end of the first indent:

"Other Government Departments are of course also closely concerned with the promotion of economic growth. For example, the DTI Enterprise Initiative provides a comprehensive self-help package of advice and assistance for firms across a wide range of management issues".

After para 7.22, insert new paragraph:

"Complementing the basic counselling involved in these services is the DTI Enterprise Initiative, under which help is available to small and medium sized firms in the form of assisted consultancy for the development of key management skills which are crucial to the improvement of competitiveness. Existing arrangements for coordinating the promotion and administration of the services provided by both departments will be continued."



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

CH/EXCHEQUER	
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21 November 1988	

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Dear Clive,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

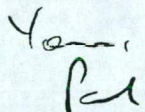
The Prime Minister was grateful for your Secretary of State's minute of 14 November and the enclosed draft White Paper. She has also seen the letter of 18 November from the Secretary of State for Education and Science.

The Prime Minister has noted there are a number of important issues raised by the draft White Paper which still need to be resolved. Apart from the points raised by the Secretary of State for Education and Science these include the arrangements for accountability, status of the local Training and Enterprise Councils, and the links with proposals for training in Scotland and Wales.

She thinks it important for these issues to be sorted out bilaterally with those Ministers concerned in advance of the E(A) meeting scheduled for 1 December. The Prime Minister would like consideration to be given to the scope for Training and Enterprise Councils to be free to appoint their own staff to supplement seconded training agency staff; the arrangements for Training and Enterprise Councils contracts to include incentives for good performance and sanctions in the event of poor performance; and she hopes that the White Paper will spell out more clearly the means by which the Councils will promote and direct more private sector investment in training.

On the format of the White Paper, the Prime Minister feels it is necessary to bring out the central importance of training, and to improve the focus and clarity of the arguments for reforming the training system. This might be assisted by editing back the material in the first four chapters, which the Prime Minister feels are on the whole descriptive and contain little in the way of new policy initiatives.

I am copying this letter to the Private Secretaries to members of Cabinet and Sir Robin Butler.

Yours,

 (PAUL GRAY)

Clive Norris, Esq.,
 Department of Employment.



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

SECRET

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PRIME MINISTER

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

In his minute to you of 14 November, Norman Fowler invited colleagues to comment on the draft of his White Paper. I support his proposals, which have implications for the development of agricultural training.

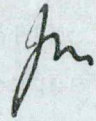
With Peter Walker and Malcolm Rifkind, I am responsible for the Agricultural Training Board (ATB) and, of course, have interests in agricultural education and training generally. Not long after the establishment of the Industrial Training Boards and the ATB in the mid 1960s the latter took a different path from the former and came under separate legislation (for which Agriculture Ministers are responsible) with funding by my Department. Over the years farmers as employers have been very fully involved in shaping the work of the ATB which has a fairly good record in raising the standards of agricultural training in this country. ATB training has been specifically targeted at those already employed in agriculture as well as at new entrants.

But there is a need for changes in agricultural training and related subjects too. For example, in England and perhaps in Great Britain as a whole there is, I believe, currently a need to rationalise and to bring closer together the training offered by the ATB with that provided by the Agricultural Colleges. But, at the same time, I also see a need for even greater local direction of, and control over, agricultural training and I am therefore currently looking at ways of achieving this in order to make the fullest use of the available resources and to ensure that such training plays its part in promoting the rural economy.

SECRET

These two aims are entirely consistent with Norman Fowler's own proposals. I hope to be in a position shortly to consult colleagues on my plans for agricultural training which will link in with the philosophy expounded in the White Paper but which are unlikely to require new legislation.

Copies of this minute go to Cabinet colleagues and to Sir Robin Butler.



JOHN MacGREGOR

21 November 1988

Ministry of Agriculture,
Fisheries and Food

SECRET



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social ~~Services~~ Security

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SECRET

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

SEARCHED
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Mr Bee
Mr Sir P. M. ...
Mr Ansou, Mr Mack
Mr Burgess, Mr Gill

21 November 1988

Dear Norman,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Thank you for copying to me your draft White Paper. It should be an important step forward in highlighting the way the labour market will be developing and the way training needs to respond.

We need to consider social security policy against the same labour market context. The proposals we have for, for example, changes in benefits for the unemployed are, as you know, framed in this light. Apart from some amendment to paras 8.18 and 8.19 and the paragraphs on personal pensions, I have only minor comments on the draft itself, which I should be grateful if you would consider. These are shown on the attached sheet.

You wrote to me on 16 November about the paragraph about pensions in your draft White Paper. As you noted, there has been considerable reporting in the press about the take-up of the new pensions choices, with varying figures being bandied about. I can now confirm from Departmental sources what the take-up figures so far are, and these have been incorporated into revised paragraphs on pensions for the White Paper also attached.

Copies go to the Prime Minister and Cabinet colleagues.

JOHN MOORE

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Comments from Secretary of State for Social Security

Para 7.26: DSS has joined the Charter Initiative.

Para 8.4 : Can we add to what you say that employers also need to be willing to look for potential recruits among lone parents? The demands imposed by their domestic responsibilities are often exaggerated by employers.

Para 8.7 : A reference to in-work benefits would be useful here.

Para 8.9 : I suggest that it should be made clear that amounts of family credit may still be paid despite earnings of about £130 (much more where there are several children).

Para 8.18: Penultimate sentence would be better phrased:

"In order to satisfy this requirement claimants will have to be able to show that in any week they have taken all appropriate steps to find a job."

Para 8.19: I suggest amendment to read:

"In addition, the bill seeks to repeal the right of benefit claimants to turn down jobs which do not pay "the rate for the job". It also provides that, after a maximum initial period of three months, a claimant must be prepared to consider any employment provided that it meets certain criteria in relation to him, including that he has the aptitude and physical capacity to carry it out. The Government believe that these changes in the law are long overdue."

Section 8 sits oddly after the natural conclusion of the White Paper at the end of Section 7. I wonder if the material could be re-sited earlier.

SECRET

PARAGRAPH ON PENSIONS FOR INCLUSION IN DRAFT WHITE PAPER

Pensions have now moved to the centre of the stage for both employers and employees. The Government have increased the range of choices available to both. Good occupational pension schemes have an important part to play in motivating employees and strengthening their commitment to their firm's success. The 1986 Social Security Act introduced significant reforms. It simplified the conditions for salary related schemes to be contracted out, and allowed money purchase schemes to be used for contracting out for the first time. Employers may now more easily use their occupational pension scheme for contracting out of the State Earnings Related Pension Scheme (SERPS). Money purchase pension schemes, where pension is related not to final salary but to the amounts paid in by the employer and employee, are particularly well suited to many smaller firms. They have made possible industry wide pension schemes in fields where previously none existed.

The 1986 Act also enhanced the choices open to employees. As an alternative to SERPS, they may now participate in their employer's scheme, or take out a personal pension from a broad range of pension providers. In addition, the Government have provided, up to 1993, a 2% incentive to those previously in SERPS who become contracted out or take an appropriate personal pension. Personal pensions, plus the right to transfer occupational pension rights to a new scheme, have encouraged the mobility of employees while safeguarding the provision for their retirement.

Both employees and employers have moved quickly to take advantage of the new pensions choices. Already, over ½ million people have opted for personal pensions, and over 5,000 new contracted out money purchase schemes have been established since the new arrangements were introduced earlier this year.

Copy No 20 of 30



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The Rt Hon Peter Walker MBE MP

CT/12498/88

21 November 1988

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Dear Secretary of State

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

In your letter of 14 November to the Prime Minister, copied to Cabinet colleagues, you invited comments on the draft White Paper which you propose to publish next month.

Your minute to me of 16 November made proposals as to how the new training arrangements might operate in Wales. These proposals are of course substantially different from the proposals in my paper to E(A) and you will understand that I need to consider them very carefully, but I will let you have my response as soon as possible.

As regards the text of the draft as it stands I am generally satisfied, although there may be a need for some consequential amendments flowing from whatever we decide to include in the section on Wales. I would, however, at this stage make a general point about the responsibilities to be given to the new TECs. Whatever we decide as regards Ministerial and departmental responsibilities for training in Wales the extent to which TECs assume responsibility for other functions in the education and enterprise fields, including small firms service counselling, must be for me to determine as part of my Ministerial responsibilities for these matters.

In this connection, I am concerned that the draft leaves unclear the future arrangements for work related further education (WRFE). The Education Reform Act provides for local education authorities to be responsible for planning FE in their areas and in doing so to work with the Training Agency to develop programmes of work-related FE. The present arrangements in Wales whereby the Training Agency and the local authorities co-operate in the development of WRFE plans are working well. They provide solid platform which the local education authorities will be able to build on in implementing the planning requirements of the Education Reform Act. I would be strongly opposed to

/transferring

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
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LONDON SW1H 9NF



transferring responsibility for this education programme to the TECs and I hope that the draft can be amended to make it clear that such a transfer is not intended.

Finally, on a point of presentation, I do wonder whether the White Paper could be given a more positive and constructive title than "Barriers to Employment". Even "Removing Barriers to Employment" would be better.

Copies of this letter go to Cabinet colleagues.

Yours sincerely
Keith Davies

Approved by the Secretary of State
and signed in his absence



BF 28/11 MP

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Prime Minister

DRAFT WHITE PAPER ON SCOTTISH ENTERPRISE

E(A) on 29 September invited Norman Fowler and me to circulate draft White Papers respectively on the future organisation of training and on proposals for the creation of Scottish Enterprise. Norman circulated his paper "Barriers to Employment" on 14 November.

I now attach a copy of the draft White Paper on "Scottish Enterprise - a new approach to training and enterprise creation" which I propose to publish the day after Norman's White Paper. It sets out my plans for establishing a new body, Scottish Enterprise, to perform the functions of the Training Agency in Scotland and of the Scottish Development Agency and to provide training and promote enterprise through a network of private sector-led local agencies responding directly to local needs. Scottish Enterprise is designed to:

- increase private sector involvement;
- facilitate a more market-based approach to training;
- be less centrally controlled, more flexible and more responsive to diversity in local circumstances;
- integrate training within an overall strategy for promoting economic development in Scotland.

My officials have been in touch with Department of Employment and Treasury officials about the details of the White Paper.

CONFIDENTIAL

I should be grateful for comments on the draft by close of play on Monday 28 November. I am sending copies of this minute and the draft White Paper to Cabinet colleagues, Richard Luce and to Sir Robin Butler.

MR

M R

Scottish Office
21 November 1988

CONFIDENTIAL UNTIL PUBLICATION

Third Draft to Ministers
18/11/88

INDUSTRY DEPARTMENT FOR SCOTLAND

SCOTTISH ENTERPRISE

A new approach to training and enterprise creation

Presented to Parliament by the
Secretary of State for Scotland

**EDINBURGH
HER MAJESTY'S STATIONERY OFFICE**

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CONTENTS

Page 1	Chapter 1	The Challenge of the Nineties
Page 4	Chapter 2	The Achievements of the Eighties
Page 9	Chapter 3	Towards a new approach
Page 13	Chapter 4	Scottish Enterprise
Page 17	Chapter 5	Local agencies
Page 27	Chapter 6	The Highlands and Islands
Page 31	Chapter 7	Funding and relations with Government
Page 35	Chapter 8	The way forward
	Annex A	Proposed network of local agency areas in Scotland
	Annex B	Training Agency activities and areas
	Annex C	Scottish Development Agency activities and regions
	Annex D	Highlands and Islands Development Board activities and area

SCOTTISH ENTERPRISE

FOREWORD

By the Rt Hon Malcolm Rifkind QC MP, Secretary of State for Scotland

[photo]

The proposals set out in this paper are aimed at helping the Scottish economy to meet the challenges of the 90s, by integrating the Government's support for training and for enterprise creation into a new employer-led body, Scottish Enterprise.

Already, I know, there has been widespread interest in and enthusiasm for these ideas. It is clear that the people of Scotland are attracted to the new opportunities which this approach to training and enterprise creation offers.

I hope that this paper will stimulate wide-ranging discussion of the issues raised, and that as many as possible of those organisations and individuals concerned with training and enterprise in Scotland will take the trouble to comment on the proposals and to put forward ideas so that together we can produce the best possible Scottish solution to Scottish needs.

MALCOLM RIFKIND

1. THE CHALLENGE OF THE NINETIES

1.1 Scotland's economy has been transformed over the past decade: an old fashioned industrial structure has been replaced by one based on high technology and higher value added; labour laws have been reformed; productivity has risen at a rate unprecedented since the Second World War; horizons have been lifted from a regulated domestic market to full international competitiveness; unemployment is now in sharp decline; and the seeds of enterprise have been sown.

1.2 In effecting this transformation Government policy in Scotland has been heavily reliant on two instruments of direct support: the Scottish Development Agency and what is now the Training Agency. Both have changed as the economic scene has shifted over the decade. The Scottish Development Agency, inevitably preoccupied in the early years with moderating the pace of decline in the older industries, now has more positive purposes - to accommodate, advise, inform, finance, attract and develop enterprise - alongside its long standing commitment to renewing our environment. The Training Agency and its predecessors, initially preoccupied with programmes to alleviate the worst ills of unemployment, have moved progressively towards the aim of uprating and updating the skills of new entrants to the labour market, of unemployed adults and of those in jobs. The achievements of these two Agencies have been remarkable in their scope and profound in their effect; but the world in which they operate has changed and further change is in prospect. The time has come to take stock and to decide how best these instruments can be used to drive Scotland's economy forward into the 1990s.

1.3 The challenges the Government can now foresee are twofold:-

The completion of the Single European Market in 1992, which will offer glittering prizes to firms which are internationally competitive, productive and outward looking. They will need to employ skills of the highest order at every level in the firm. Scotland must have a system of training which is sufficiently flexible and sophisticated to supply them; and firms must be motivated to use them.

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The prospect that skill shortages will become more acute and widespread, as continued growth mops up the unemployed and, most significant of all, demographic decline cuts the number of new entrants to the labour market by nearly a third. Our hopes as a nation will come to naught if we do not counteract these trends, by ensuring now that we can improve the effectiveness of those in work and make the fullest use of all those available for work - from the unemployment register and from those willing to return to work.

1.4 As the challenges have become clearer, so too have the circumstances in which they have to be faced changed. Industry, for long starved of profitability, is now prospering and able to shoulder its full responsibility for investing in the skills of its workforce. It has also shown, through the activities of its representative organisations, through Scottish Business in the Community (SCOTBIC) and through the Enterprise Trusts, that it is ready and willing to share the responsibility for developing enterprise and regenerating disadvantaged areas of our country. The Government's two Agencies, for their part, have learned to work increasingly with the private sector and, in order to facilitate this, to decentralise activities and responsibilities to local levels more attuned to local needs. The Scottish Development Agency has found, in its task of job creation and local economic regeneration, how essential the training input is to success, and has met it in part at its own hand as well as by calling on the support of the Training Agency. The Training Agency itself has begun to recognise the need for arrangements more responsive to local and specific market requirements to supplement its programmes providing transferable skills for large numbers of unemployed people across the whole country. Throughout Scotland, there is a new sense of economic dynamism abroad, waiting to be tapped and a growing realisation that the instruments of Government, however successful in the past decade, must respond to it.

1.5 These are the trends on which the Government propose to build in creating an enterprise culture in Scotland fit for the challenges of the 1990s. The Government see training as an essential element in industrial competitiveness, to be brought together with enterprise stimulation in an integrated strategy for promoting Scotland's well being. To deliver that

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strategy, the flexibility and responsiveness that flow from more localised decision taking and administration are needed; as are the skills, positive attitudes and commitment of the private sector. The system has to be market driven, competitive, efficient and geared to results; it has to encourage personal responsibility, fully exploit our educational resources, and give value for money to the taxpayer. If as a community we combine to get it right, we shall banish the spectre of high unemployment and make the Scottish economy a leader in Europe.

1.6 This is the purpose to which the Government's proposals for Scottish Enterprise - bringing together the enterprise development functions of the Scottish Development Agency and the training functions of the Training Agency in Scotland into a single body committed to delivering services through a comprehensive network of business-led local bodies - are directed. They have captured the imagination of Scotland, as a Scottish solution to Scottish needs. They are explained in detail in the chapters which follow.

2. THE ACHIEVEMENTS OF THE EIGHTIES

2.1 In facing the challenges outlined above, there are already substantial achievements both in training and in the promotion and stimulation of enterprise on which to build.

Achievements in training

2.2 Since it originated as the Manpower Services Commission in 1974, the Training Agency (and its predecessors) have been charged with implementing a range of policies in the employment and training fields throughout Great Britain. To ensure a consistent approach to the carrying out of the various programmes, and in particular of the Government's guarantees to the unemployed, the overall responsibility for the Training Agency and training policy lies with the Secretary of State for Employment. The Secretary of State for Scotland takes responsibility for the operations of the Agency in Scotland and approves its annual Scottish plan. The Agency has a staff of 750 in Scotland and an annual Scottish budget of some £330m (of which adult training accounts for almost £200m and the Youth Training Scheme (YTS) for £115m - further details on the Training Agency are in Annex B). These programmes have played their part in helping significant numbers of Scottish people (particularly the young and the long-term unemployed) off the dole queues into employment.

2.3 Begun in 1983, YTS is designed to provide a bridge between school and work and offers all young people aged 16 and 17 (whether employed or unemployed) the opportunity of a high quality integrated programme. It enables that age group to compete more effectively in the labour market, and gives all school leavers the option of finding a job, moving into further or higher education or taking up a guaranteed YTS place: no young person under 18 need now be unemployed. There are now over 375 YTS Approved Training Organisations providing training for over 50,000 young people. Since 1983 around 225,000 have had the benefit of training; an average of 50 per cent were in employment 3 months after leaving YTS, while a further 3 per cent went on to further education. In 1986/87 YTS trainees successfully completed some

100,000 National Certificate modules. A growing number of employers are giving trainees employed status - currently some 14 per cent - reflecting increasing confidence in the ability of YTS to provide good recruits with the right training.

2.4 For adults, for 6 years until September this year, the Community Programme offered the long-term unemployed the chance to gain work experience for up to one year on projects of practical benefit to the local community. Over 140,000 have participated since April 1984 and almost a third have found employment after leaving the programme. The Community Programme National Initiatives, such as Energy Efficiency and Crime Prevention, have also helped to provide work experience in areas of policy widely recognised as national priorities, and in particular the Community Programme played a key role in the success of the Glasgow Garden Festival. In 1988 there were an average of 30,500 people participating.

2.5 The new Employment Training programme, launched in September 1988 to replace the Community Programme and a range of other training programmes for unemployed adults, seeks to address the growing need for a shift in emphasis towards training to provide the long-term unemployed with the skills the labour market is demanding. It offers participants up to 12 months full-time training, comprising a mix of practical and off-the-job elements. Some 42,000 places are being provided in Scotland which with an average stay of 6 months should mean training for some 80,000 people a year. By the end of October some 19,000 people had joined. The Training Agency and its predecessors have also assisted employers through a range of programmes including Training for Enterprise, Local Training Grants for Employers and Open Learning, while in the field of education the Technical and Vocational Education Initiative has now grown to encompass all education authorities in Scotland.

2.6 In further and higher education and in companies providing training major efforts have been made in recent years to match training and vocational education provision to local and national labour market needs. As major suppliers of off-the-job training for YTS the further

education colleges provide invaluable support to individual companies' training efforts in an increasingly professional way, marketing their services to industry and stimulating demand. With the help of the Training Agency and the Scottish Education Department (SED) further and higher education colleges have also worked closely with employers in Local Collaborative Projects designed to identify and meet local and national training needs. In addition the further education colleges, the central institutions and the universities have collaborated with local employers, the Scottish Development Agency (SDA) and the Training Agency in developing the Professional, Industrial and Commercial Updating Programme (PICKUP) under the SED and University Grants Committee (UGC) schemes. Local PICKUP projects are providing short, flexible, updating courses geared to individual employer needs - with an initial SED or UGC pump-priming contribution towards setting up the projects which are, in time, to be self-supporting. Finally, the Government's proposals for strengthening college management by increasing employer participation in both the further education and the central institution sectors will add strength to the links between the training providers and the local labour market.

2.7 Drawing on these achievements, Scotland's economy for many years has absorbed increasing numbers of young people coming to working age. The situation from now to the mid-1990s will be quite different. The number of school leavers joining the labour market will fall substantially and the growth in the population of working age will slow down. Between now and 1994 the number of 17 year olds in Scotland is projected to drop by 30% (as against 27% in Great Britain as a whole). Moreover, a greater proportion of these is expected to stay on in full-time education than enters the employment market. These trends have profound implications for employment and training, for the composition of the workforce and for the number of people available for work. Many employers accustomed to hiring young people will face increasing competition in recruiting and retaining young staff. They will need to look to older unemployed people and to women returning to the labour force to fulfil their needs. They will need to invest more in improving the effectiveness of those they already employ, not least through training and retraining. Individuals will need to invest time and effort in keeping their skills up to date;

and education and training providers will need to offer far more flexible opportunities for a broad range of clients of all ages, backgrounds and levels of technical competence.

Achievements in the promotion and stimulation of enterprise

2.8 The Scottish Development Agency (SDA) was established in 1975 for the purpose of developing the economy and improving the environment in Scotland. It was given wide powers and functions, including powers to invest in industry, provide and manage industrial estates and clear derelict land. The Agency was also given certain responsibilities for promoting inward investment (now, jointly with the Industry Department for Scotland, under the banner of Locate in Scotland) and for integrated local initiatives, notably in rundown urban areas. Since 1979 the Agency has given additional emphasis to facilitating private action and the need to stimulate the growth of new business and greater entrepreneurship, and today it has an annual budget of £150 million and a staff of about 700. A searching review carried out in 1986 jointly by the Scottish Office and the Treasury endorsed the Agency's role as the Government's main instrument in assisting economic development and environmental renewal in Scotland. (Further information on the SDA is in Annex C.)

2.9 The SDA's corporate strategy, which is discussed with and approved by the Government, concentrates particularly on helping businesses in Scotland to seize the opportunities and overcome the threats posed by rapidly changing technology; encouraging new and existing businesses in Scotland to expand and to be enterprising in their outlook, while serving international markets; and contributing to urban renewal to transform the physical environment.

2.10 The Agency's central purpose is to help Scottish business to realise its full potential and to exploit inherent economic strengths. To achieve this, the Agency has adopted a commercial and customer orientated ethos to provide both direct support to companies, and to further economic development through sectoral and infrastructural work. Much of the Agency's effectiveness in developing enterprise in Scotland

has been due to its ability to bring together a wide range of powers - including investment, business advice, and property provision - in a focussed manner. It has been particularly effective in forming partnerships with the private sector and with other public sector bodies to stimulate investment in programmes and projects in which it is involved; thus increasingly the Agency acts as a facilitator and enabler, rather than as a direct provider. Examples of the Agency's achievements in assisting the private sector can be seen in the regeneration of the inner city environment and economy in Glasgow and Dundee; in the growth in output in emerging industrial sectors such as electronics and healthcare; and in the return to beneficial use of large areas of land as in Clydebank where previous industrial activity had left a legacy of blight.

2.11 Conscious of the need to be readily accessible to its partners and customers, at the end of 1987 the SDA reorganised its structure on the basis of seven regional offices, each headed by a regional director and responsible for property, business development and special projects. The Agency however retains a strong central capability in those areas of activity which are best catered for on an all-Scotland basis, making the best use of its available expertise and maximising its flexibility and capacity to meet new challenges.

2.12 The success of private sector involvement in the regeneration of local economies has already been demonstrated by the network of Enterprise Trusts that has grown up in Scotland. There are now over 40 under the aegis of SCOTBIC. Trusts come in a variety of shapes, sizes and forms and many have become a vital component of business support and creation in their areas. Training directed to the specific needs of local businesses, whether new start or expanding, has become a particular strength of the movement and will provide valued building blocks for our proposed new approach. The Enterprise Trusts and SCOTBIC have demonstrated that private sector commitment to wide-ranging economic development is there in generous measure.

3. TOWARDS A NEW APPROACH

A local framework

3.1 Analysis of the present situation has shown that employers need to be given a sense of ownership of the system of training and enterprise creation. The agencies of Government need to develop stronger partnerships with the private sector at a local level, because it is at that local level that skills needs and opportunities have to be assessed, and the necessary training delivered. A delivery mechanism controlled from the centre makes a good deal of sense while the main emphasis is on giving skills to unemployed people, but as the focus shifts towards promoting reskilling for the needs of tomorrow's economy, the requirement for a system which is more responsive to differing local market needs becomes more important. Indeed such a system would inevitably and helpfully stimulate a sense of local commitment and ownership and so strengthen local community identification and self-confidence.

3.2 In a wider sense it would be working with the grain of the Government's plans for urban regeneration in Scotland, as set out in the policy document "New Life for Urban Scotland". Experience shows that the effective initiation of enterprise tends to start by motivation of the individual. The exemplar effect of successful local business people must be exploited to the full if others - particularly in localities where historically there has been a fragile entrepreneurial base - are to be encouraged to follow their lead.

A private sector lead

3.3 Efforts to date to persuade the private sector to take greater interest in and responsibility for training have had disappointing results. Far too many firms take little interest in assessing and training for their own future needs, assuming that supply will always be there to meet demand. Research carried out for the then Training Commission's Study of the Funding of Vocational Education and Training showed that less than one in three of those employers asked had a training plan and even

fewer had training targets for their labour force. Less than half of the workforce covered by the survey received any training at all in 1986-87.

3.4 Even though skills shortages in some sectors are already becoming apparent, industry as a whole is still insufficiently aware of the key changes ahead in the labour market and so is not planning ahead to cope with future needs. The October 1988 CBI Survey revealed that an increasing number of manufacturing firms in Scotland were experiencing skill shortages. At 15 per cent, the proportion of firms citing skilled labour shortages as a factor likely to limit output in the months ahead was close to its highest level since April 1979. This is a problem across the whole of Great Britain. But here in Scotland - where the demographic changes are likely to be sharper and where the future prosperity of our economy and its success in the world market depends so much on a highly skilled workforce - it is of particular significance.

3.5 A way has to be found of encouraging the private sector to take more responsibility. Decentralisation to local levels will help, but to achieve greater private sector involvement in the management and design of training a shift is required from a bureaucratic system within which the private sector has a purely advisory role to one which is led by the private sector. The private sector can best be brought to centre stage by giving real responsibility to a strong, employer-based body. At its most effective such a delivery mechanism should emerge as a powerful agent of change, with the capacity to galvanise employers and influence local development. The key features would be the power and the ability to take the main decisions, within a framework which ensured public accountability. That is what must be achieved.

A market-based approach

3.6 Putting employers into the driving seat is a good start; but by itself it is not enough. Their market intelligence may need to be improved to help secure a better fit between their present and future requirements and the skills of the workforce. Employers individually and collectively will have to be able to ensure that training provision - for those about to enter employment, those already in work, those who are

unemployed and those who are returning to the labour market - is closely related to market needs, and is sufficiently flexible to adjust quickly to changing market conditions. For example from time to time in the past we have been faced with skills shortages in certain occupations in some parts of the country, with an over-supply elsewhere; at national level we have found that training for some skills has overtaken demands while newly emerging shortages have gone unrecognised for too long. The Training Agency has put increasing effort in recent years into developing local labour market intelligence in association with local employers and training providers in an attempt better to assess future local labour market needs. More has to be done if economic development is not to be inhibited by skill shortages. As the size of the workforce will stay essentially static over the next decade, productivity must continue to rise if we are to compete successfully in the 1990s: it will be more crucial than ever to ensure that training adequately reflects market needs.

An integrated strategy for economic well-being

3.7 Industry has seen too little coherence in the new schemes and initiatives emanating from the Training Agency and its predecessors, let alone coherence as between these training measures and the range of the Government's other enterprise support measures, delivered in Scotland in large part by the Scottish Development Agency. The latter Agency also has an important environmental improvement role which complements its economic development functions and integrates with them in area-based strategies, in which training too must play a part. The Government would expect the private sector warmly to welcome the integration of these functions, since that would enable employers to deal with a single body providing a one-door access.

Proposals for change

3.8 For all these reasons the Government propose to bring training, enterprise functions and environmental improvement activities currently administered by the Scottish Development Agency and the Training Agency into a new agency to be known as Scottish Enterprise. A main function of that body will be to contract with a network of employer-led

local agencies throughout Scotland which would be responsible for assessing the needs of their local labour markets, before arranging for the provision of training and for providing business support. The ultimate objective of these proposals is the creation of a dynamic self-sustaining Scottish economy in which investment and training are private sector led and financed.

4. SCOTTISH ENTERPRISE

4.1 Scottish Enterprise would incorporate the Training Agency in Scotland and the Scottish Development Agency. (Descriptions of the present functions of these bodies are in Annexes B and C respectively.) In essence Scottish Enterprise would cover the larger part of the Government's direct financial contribution to economic development, notable exceptions being regional financial assistance, export services and such functions as are to be undertaken separately for the Highlands and Islands (see Chapter 6).

Remit

4.2 The remit for Scottish Enterprise would be a challenging and wide-ranging one: to stimulate self-sustaining economic development and the growth of enterprise, to further the improvement of the environment, to encourage the creation of viable jobs and the reduction of unemployment, and to improve and keep up-to-date the skills of the Scottish workforce.

Functions

4.3 Its specific functions would be as follows:

- to consider strategic issues relating to enterprise, job creation and training in Scotland;
- to ensure, through contracts and performance monitoring, that the responsible local agencies deliver provision in their areas; and
- to discharge those functions presently carried out by the Training Agency in Scotland and the Scottish Development Agency which are not devolved to the local agencies.

4.4 The transfer of service delivery functions to a local level is a crucial part of the proposals and is dealt with in detail in the next

chapter. Local agencies will take on the functions of assessing the local labour market, designing training provision and business development services, raising private sector funds, organising tenders for training contracts, publicising opportunities and other such promotional activities as may be appropriate. Both the Training Agency and the SDA have networks of local offices at the front line of service delivery, and these offer patterns on which to build.

4.5 Clearly a thriving network of local agencies will not spring up overnight. Patient planning will be required. It will make sense to adopt an evolutionary approach, and to transfer particular functions to local level over a period of time as and when the individual local agencies have developed the capability to handle them effectively. Such an evolutionary approach is likely to be the best way of securing a smooth transition so as not to prejudice the level of effectiveness of the existing arrangements.

Powers

4.6 The statutory functions and powers of Scottish Enterprise would be broadly as in the Scottish Development Agency Act 1975 as amended, with additional powers as in the Employment and Training Act 1973 as amended by the Employment Act 1988. Legislation will be needed to effect this.

Management

4.7 Scottish Enterprise would have a board of 10 members, appointed by the Secretary of State for Scotland. On the lines of the Scottish Development Agency at least 6 would have a business/industry background across the widest possible sectoral spectrum with the emphasis on entrepreneurial drive and determination. Other members might be drawn from the fields of education, local authorities, trades unions and the voluntary sector. The Government however intend that the board members should be chosen for their potential personal contribution to the success of Scottish Enterprise rather than on the basis of direct representation of various interests. The Government also

reason most of its staff at start-up are likely to be drawn from the Scottish Development Agency and the Training Agency. (See also paragraphs 5.17-5.19.)

Functions with an educational purpose

4.12 Special consideration will need to be given to the future management of national Training Agency initiatives which are primarily education-related - such as the Technical and Vocational Education Initiative (TVEI) in schools and the Enterprise in Higher Education programme in universities and central institutions. The Government are considering whether to transfer responsibility from the Scottish Education Department to Scottish Enterprise for the very successful PICKUP programme, which encourages further and higher education institutions to work closely with employers (on an increasingly fee-earning basis) in updating professional, commercial and industrial qualifications of people in employment.

Conclusion

4.13 As the main vehicle for the Government's drive to develop the enterprise culture in Scotland, Scottish Enterprise must itself be entrepreneurial in spirit and action. Within a framework which ensures public accountability and which reflects Government priorities (set out in more detail in Chapter 7) Scottish Enterprise would be free to develop an identity of its own. The Government believe that only in this way can the strengths of the private sector be fully exploited.

take the view that a large board would be unlikely to be conducive to maximum effectiveness.

4.8 The Chief Executive of Scottish Enterprise would be an ex officio member of the board, as is currently the case with the Scottish Development Agency. His appointment would be for a suitable contractual period; other board appointments would be for 4 years on average with a spread in the early years so as to allow a turnover of up to 3 members in any one year. Apart from the Chief Executive, there would be no full-time members of the Board, although the Chairman and Deputy Chairman would have a substantial part-time commitment.

Staffing

4.9 In the longer term, it would be for the board of Scottish Enterprise to determine the staffing and structure needed to carry out its functions. For this reason, the Chairman should be appointed well in advance of the date of establishment; thereafter a number of other advance appointments of board members and senior staff would be made in consultation with him. These advance appointees could then make a contribution to the further planning of the management and organisational structure of Scottish Enterprise.

4.10 Scottish Enterprise will need to have:

- a. a secretariat and policy advisory and impact assessment unit;
- b. executive staff to ensure, through contracts and monitoring work, that services are delivered by the local agencies; and
- c. executive staff to carry out those functions not devolved to local level.

4.11 The success of Scottish Enterprise will depend upon the quality of its staff. It will be crucial for Scottish Enterprise to have experienced, effective and highly motivated staff to carry out its functions. For this

5. LOCAL AGENCIES

5.1 At national level, the creation of Scottish Enterprise will do much to promote a climate within which Scottish entrepreneurial talents can flourish; but it is at local level that the process of economic development must be focused. In recognition of this the Government propose to promote the establishment of a network of local employer-led agencies to take on this task. As already mentioned, Enterprise Trusts have shown the way by involving local business people in work on behalf of the community. The challenge is an invigorating one: an opportunity is being offered to people of proven talent to take on executive responsibilities in their areas without remuneration but for the common good. The concept stands or falls on the willingness of people of calibre to respond to this exciting challenge.

Remit

5.2 Each local agency would be responsible for stimulating the growth of self-sustaining enterprise, encouraging the creation of viable jobs and the reduction of unemployment and improving the skills of the workforce in its area. Clearly in the training field the existing national programmes will form an important part of the services offered by the new organisations; while working within national policy guidelines, they will nevertheless have substantial scope for developing local solutions to local problems.

5.3 Clearly there is scope for different views as to how much of the SDA's present activities could or should be devolved to local level. There are attractions in delegating as much authority as possible to the local level, thus giving the local agencies the widest possible flexibility and power to respond to the problems and opportunities of the local economy; but a major strength of the Scottish Development Agency as an arm of Government has been its national remit and powers, and it is crucial that this should not be in any way damaged. Similarly the Training Agency's success in implementing major change (eg through the Technical and Vocational Education Initiative) has stemmed from its national focus. A balance will have to be struck between local and

central powers which enables the retention of present strengths as well as the desired improvement of local delivery.

Functions

5.4 With these principles in mind the core functions of each local agency would include:

- gathering information on the present and future needs of the local labour market, and identifying particular sectoral areas of opportunity and weakness;
- determining the volume and type of local training provision needed to meet these needs;
- designing and adapting training arrangements and business development services to meet local needs;
- appointing by competitive tender and monitoring the performance of subcontractors delivering training locally;
- raising private sector funds for locally developed training and enterprise initiatives to supplement those available from Scottish Enterprise and encouraging employers not only to increase their investment in training their own employees but also to bear an increasing share of the costs of training programmes;
- providing advice and support (with charges where appropriate) both for business start-ups and small firms, and for the enhancement of the skills of a firm's workforce;
- publicising training, self-employment and business development opportunities; and
- taking such other steps as are desirable to improve the structure and performance of the local economy.

5.5 Other functions might also be appropriate, depending on what view is taken about decentralising the functions at present carried out by the Scottish Development Agency (see Chapter 4 and Annex C). For example, the following functions might be added:

- a. property development functions in the area apart from those associated with inward investment cases. Typical examples are starter units and managed workspaces - where the links with other forms of enterprise support are clear - and local property management;
- b. land reclamation and environmental improvement other than the most complex and strategic. Such local rehabilitation is in any case often linked with other local economic development instruments;
- c. equity, loans and grant assistance, perhaps through a local development fund, partly sponsored by the private sector;
- d. marketing of local property and other services;
- e. schemes to assist the development and improvement of property by the private sector, through local instruments on the lines of the existing national LEG-UP and PRIDE schemes. (LEG-UP is used to encourage private sector investment in projects in deprived urban areas which create jobs or improve the environment, the assistance being tailored in the form of loans, equity and participating grants. The PRIDE scheme is its rural counterpart: it similarly assists projects in rural areas which will either increase net employment and income or improve the physical environment by bringing visually significant land and buildings into use).

5.6 It is proposed also to transfer to the local agencies the administration of the Enterprise Allowance Scheme currently undertaken by the area offices of the Department of Employment. The Enterprise Allowance Scheme is designed to help unemployed people who want to

start up in business by providing an allowance of £40 a week for up to a year in order to offset the loss of unemployment benefit or income support. This is a potentially useful extra weapon in the local agency's armoury, and could add an attractive additional element of flexibility to the options which local employers will wish to consider when nurturing fledgling small enterprises.

Flexibility with accountability

5.7 It is fundamental to the Government's proposals that within a framework of broad, strategic guidelines each local agency would have considerable flexibility in how it tackled its functions: there would be no need to impose uniformity of delivery from area to area. Each local agency, having carried out a detailed analysis of the possible assets and relative weaknesses of the local economy, would be well placed to devise a strategy for local development tailored to the needs of that area. The philosophy would be to work with the grain of the local economy and to build on and diversify its existing strengths.

5.8 The Government recognise that there are risks in this approach. For one thing, to give freedom to succeed is also to give freedom to fail: alongside highly successful local agencies there are bound to be those which do less well for their area, or perhaps even those which will collapse in the face of the challenge. The monitoring and support systems which will be established by Scottish Enterprise will seek to give early warning of incipient failure and the means to intervene to assist a local agency in difficulties; and the contractual basis on which the agencies will be funded will reinforce the accountability for public money. But no system can in itself guarantee that every single local agency will make the grade, and as an ultimate fallback there will be provision for Scottish Enterprise itself to deliver services direct in any area where a local agency collapses until an alternative agency is established. In this way the interests of the local community and the fulfilment of national guarantees offered by Government can always be protected. Indeed in other circumstances - where it is taking time for a local agency to be established - Scottish Enterprise will be able to fill the gap with services provided direct.

5.9 Reflecting as they do the extra dimension of Scottish Enterprise the powers proposed for local agencies in Scotland will differ from what is proposed for Training and Enterprise Councils in England and Wales, as set out in the Secretary of State for Employment's White Paper "Barriers to Employment" CM []. The important point is to create a business support system of prime value to industry, with a one-door agency in each area which can tailor advice and support to individual needs in that area.

Management

5.10 To initiate the establishment of local agencies the Government propose to issue a prospectus inviting local employers to come forward with others from the community such as, for example, representatives of Enterprise Trusts, further and higher education colleges, other providers of training, trade unions and voluntary organisations to form the board of management for the local agency in each area. (In many cases such a grouping may already be in existence in the form of a local Enterprise Trust). Normally two thirds or more of the membership would be expected to be from the senior ranks of private sector business. The prospectus would outline the remit and functions which the local agency would be expected to discharge, and would set out clear criteria for evaluating proposals received. These criteria would include: the calibre and relevance of the groups in terms of the structure of the local economy; the groups' ability to deliver and manage services; and their ability to involve the fullest possible range of interested parties in the area. Those employer-led groups whose initial proposals were approved would then receive assistance to work up detailed proposals for the delivery of services in their area. These proposals would then serve as the basis for a performance-based contract between Scottish Enterprise and the local agency for a 3 year period for arranging the provision of training and enterprise services in the area. There would be annual breakpoints built in to cover the eventuality of poor performance, and incentives for good and cost-effective performance.

5.11 After this initial setting-up phase, the Government would play no further direct part in the contracting process, which would become the responsibility of Scottish Enterprise once established. For future rounds existing local agencies would be able to submit bids for renewal of

contracts for the next 3 years to Scottish Enterprise, but other consortia would also be able to compete for the local contracts. In this way, the highest possible quality of service and value for money would be ensured.

5.12 Contracts would cover:

- the services to be provided and the financial and policy guidelines to be adhered to in their delivery;
- Government guarantees to be met to young people and the unemployed;
- performance targets to be met; and
- agreed monitoring arrangements.

Performance targets might include:

- for training schemes, meeting Government guarantees; meeting identified local training needs of those requiring special help (those with literacy/numeracy problems, ethnic minorities, those with physical, mental or social disabilities etcetera); percentage of job placements; competence levels attained; the proportion of participants gaining recognized qualifications or credits towards qualifications, or progressing to further and higher education; plus efficiency measures of placements per staff year and transactions per staff year;
- for enterprise support schemes, numbers of jobs created or safeguarded; numbers of new business start-ups; changes in balance of structure of local economy; and return on funds invested/loaned;
- for all schemes, leverage of private sector resources through application of public sector funds.

In setting performance targets for individual areas, local circumstances would be taken into account. Agencies would not be penalised for operating in a difficult environment eg such as would arise if action had to be taken in relation to unexpected redundancies in their area.

5.13 Scottish Enterprise would review local agency plans annually, and monitor their performance against profile monthly. Unsatisfactory performance would in the first instance receive a warning of the need to improve and assistance in doing so; if there was insufficient improvement it could lead to financial penalties and/or withdrawal of the contract. Agency organisation, management and financial activities would be subject to audit. Agencies would be required to publish an annual report, forward plan and statement of accounts.

5.14 The successful consortium would form the board of management for the local agency, its members acting on a part-time and unpaid basis, and might take the form of a limited company or a company limited by guarantee. It would choose its own name, and decide its own organisational structures. As long as the key performance targets of the contract were met, it would be no part of Scottish Enterprise's or the Government's concern to tell each local agency how to go about its business. Each local agency would be free to be successful in its own way.

5.15 It will be crucial for the success of local agencies that they are able to involve private sector employers of high calibre. The Government believe that this is most likely if the private sector sees that those in charge of the local agencies will have real authority, and flexibility on how they tackle their objectives; clearly it will be easier to find sufficient members of the business community willing and able to lead local agencies in some areas than in others.

5.16 It is hoped that local authorities will also wish to support the local agencies. Local authorities are major employers in their localities, and as such have a distinctive contribution to make. In this connection it is encouraging that many local authorities are already increasingly choosing

to work in partnership with private sector interests to generate local economic development.

Staffing

5.17 It must be for the consortium successfully bidding for each local agency to decide on its own staffing and structure. The local agency would need access to a wide range of skills:

- an executive/secretariat to underpin the board;
- economic analysis to undertake the necessary local economic audit and to provide advice;
- business advisory services;
- training monitoring and advice;
- effective arrangements for financial audit;
- plus skills in relation to any other functions devolved to local level.

5.18 Some of these skills would have to be provided in-house; others could be provided on a contractual basis by Scottish Enterprise or by consultancy firms (and if suitable firms were not available locally, steps could be taken to create them). Whatever arrangements are chosen it is crucial that the local agencies have professional and experienced staff so that functions can be discharged effectively: for this reason, each bidder for a local agency would be expected to demonstrate that its staff would be competent to handle the functions concerned.

5.19 The Government intend to make available to the consortia chosen to be the first local agencies staff who currently serve in the Scottish Development Agency and the Training Agency in Scotland. The skills and expertise of these staff will be an invaluable asset to the local agencies, and the Government hope that many of the staff of the Training

Agency who are currently discharging training functions in Scotland and of the Scottish Development Agency will choose to continue in the employment of either the local agencies or Scottish Enterprise itself. Other staff might have a background of involvement in the Enterprise Trust movement or in local authority-led local economic development initiatives.

Size of network

5.20 There are clear advantages in choosing reasonably compact areas in which each local agency would operate, so that the particular needs of local areas can be adequately taken into account. While the travel to work area - of which there are 60 in Scotland - seems the natural building block, many travel to work areas are too small and have too narrow an economic base to be likely to be able to support viable agencies. It would therefore be preferable to aggregate many of these smaller areas and so achieve a network of no more than 20 to 25 bodies. Proposals for such aggregation so as to achieve reasonably homogeneous but realistically sized areas are set out at Annex A: these would result in 22 areas throughout Scotland. It would be possible of course to go further than this and create a smaller number of areas: say 15-18, or even fewer. The balance has to be struck between efficient delivery and maximum local identification and relevance.

5.21 The size of the network also needs to take account of the range of functions which Scottish Enterprise will exercise. For some of these functions, particularly the delivery of training in a way which is sensitive to the needs of the local labour market, the case for decentralisation into small areas is very strong. But for others, there is a need for a broader overview and for the taking of difficult decisions about the concentration of resources in particular areas, for example the concentration of funds necessary to support the regeneration of deprived urban areas, such as peripheral housing estates. A judgement therefore has to be made about what size of unit is best for the range of functions to be exercised at a local level, both initially and as the structure evolves.

5.22 A further option would be to create a much smaller network, based either on the Training Agency's existing network of 8 areas (set out at Annex B) or on the Scottish Development Agency's existing network of 7 areas (set out at Annex C) or indeed an amalgamation of the 2. Beneath this level local development bodies could be set up for smaller areas: these would be responsible to the regional directorates for delivery of some services in the local area. This would avoid any danger of fragmentation which might arise from more extensive local disaggregation; but would go less far than some might desire towards devolution of responsibility to local level, and would produce a more complex two-tier system.

Conclusion

5.23 The Government's proposals for local agencies are at the heart of the new approach. The opportunity is being freely offered to a wide variety of employers to pick up new executive responsibilities which will lead to the economic development of their areas, with a new emphasis on the training of the prime economic resource of manpower. These proposals will allow - indeed positively encourage - diversity rather than uniformity in how individual local agencies carry out their functions. Without doubt there are risks inherent in such an approach: but there is also much to be gained in terms of allowing the delivery of services to reflect local circumstances. The proposals should increase employers' commitment to training, make training more responsive to local market conditions, help generate greater private investment and above all improve the links between training and other economic development activity at local level.

6. THE HIGHLANDS AND ISLANDS

6.1 The northern and western parts of Scotland have characteristics which make them markedly different from the rest of the country. There a high proportion of the population lives in communities that are rural and isolated from major centres. Although communications have improved over the past 20 years, distance and remoteness still restrict access to services and are an obstacle to economic activity.

6.2 The Government have in mind that the same principles outlined for Scottish Enterprise and the local agencies should apply in the Highlands and Islands. Local employers should be given the opportunity to take a lead in the analysis of needs and the delivery of services, entering into contracts and carrying out functions in the ways outlined in the preceding chapters. Given the unique problems of the area, the delivery mechanisms may have to be shaped and adapted to suit the different prevailing circumstances. The distinct background and options for change are discussed in detail below.

The Highlands and Islands Development Board

6.3 The Highlands and Islands Development Board was established to assist the people of the area to play a more effective part in improving their economic and social conditions. The objectives and work of the Board are outlined in Annex D. The Board - which has an annual budget of about £40m and over 250 staff - is the principal source of selective financial assistance from Government for businesses and economic projects located within its area. Its other major functions, pursued on an integrated basis, are site preparation and factory provision; marketing; advisory services and training; project development; and social development.

6.4 There has been a marked improvement in social and economic conditions in the Board's area over the past 20 years, with a reversal of the long-term declining trend in population and significant employment growth. The direct and indirect effects of oil-related employment and an improvement in the economic performance of rural areas generally have

been other important influences - but the Board's activities have undoubtedly stimulated development and helped to generate an entrepreneurial spirit.

Options for change

6.5 The Government recognise that the Board's integrated approach has been of central importance to its success in improving life in the Highlands and Islands. Delivery of individual functions in the area by other bodies would be possible but this would lose the benefits of integration and the Board's knowledge and experience of the particular problems of its area which are very different from those of urban Scotland. While the Board's business support and training functions could in principle be transferred to Scottish Enterprise, this would not be satisfactory since it would leave the Board with only a social remit. The Government recognise the value of the distinctive contribution made by the Board to the regeneration of the North of Scotland, and take the view that any successor arrangements must build on success to date.

6.6 This points to the retention of a distinctive body for the Highlands and Islands, continuing to serve the area now covered by the HIDB (shown at Annex D), with wide-ranging economic and social functions, if that is seen to be the general wish of the people in the areas concerned. There appear to be 3 options for adapting to this area the thinking underlying Scottish Enterprise, and these are discussed below.

6.7 On the first model the Training Agency's functions in the Highlands and Islands would be given to a new body, incorporating the HIDB's functions and entitled Highland Enterprise, to parallel the work of Scottish Enterprise. This would ensure that within the broad framework set down by the Government decisions on training provision in the area were taken in the Highlands and Islands. It would facilitate the integration of training with the Board's existing functions (the Board in any case already spend over £0.5 million a year on training), and would enable the new body to invite local employers and others from the community to come forward and enter contracts to operate local agencies providing both business and training services.

6.8 On the second model Scottish Enterprise could be invited to make training contracts with local agencies throughout the whole of Scotland, with the HIDB devolving such business functions to such local agencies within its area as it thought fit. This would give local employers the opportunity to bid for responsibility for running training services more locally than at present, while allowing the Board to continue in its present form. Local involvement could be further developed if the Board devolved some of its functions, although in that case the new local agencies would be - perhaps uncomfortably - contracting with 2 separate bodies.

6.9 A third possible model would allow the HIDB to continue with its present functions, while contracting as a local agency with Scottish Enterprise to take on the arrangement of training provision. This would enable the Board to relate training provision to its business functions and would arguably be a more cost effective method of organising training services in a sparsely populated area. Undeniably, however, it would prevent local employers from having the same opportunities for active involvement in the delivery of services.

6.10 If the first or second option were chosen the extent to which existing HIDB functions might be devolved to local agencies would have to be addressed, as would the number and area coverage of local agencies. Geographical factors would need to be taken into account, as well as the likely availability of employers to run such agencies. If the third option were chosen, the ways in which the HIDB might ensure greater employer involvement in the taking of decisions at local level (as opposed to the offering of advice) would have to be drawn into consideration.

Environmental powers

6.11 The question of environmental powers arises on any of the options. At present the Scottish Development Agency has such powers and the Highlands and Islands Development Board does not: as a consequence, the Agency carries out environmental improvement works within the Board's area. This arrangement could be continued by the 2 successor bodies under any of the options; alternatively the opportunity of

legislation would allow environmental powers to be added to the functions of the Highlands and Islands body if this were thought desirable.

Conclusion

6.12 The Government recognise that the circumstances of the Highlands and Islands need to be given special consideration. In line with the philosophy inherent in these proposals, we do not believe that Scottish Enterprise and the arrangements for the Highlands and Islands need - or ought - to follow an identical pattern. The separate arrangements will be geared to areas very different in economic and social character; and their nature can be expected also to be different in accordance with the specific needs to which they are addressed. But it is clearly essential to maintain a national framework for training and enterprise development policies and standards. Accordingly the Government will establish compatible policy and financial frameworks for the 2 sets of arrangements, so as to ensure consistency (but not uniformity) of approach. The proposals for the Highland and Islands on any of the 3 models suggested seek to build on the success of the Highlands and Islands Development Board to date, while seizing the opportunity for restructuring on a more locally focused and market-based model with an accompanying hand over of decision-taking to involved and committed employers at local level.

7. FUNDING AND RELATIONS WITH GOVERNMENT

7.1 The tasks set for Scottish Enterprise, for the body in the Highlands and Islands and for the local agencies are wide-ranging and significant; and the scale of public sector resources for which they will be responsible will therefore be very substantial. Broadly speaking, Scottish Enterprise can be expected to receive the level of funding which would otherwise have been provided for the Scottish Development Agency and for training programmes in its area; the equivalent resources for the Highlands and Islands would be those granted to the HIDB and devoted to training programmes in the North of Scotland. In the current year this would amount to the best part of £500 million for Scottish Enterprise; and £50 million for the Highland and Islands.

Existing arrangements: the Training Agency

7.2 The Training Agency carries out its functions in accordance with policy set by the Secretary of State for Employment in consultation with the Secretaries of State for Scotland and Wales. The Secretary of State for Scotland is responsible for approving the Training Agency's annual plan for programmes in Scotland, and the Training Agency reports to him on the operation of its programmes in Scotland. The overall level of funding for the Training Agency is the responsibility of the Secretary of State for Employment, but resources to cover that part of the Training Agency's programmes in Scotland which can be identified separately are carried on the Votes of the Secretary of State for Scotland.

Existing arrangements: the Scottish Development Agency

7.3 The Scottish Development Agency carries out its functions in accordance with policy and financial guidelines set by the Scottish Office. Such guidelines cover:

- industrial investments;
- site development and premises;
- development planning and funding;
- PRIDE and LEG-UP.

Financial control is exercised by means of a Financial Memorandum. The Agency's annual corporate plan is discussed with Scottish Office Ministers each year, and forms the basis for ensuring that the Government's policy objectives are adequately reflected in the Agency's operations. Resources for the Scottish Development Agency (grant in aid, public dividend capital and national loans fund borrowing consent) are authorised and provided by the Secretary of State for Scotland.

7.4 The Chief Executive of the Scottish Development Agency is accounting officer for the Agency. He was designated as such by the Secretary of the Industry Department for Scotland who is the Departmental Accounting Officer. This arrangement stresses the personal responsibility of the Chief Executive for accounting to Parliament for the way in which the Agency applies the public funds entrusted to it, within the guidelines and directives received from the Secretary of State. In his role as accounting officer the Chief Executive is directly responsible in the first instance for all expenditure out of grant in aid, public dividend capital and from borrowed funds; and he is correspondingly responsible for bringing all receipts properly to account. He has a responsibility also for seeing that the rules and conditions laid down by the Industry Department for Scotland or the Secretary of State for Scotland are observed and for the efficient and economical management of the Agency. The Departmental Accounting Officer is responsible for ensuring that conditions to grant in aid conform with the terms of the Vote; for monitoring compliance with those conditions by the Agency; and for satisfying himself that the financial and other management controls applied by the Department are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by the Agency conform with the requirements of propriety and good financial management.

Existing arrangements: Highlands and Islands Development Board

7.5 The Highlands and Islands Development Board carries out its functions in accordance with a policy and financial framework set by the Scottish Office; and agrees its corporate plan with Scottish Office Ministers each year. Resources for the Highlands and Islands

Development Board (grant in aid) are provided by the Secretary of State for Scotland. The chairman of the Board has accounting officer responsibilities in respect of the detailed control of the Board's expenditure and oversight of its financial systems and procedures. The Secretary of the Industry Department for Scotland is Accounting Officer for all public funds passed to the Board.

Future arrangements

7.6 The Secretary of State for Employment will retain lead responsibility for training policy generally, and - in consultation with the territorial Ministers - will continue to set the national framework.

7.7 The Secretary of State for Scotland will be responsible for the operation of Scottish Enterprise and the arrangements in the Highlands and Islands. He will set the policy and financial framework (in consultation with the Secretary of State for Employment as regards general training policy); approve their annual plans; and monitor their performance. He will also provide the necessary resources, consulting the Secretary of State for Employment in relation to the appropriate level of provision for training in Scotland in the light of national policy considerations.

7.8 The arrangement whereby the Chief Executive of the Scottish Development Agency and the Chairman of the Highlands and Islands Development Board are designated accounting officers under the Departmental Accounting Officer for those bodies' resources has much to commend it in terms of stressing accountability for public funds. The Government's intention would be to use this model for Scottish Enterprise and Highland Enterprise (if that is the option chosen for the Highlands and Islands).

Accountability of local agencies

7.9 The proposals for performance-related contracts setting out the financial and policy guidelines to be adhered to and targets to be met at local level (described in more detail in Chapter 5) will reinforce the

accountability of local agencies for the public resources they receive. Scottish Enterprise (and Highland Enterprise) will be accountable to Parliament for closely monitoring compliance with these contracts.

Conclusion

7.10 The Government are intent that public accountability for the large amounts of public money involved in these proposals should not be diminished simply because of increased private sector involvement. Setting the right policy and financial framework, focusing on key performance targets and ensuring rigorous monitoring of outcome can enable high levels of public accountability without onerous and detailed bureaucratic oversight of every process. In this way a new and better balance can be struck between freedom and control.

8. THE WAY AHEAD

Consultation

8.1 The first step towards realising these proposals is of course the publication of this White Paper. The Government hope that all those with an interest in the field of training, vocational education and enterprise - employers, trades unions, voluntary organisations, local authorities, training providers and indeed the general public - will give thought to what is proposed in this document. The intention is that there should be wide-ranging discussion of the issues raised in this paper: and the Government stand ready to listen to and engage in these discussions.

8.2 Comments on these proposals are invited and should be made in writing to:

Kenneth Thomson
Industry Department for Scotland
Room 5/08
New St Andrew's House
Edinburgh
EH1 3TA

Comments should arrive no later than 31 March 1989 and any queries about this document should be addressed to Kenneth Thomson at the above address (telephone 031-244 5208).

8.3 To help informed debate on the questions covered by this paper, the Industry Department for Scotland will follow its normal practice of making available to the public on request copies of responses to this document. The Department will assume that responses may be made available publicly in this way. If respondents however indicate that they wish all or part of their reply excluded from these arrangements its confidentiality will be strictly respected.

The Next Steps

8.4 Following consideration of comments received, the Government will review their position and form a final judgement, in the light of all the circumstances, on how to proceed in order to arrive at the best possible solution to Scottish needs. A further announcement will be made at that time indicating the Government's intentions.

8.5 It has been apparent from the lively public debate preceding the publication of these detailed proposals that the general underlying concepts enjoy widespread support. This offers the prospect of proceeding to implementation at an early date; for while legislation would be necessary to recast the functions of the Scottish Development Agency together with the powers of the Training Agency in Scotland as functions of Scottish Enterprise (and if appropriate similarly for its Highland equivalent), a phased introduction without legislation would certainly be feasible.

8.6 All these developments have of course to be placed in the context of a general national framework of training policy, as now set out in the Secretary of State for Employment's White Paper "Barriers to Employment" CM []. To this end there will be the closest possible consultation between the Scottish Office and the Department of Employment on detailed implementation arrangements, so as to ensure that developments in Scotland are not only tailored to the Scottish situation but also move forward in parallel with those south of the border.

Conclusion

8.7 This White Paper has set out in broad outline the new approach to training and enterprise creation which the Government are proposing to pursue over the next few years. The proposals offer:

- delivery of training and enterprise creation in terms of a true partnership with the private sector;

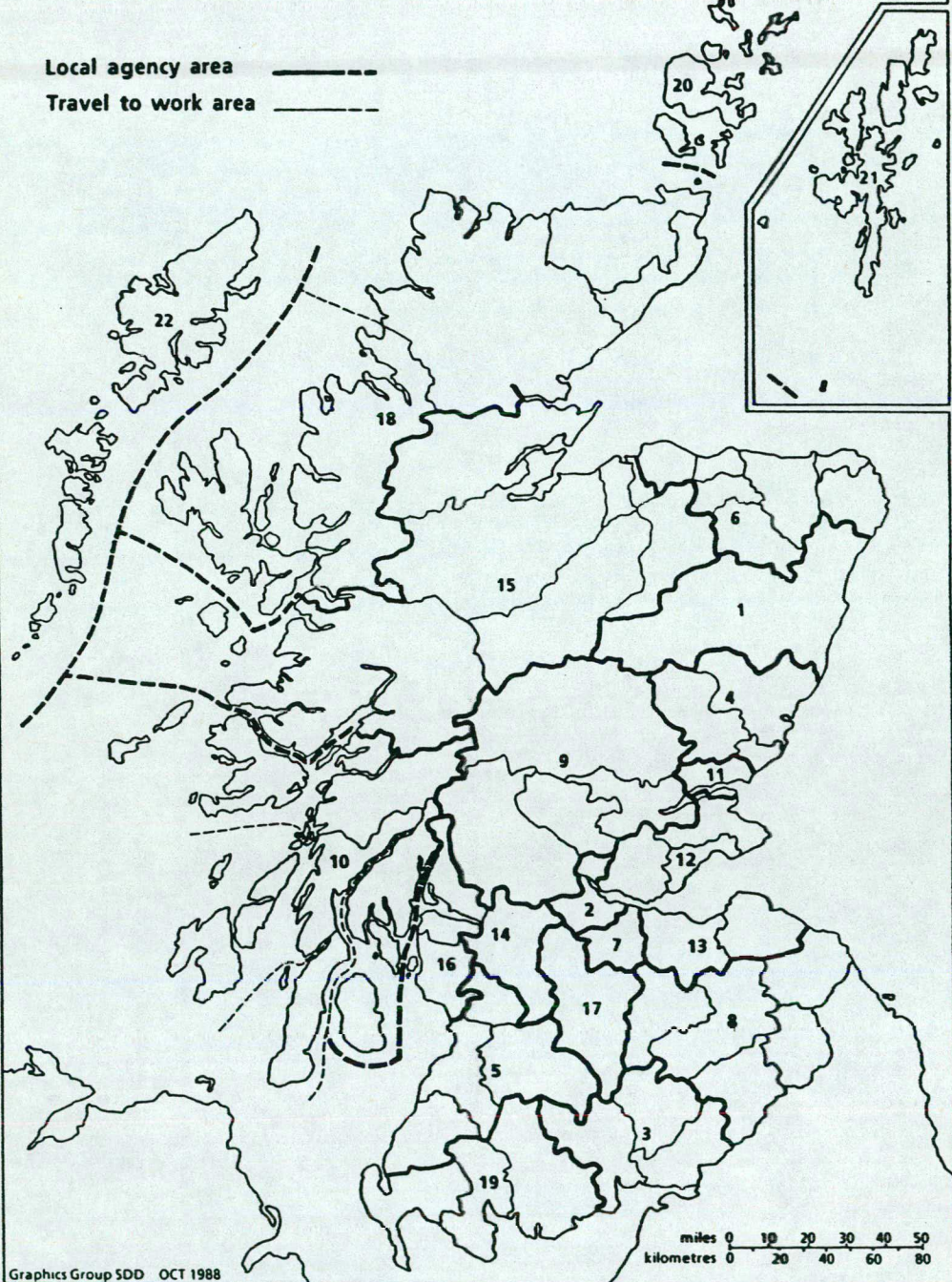
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- encouragement for the private sector to take on a greater **responsibility** for training;
- stimulation of a sense of **local ownership**;
- creation of a more effectively **market-driven** system;
- greater **flexibility** of response to local needs;
- encouragement of **diversity** of approach;
- focus on **outputs and their effectiveness rather than inputs**;
- greater **coherence** of instruments at local level.

The Government have been encouraged by the generally positive reaction already given in Scotland to these ideas. In this White Paper, the Government hope to have provided a basis for fuller discussion throughout the Scottish community, so as to arrive at the best possible set of proposals in the context of distinctive Scottish circumstances.

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Proposed Network of Local Agency Areas in Scotland



COMMENTARY ON ANNEX A

Area Structure based on the amalgamation of Travel-to-Work Areas (TTWAs)

The following 23 areas have been created with reference to the following criteria: population size; economic structure; and territorial sense.

1. Aberdeen: population 282,000. In terms of population size the Aberdeen TTWA could qualify as a single area; moreover, the dominance of the economy by the oil and gas sector is a powerful economic argument in favour of retaining Aberdeen as an individual unit.
2. Alloa, Falkirk: population 206,000. These areas have a similar economic and population structure: manufacturing industry is over represented; service industry is under represented; the area is densely populated; it has a younger age structure than the Scottish average.
3. Annan, Dumfries, Lockerbie: population 84,500. A marked dependence upon dairy farming and milk processing characterise the employment structure of these areas; Dumfries supplies the area with services.
4. Arbroath, Forfar, Brechin and Montrose: population 90,000. A well diversified employment structure in which manufacturing is over represented and services under represented vis a vis Scotland as a whole is the rationale for grouping these areas.
5. Ayr, Girvan, Cumnock and Sanquhar, Kilmarnock: population 244,000. These TTWAs show an over-representation of manufacturing industry, especially Girvan, Cumnock and Kilmarnock: Ayr acts as a service supply centre for the wider area.
6. Banff, Buckie, Fraserburgh, Huntly, part of Keith, part of Elgin, Peterhead: population [150,000]. Employment in these areas is heavily dependent upon the primary sector or manufacturing industries using primary sector inputs eg food (mainly fish) processing; spirit distilling and compounding.
7. Bathgate: population 125,500. The broad structure of employment in the area is very close to that of Scotland as a whole, marking the Bathgate TTWA out from the surrounding area.
8. Berwickshire, Kelso and Jedburgh, Galashiels, Hawick, Peebles: population 97,000. The Borders TTWAs all exhibit a heavy dependence upon the agricultural and textile industries: unemployment in these TTWAs at June this year was below the national average.
9. Blairgowrie and Pitlochry, Crieff, Perth, Stirling: population 181,000. Structurally these areas are very similar, featuring high primary and service employment: unemployment in all these TTWAs was below the national average at June this year.
10. Campbeltown, Oban, Islay/Mid Argyll, Dunoon and Bute: population 67,500. These are rural areas showing low population density; with a

high proportion of people aged over 65 in the community; and an employment structure concentrated in the primary and service sectors.

11. Dundee: population 196,000. Although the influence of jam, jute and journalism has declined, the economy retains a distinctive structure that marks it out as a single entity.

12. Dunfermline, Kirkcaldy, St Andrews: population 319,500. These TTWAs are grouped for reasons of "territorial sense": Dunfermline and Kirkcaldy have a different employment structure from St Andrews.

13. Edinburgh, Haddington: population 586,000. Haddington draws a large proportion of its services from Edinburgh; both areas are under represented vis a vis Scotland as a whole in terms of manufacturing.

14. Glasgow, Dumbarton: population 1,404,000. These 2 areas show a near identical employment structure: both areas experienced a level of unemployment above the national average at June this year.

15. Inverness, Lochaber, Invergordon and Dingwall, Badenoch, Forres, part of Elgin, part of Keith: population [161,000]. The structure of these areas is typified by low manufacturing employment and high construction and service employment.

16. Irvine, Greenock: population 245,000. These areas are distinguished by a similar employment structure: both exhibit a very high rate of unemployment.

17. Lanarkshire: population 424,000. The size of the population; an industrial structure in which manufacturing industry is over represented; and to which services are drawn from Glasgow mark the area out as a single entity.

18. Skye and Wester Ross, Sutherland, Thurso, Wick: population 55,000. These TTWAs show a typical rural structure: very sparsely populated; very low manufacturing employment; high primary, service and construction employment.

19. Stranraer, Newton Stewart, Stewartry: population 52,000. These areas are sparsely populated with a low proportion of people aged over 65; employment in these areas is heavily dependent upon agriculture - mainly dairying; and manufacturing - mainly milk processing.

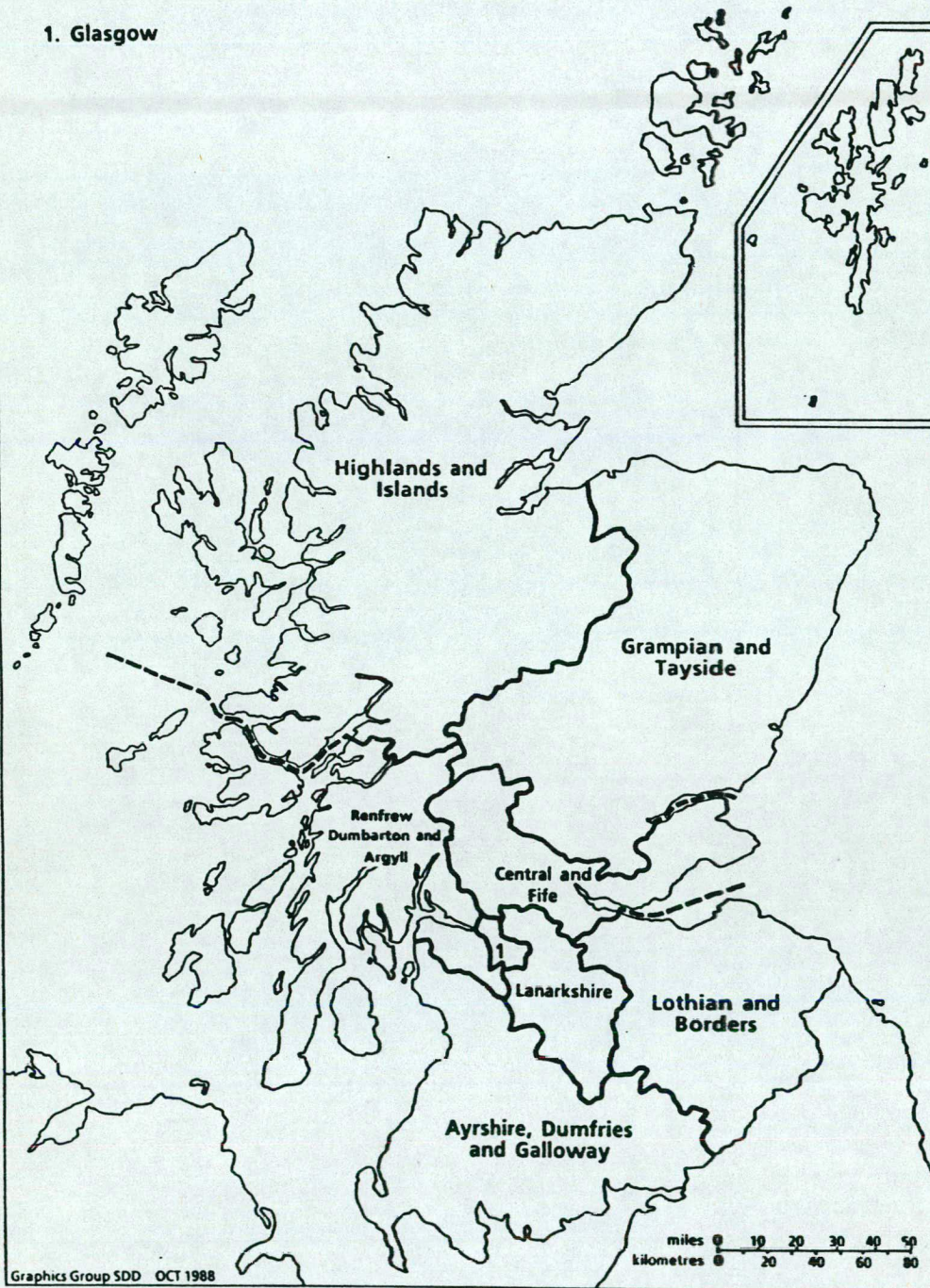
20. Orkney: population 18,500. The area constitutes a distinct geographical entity.

21. Shetland: population 23,000. The area constitutes a distinct geographical entity.

22. Western Isles: population 31,000. The area constitutes a distinct geographical entity.

Training Agency Areas in Scotland

1. Glasgow



THE TRAINING AGENCY

1. The origins of the Training Agency lie in the establishment of the Manpower Services Commission (MSC) in January 1974. The MSC was set up under the Employment and Training Act 1973 (subsequently amended by the Employment Act 1988) and given responsibility throughout Great Britain for implementing a range of policies in the employment and training services fields. In October 1987 the MSC's Jobcentre network and related programmes (Restart, Jobclubs, Enterprise Allowance Scheme, Professional and Executive Recruitment and services for disabled people) were transferred to a new Employment Service set up as part of the Department of Employment, allowing the MSC - subsequently renamed the Training Commission - to concentrate on training. In September 1988 the Secretary of State for Employment took the functions of the Commission back into the Department of Employment and its work is now carried out from within the Department by the Training Agency.

2. The Secretary of State for Employment has overall responsibility for the Training Agency and training policy, but the Secretary of State for Scotland approves the Training Agency's annual plan for programmes in Scotland and has responsibility for the operations of the Agency in Scotland.

3. The Training Agency's aim is to contribute to efforts to improve UK competitiveness by providing programmes of assessment, rehabilitation, education and training which will:

- foster the creation of a better trained, more adaptable workforce;
- assist back into the labour market those people who have been out of work for a long time or who because of their sex, ethnic origin or disability have difficulty in obtaining suitable work or training.

4. The objectives of the Training Agency are:

- to encourage the development of a skilled and adaptable workforce by giving young people a better preparation for work, enabling adults to obtain, retain and update the skills they and employers need, and giving everyone the opportunity to develop their full potential vocational competence;
- to improve the delivery of training in their own programmes and in the training market as a whole;
- to provide training programmes to help those who have been out of work for a long time compete more effectively in the jobs market;
- to implement the Government's guarantees of:
 - a place on the Youth Training Scheme for every young person aged 16 and 17 who wishes one;
 - a place on Employment Training for everyone between 18 and 24 who has been unemployed for over 6 months;

and to work towards the aim of providing a place on Employment Training for all those under 50 who have been unemployed for more than 2 years.

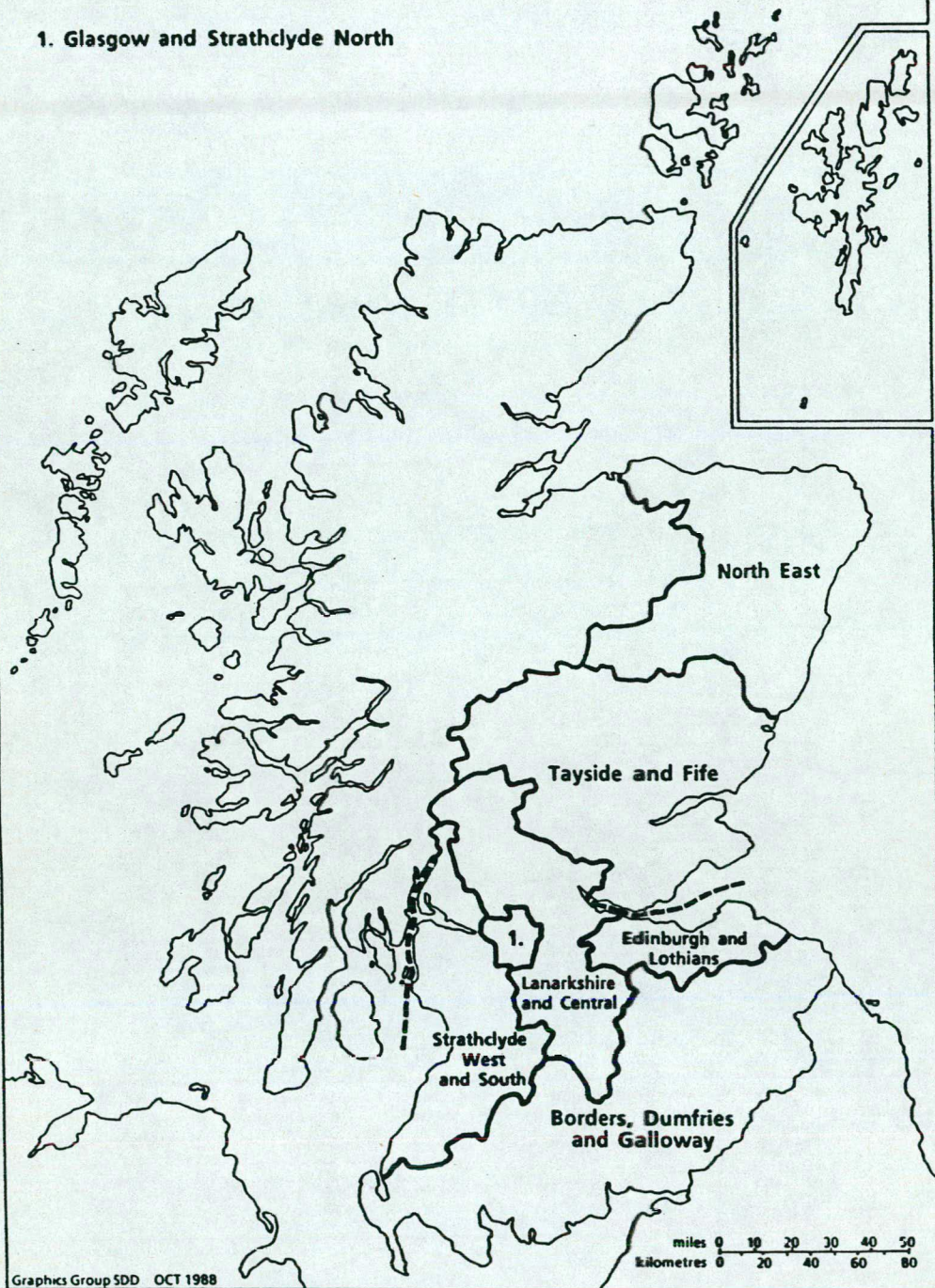
5. The Training Agency's main programmes are:

- for school pupils, the Technical and Vocational Initiative (TVEI). Funding is provided to education authorities to stimulate the provision of technical and vocational education for young people across the whole ability range. Expenditure in Scotland is now almost £10m a year.
- for 16 and 17 year olds, the Youth Training Scheme (YTS). YTS offers a 2 year (1 year for 17 year olds) programme of high quality integrated training and practical work experience, leading to vocational qualifications and designed to give school leavers a range of transferable skills to enable them to compete more effectively in the market place. Expenditure in Scotland is now about £115m a year.
- for unemployed adults, Employment Training. Launched in September 1988 to replace the Community Programme and a range of other adult training programmes for the unemployed, Employment Training offers up to 12 months training for those who have been unemployed for more than 6 months. It includes off the job directed training and practical training with employers, voluntary organisations and other agencies. Expenditure in Scotland will be around £175m a year.
- for employers and employed adults, a range of consultancy and training assistance programmes including the Business Enterprise Programme, Consultancy Grants, Local Collaborative Projects, Local Employer Networks, Local Training Grants for Employers, Open Learning and Training for Enterprise. Expenditure in Scotland is over £22m a year.

6. The Training Agency has a staff of 750 in the Office for Scotland (located in Edinburgh) and 8 Area Offices throughout Scotland. The annual Scottish budget is some £330m.

Scottish Development Agency Regions

1. Glasgow and Strathclyde North



SCOTTISH DEVELOPMENT AGENCY

1. The Scottish Development Agency commenced operations in December 1975. Its statutory purposes are:-

- a. furthering economic development including the provision, maintenance or safeguarding of employment;
- b. the promotion of industrial efficiency and international competitiveness; and
- c. furthering the improvement of the environment.

In order to achieve these purposes, the Agency can undertake a wide range of functions, including:

- i. the provision of finance for industrial undertakings;
- ii. the provision of sites and premises for industrial undertakings;
- iii. the management of sites and premises;
- iv. undertaking the development and improvement of the environment;
- v. bringing derelict land into use;
- vi. promoting private ownership by the disposal of securities and property held by it.

2. The Agency is based in Glasgow and has 7 regional offices which cover all of Scotland outside the area covered by the Highlands and Islands Development Board. (See the attached map.) It currently employs just under 700 staff of whom over a third are based in the regional offices.

3. The Agency's total expenditure for 1988-89 is £146.6m of which it is estimated that:-

£31.9m will be spent on the provision of sites and premises;

£48.9m will be spent on urban renewal and the environmental improvement of Scotland;

£18.0m will be spent on advising and informing companies;

£26.9m will be spent on financing companies and projects;

£9.2m will be spent on attracting companies to Scotland; and

£11.7m will be spent on other development projects.

The Agency's business receipts will be £48.6m, including receipts from the sale of assets.

4. The Agency is Scotland's biggest industrial landlord owing some 17 million square feet of buildings in over 200 locations let to just under

1900 tenants employing about 44,000 people. It has commercial investments in 124 companies made at a cost of over £22m. Since 1979 it has cleared over 16,000 acres of derelict land. Since 1975 it has spent over £1 billion in total.

HIGHLANDS AND ISLANDS DEVELOPMENT BOARD

1. The Highlands and Islands Development Board was set up in 1965 as a territorial development agency with the broad aim of improving economic and social conditions in the Highlands and Islands. The area was originally defined as the 7 former crofting counties of Argyll, Inverness, Ross & Cromarty, Sutherland, Caithness, Orkney and Zetland. It has since been extended to cover Arran, Bute and the Cumbraes, Nairn and part of Moray District.

2. The Board was established by the Highlands and Islands Development (Scotland) Act 1965 "for the purpose of assisting the people of the Highlands and Islands to improve their economic and social conditions and of enabling the Highlands and Islands to play a more effective part in the economic and social development of the nation". The Board was given the general function of "preparing, concerting, promoting, assisting and undertaking measures for the economic and social development of the Highlands".

3. The Board's functions are as follows:-

Financial assistance to economic projects. The Board gives financial assistance to economic projects in the manufacturing, tourism, land and fisheries sectors in the form of equity, loans or grant. The Board support projects which in its view will contribute to the economic and social development of its area, will improve employment opportunities in the area and are potentially viable;

Site preparation and factory provision. The Board builds advanced factories and bespoke units as part of its programme to support economic development in its area;

Marketing. The Board undertakes a range of marketing programmes. Its activities include marketing the area as a destination for visitors and as a location for investment, marketing the products of the area, and marketing the functions and services of the Board itself;

Advisory services and training. The Board provides advisory services through its own staff (Management Unit) and also operates a Business Counselling Scheme (advice to small businesses from people with business experience). It acts as the Government's agency for the delivery of the Better Business Services scheme and the DTI's Enterprise Initiative. The Board in its training role aims to identify and assist in filling specific gaps in training provisions;

Project development. The Board is involved in the development of specific proposals or projects for improving the economy of the area, focusing in particular on the land, fisheries, manufacturing and tourism sectors; and

Social development. The Board gives grants for social development purposes, for example village halls and leisure and recreation activities. It also supports certain community-based projects and the development of the gaelic language.

4. The Government has the following objectives for the Board:-

- (1) To assist in the creation of a viable and self-sustaining economy and society both in the area as a whole and at the local level within the area;
 - (2) to encourage initiative and enterprise amongst the residents of the area;
 - (3) To help stabilise the level and improve the structure of the population throughout the area;
 - (4) To promote economic diversification in all parts of this area;
 - (5) To foster the increased involvement of the private sector in the development of the area and to withdraw from activities where public intervention is no longer necessary and dispose of assets wherever possible;
 - (6) To advise Ministers on the opportunities for development in the Highlands and Islands and any constraints to development.
5. The Board has in turn defined 5 primary objectives as follows:-
- (1) To increase employment opportunities;
 - (2) To increase incomes;
 - (3) To retain population, especially in areas where reduced levels would put community services at risk;
 - (4) Support business development which will, in the longer term, enable the Highlands and Islands to make a greater contribution to the national economy; and
 - (5) To improve the quality of social and community life.
6. Financial resources available to the HIDB in 1988-89 are £43.1m made up of £31.6m direct grant-in-aid from Government and £11.5m receipts.
7. The Board's headquarters are in Inverness with 14 area offices spread throughout the Board's territory.
8. The Scottish Development Agency also operates within the HIDB area in three ways. The Agency uses its environmental powers to, for example, clear and improve derelict land sites and prepare land for economic development. The Agency can also provide financial assistance for infrastructure to prepare the way for economic development. These powers are not available to HIDB. The Agency can also combine with HIDB to assist individual economic projects in the provision of financial assistance and factories.

Chancellor

MG

Sir Peter Middleton

Mr Anson

Dame Anne Mueller

Mr Monck

Mrs Case

Mr C W Kelly

Mr Burgner

Mr G Jordan

Mr Burr

Mr Meyrick

Mr Knight

Mr Call



000567

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

22nd November 1988

Dear Norman,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

I have seen the draft White Paper enclosed with your minute of 14 November to the Prime Minister.

We have a number of comments, most of which my officials will let yours have separately. The draft does however raise a few significant issues with which I deal in this letter.

As regards the proposed Training and Enterprise Councils, I thought that the draft needed to be clearer as to where the initiative would lie. The language of paragraph 6.9 is perhaps more appropriate to a system under which TECs were constituted by Government, with members appointed by the Government. As I understand it that is not your intention, and I think that the White Paper will therefore need to make clear that the initiative in putting prospective TECs together will lie with employers. Against that background, it will need to explain how the Government would exert any desired influence over the composition of TECs. This would, I assume, stop short of, for example, Government appointment of educational or trade union members, as might I think be inferred from paragraph 6.9.

On the staffing of TECs, I think that further thought needs to be given to what is said in paragraph 6.13. Short of legislation, I am aware of no mechanism for transferring Civil Servants to the TECs except as volunteers. There clearly is a risk that the successful operation of the TECs could be jeopardised if insufficient volunteers were forthcoming. Any question of inducements or reassurances to encourage volunteers could also raise obvious difficulties. I think that we need to be clear how you would propose to handle this aspect

of the matter, so that we have a reasonable assurance that a problems can be satisfactorily overcome before going ahead. We can then consider what might be said in the White Paper.

More generally, I welcome the reference in the draft to the role of TECs in generating more private investment in training. But I am also interested in the implications for public expenditure on training. The need to shift responsibility for the cost of training from Government to employers was emphasised in discussion in E(A) some weeks ago. I recognise that you will not want to present this point in a way which might lead employers to see participation in TECs as a potential financial burden. But it is nevertheless important that the general points should be made in the White Paper. It could for example be included at the end of paragraph 5.1, in the following terms:

"This is in addition to the £3 billion spent by Government, mainly on the unemployed and young people. As unemployment falls the level of Government funding can also be expected to adjust, but it will be important for employers and individuals to accept a correspondingly increased responsibility for the training of those in work."

"Meanwhile" could then be added at the beginning of the following paragraph.

I thought that Chapter 7 of the draft White Paper went further than we had gone before on policies for youth training. The first indent of paragraph 7.2 cannot be right in referring to a recognised vocational qualification for every young person, since that clearly does not apply, for example, to those going into higher education. I see no reason for any broader statement here than we have already made. As regards the Youth Training Scheme I welcome the reference to the need for employers to assume a fuller share of the costs. But I think that we need to go further than that and recognise that the role of YTS needs to be rethought in the light of the rapidly changing youth labour market and, indeed, of the reductions made in the last Survey. In advance of such a review, I do not think that the draft should imply an unchanged, let alone expanding, role for YTS. Nor do I think that the YTS guarantee should be restated in the terms of paragraph 7.13 of the draft. This goes further than the Manifesto in giving a clear implication that the YTS guarantee will continue beyond the end of the present Parliament. I do not think that we should slip into making that assumption, let alone committing ourselves to it, given that the very different youth labour market of the early 1990s may well call for different approaches.

Finally, as you know I had doubts about pressing ahead with national TVEI coverage in the absence of proper evaluation evidence, and I would like to see that evidence before we include the target at the end of paragraph 7.5 in the White Paper.

There are of course a number of issues on the TECs on which further work is needed, though not directly affecting the White

SECRET

Paper. These include the questions of accountability and monitoring which were mentioned at the E(A) discussion. We shall need to give these early attention.

I am copying this letter to the Prime Minister and to Cabinet colleagues.

Yours Ever,
John
JOHN MAJOR



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REC.	22 NOV 1988
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TO	

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Norman Fowler MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

22 November 1988

Dear Secretary of State

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

You sent me a copy of this draft White Paper under cover of your note of 14 November to the Prime Minister.

I welcome the proposals you have put forward and have only presentational points to raise.

Firstly, it seems to me that the draft misses the opportunity to draw attention to the increased emphasis we are giving to employment creating economic initiatives in inner city locations. The White Paper touches on these aspects at several points without, often, being very explicit. Appropriate references would improve read-across to other related policies.

In paragraph 4.12 of the draft reference is made to the Local Government Act 1988. As it stands, I think that it suggests too strongly that the aim of contracting out is to achieve lower pay in local government. I suggest that the last three sentences be replaced by the following:

"Contracting out provides a very good example of the value of markets in ensuring that jobs go to those who can supply services at competitive costs. In local government, for example, pay bargaining will in future have to take place within the context of the Local Government Act 1988, under which those who currently provide a range of existing local authority services will have to compete, on price and quality, with outside contractors."

Copies of this letter go to the Prime Minister and Cabinet colleagues.

Yours sincerely

PPA
NICHOLAS RIDLEY

(Approved by Mr Ridley & signed)



CH/EXCHEQUER	
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QUEEN ANNE'S GATE LONDON SW1H 9AT

22 November 1988

Dear Norman,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Thank you for copying to me your minute of 14 November to the Prime Minister with a copy of the White Paper. I have read the proposals with considerable interest, in particular those concerning the future position of vocational training. It fits our general approach to individual responsibility that we should look to voluntary rather than statutory bodies as the main focus for training.

I welcome the stress laid on local partnership and on responsiveness to the circumstances of local communities in the proposals for Training and Enterprise Councils. Given this, I wonder whether it would not be right to include some local voluntary sector representatives on the Councils.

I hope, moreover, that as the Councils take over from the Training Agency the function of contracting with local providers of training they will not look solely to employers but will also be required to maintain the existing involvement of voluntary organisations in training provision. As you will know, I am concerned that the many worthwhile projects which the voluntary sector has provided under the Community Programme should continue to exist under Employment Training. Work in the crime prevention field and with young offenders is of particular concern to me but I know that there are many schemes which provide services of benefit in other colleagues' areas of interest. I hope that the White Paper can say something on both these aspects.

I am glad that the paper recognises the increasing part that women and members of the ethnic minority communities will need to play in the labour force of the future and that it points out the positive advantages to employers of these sources of labour. We must not however forget the ethnic minority business sector, which is significant in many areas, and not only in the retailing and service sectors. It will, I think, be important to draw it in (for example to membership of TECs) and to remember ethnic minority communities when designing and marketing either training or support and consultancy services for the business sector. These communities should be enabled to make their contribution, through their labour, skills and enterprise. There is still evidence of discrimination: it is in the interest of the economy that we should use TECs influence to tackle it. Again, I hope that the White Paper might contain some reference to this.

The Rt Hon Norman Fowler, MP.

/over..

2.

The draft describes the work which is being done to secure new training and to develop enterprise, but it makes no specific reference to work which is being done to train women. Since women will continue to provide one of the main sources of recruitment and the need will be to ensure that they have the training both to fill non-traditional occupations and to return to work after taking time out of paid or full-time employment to bring up their children, I would like to see the White Paper set out some of the work that I know is being done in this area.

I should also like to suggest two small contributions to the survey of the labour market in the 1990s. Paragraph 2.9 might point out that skills among the ethnic minorities vary but the proportions with higher level qualifications and of the unskilled are both higher than average. And in paragraph 2.19 I would welcome a reference to the scope for increased voluntary activity - for being an active citizen - which changing work patterns will afford.

A copy of this letter goes to the Prime Minister, to other Cabinet colleagues and to Sir Robin Butler.

Y
lover,

Douglas.



SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
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SW1H 9NF

EXCHEQUER	
24 NOV 1988	
TO	CST

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✓24/11

22 November 1988

Secy Secretary of State,

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Thank you for copying to me your note of 14 November to the Prime Minister. As I indicated to you in my letter of 9 May, the dynamics of the labour market in Northern Ireland are different from those in Great Britain in a number of respects and I, therefore, appreciate the opportunity to comment on the implications for Northern Ireland of your proposals.

I would strongly endorse the draft White Paper's emphasis on encouraging business growth, and I should say that I am just as concerned to strengthen the Northern Ireland economy by creating a climate in which business and enterprise can flourish.

I also support in principle the proposed changes in the organisation of training in Great Britain while recognising that their application in Northern Ireland needs to take account of the different organisational arrangements which apply here. In April of this year the Government published a consultative document on the reorganisation of training in Northern Ireland. This proposed the amalgamation of the Department of Economic Development's training functions with those of the Northern Ireland Training

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Authority and the Industrial Training Boards into a single new organisation. I am pleased to say that the consultative document received a favourable response and I am now considering the development of the new organisation as a "Next Steps" Agency. I have no immediate plans to introduce Training and Enterprise Councils in view of the established and successful position of our small business agency which is responsible for enterprise development and which more recently has acquired enterprise training responsibilities. Nevertheless, I would fully intend to reflect the draft White Paper's intention to involve employers at the local level and to sub-contract responsibility for delivering training to locally based managing agents wherever possible.

On the proposed changes to unemployment benefit, it will, of course, be necessary to maintain parity in the rules for the receipt of this benefit. This will include the requirement to ensure that claimants are actively seeking work. However, I should point out that the effectiveness of these measures in Northern Ireland may be restricted by the diverging labour market and demographic trends, between here and Great Britain. For example, while you expect a decline in the under 25 labour force of 20% between 1987 and 1995, the decline in Northern Ireland would only be 13%. Unemployment in Great Britain has fallen at over twice, and long-term unemployment by over 20 times, the rate of decline in Northern Ireland. The level of vacancies relative to the scale of unemployment is a quarter of that in Great Britain, and the population of working age will increase in Northern Ireland by almost 9 times the rate of that in the rest of the UK.

It has not been possible to provide the necessary resources this year to set up a network of Claimant Advisers in Northern Ireland. This may affect the pace with which some of the proposed changes in benefit rules can be implemented.

I note that your officials are liaising with Malcolm Rifkind's office in relation to a parallel document for Scotland. I would be most interested to see a copy of this. I think it is most important that the White Paper also contains a paragraph indicating in general terms its implications for Northern Ireland. I have asked officials of the Department of Economic Development to liaise with yours on this point.

I am copying this to the Prime Minister and Cabinet colleagues.

Yours sincerely
Jennie Murphy

PP TK

(Approved by the Secretary of State
and signed in his absence)

dti

the department for Enterprise

SECRET

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon Norman Fowler MP
Secretary of State
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Direct line 215 5147
Our ref
Your ref
Date 23 November 1988

DRAFT WHITE PAPER ON BARRIERS TO EMPLOYMENT

Thank you for sending me a copy of the draft White Paper. David Young is replying on behalf of the Department of Trade and Industry, but I have some comments to make in my capacity as Inner Cities co-ordinating Minister.

Many of the proposals set out in the draft will be of specific benefit to inner cities and will strengthen the Action for Cities initiative and thus I welcome them. I think it important that this is brought out more strongly in the text by referring specifically to the inner city dimension where this is appropriate. This would demonstrate that in drawing up its training and employment policies the Government has taken account of the particular problems of the inner cities. And it would usefully underline the Government's commitment to tackling inner city regeneration.

The draft rightly talks of the problems of labour shortages in coming years. I believe it would be helpful to introduce an explicit recognition of the potential of the inner city labour market and the way in which Government policies are designed to reach this market.



the department for Enterprise

In your letter to me of 20 October about Training and Enterprise Councils you referred to the valuable opportunity the establishment of TECs will provide 'to take special account of the training needs of inner city residents and employers as well as promoting the growth of enterprise and business in our cities'. A reference to this in Chapter 6 of the draft would be helpful.

I leave it to you to decide where best to include further references to inner cities. There are a number of possibilities such as paragraphs 2.8, 2.9, 5.8, 5.9, 7.10 and 7.11. The essential point is to ensure that the White Paper makes clear that the new proposals support and strengthen our policies for the inner cities.

I am copying this letter to Cabinet colleagues.

A handwritten signature in black ink, appearing to read 'Tony Newton'. The signature is stylized and includes a small 'ew.' above the 'y'.

TONY NEWTON

FROM: J S HIBBERD
DATE: 25 NOVEMBER 1988

CHANCELLOR

Ch / prefer to stay out of it?
OK shift

cc: Sir T Burns
Mr Monck
Mr Odling-Smee
Mr Riley
Mr Sedgwick
Mr Meyrick
Mr O'Brien

LOCAL AREA UNEMPLOYMENT RATES

Norman Fowler's letter to Peter Walker of 17 November outlines a proposal to change the presentation of statistics on local area unemployment rates. At present, national and standard region unemployment rates are calculated as a percentage of the workforce, which includes employees, self-employed, trainees and the unemployed. But below the standard regions, at local area level, the rates are calculated as a percentage of employees plus unemployed. This is because of the difficulty in getting reliable estimates of the self-employed below standard region level.

2. The proposal is to rectify this inconsistency by making allowances for self-employment and trainees by local area. The effect on the calculated rates is to lower them, in some cases (as in the Welsh areas of Mr Walker's concern) quite significantly. But because of the uncertainty surrounding the accuracy of these allowances, the present calculation will be retained, and the new figures placed alongside the old ones. This should counter any hostility from outside commentators about yet another (albeit reasonable) change to labour market statistics.

3. A move to make unemployment rate calculations consistent across areas seems sensible and commands agreement. But Peter Walker has expressed concern about the accuracy of the self-employment allowances. He would prefer to delay the move until 1990, when more reliable data becomes available. Norman Fowler counters by suggesting that now is a good time to make the change with falling unemployment providing a favourable climate.

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4. Norman Fowler's suggestion of presenting two series for the same concept is a little unwieldy. It could lead to some presentational problems in briefing and the like. But if he and his Department are content with this, there seems no additional cause for concern here. On balance there seems no need for you to intervene except, if you wish, to write to Norman Fowler expressing your agreement. The attached draft might suit.

Jim Hibberd

J S HIBBERD


DRAFT LETTER FROM CHANCELLOR
TO NORMAN FOWLER

pl type
up
since

LOCAL AREA UNEMPLOYMENT RATES

I note from your letter of 15 November to Peter Walker, that you propose a change in the presentation of statistics on local area unemployment rates. I can understand Peter Walker's concern about the publication of rates based on an allowance for self-employment by area, which may be relatively imprecise. But I can also see the force of your points on maintaining consistency of calculations across the geographic breakdown, and that the provision of unemployment rates on both bases will provide a choice to those who desire it. I am thus in agreement with your proposal, ~~and anticipate~~ switching over entirely to the new basis of calculation when more reliable data becomes available in 1990.

to make no change now


CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

MP

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

CH/EXCHEQUER	
REC.	29 NOV 1988
ACTION	CST
COPIES TO	

Horse Guards Road
 London SW1P 3AL
 Telephone: (01)-270 5929

C88/5836

Rt Hon Malcolm Rifkind QC MP
 Secretary of State for Scotland
 Dover House
 Whitehall
 LONDON
 SW1A 2AU

25 November 1988

Jean Malcolm

DRAFT WHITE PAPER ON SCOTTISH ENTERPRISE

You copied to me your minute of 21 November to the Prime Minister enclosing a copy of the draft White Paper.

Naturally, your draft raises issues similar to those arising from the draft circulated by Norman Fowler on 14 November on which I commented in my letter to him of 18 November. In particular, I see benefits in Scottish Enterprise (if not you yourself) having some control over appointments to the local agencies.

As they stand, your proposals raise a question about the status of the ex-Training Agency staff after the passage of the legislation to create Scottish Enterprise. Will these staff then retain civil service status or not? If not, as would normally be the case for staff of executive NDPBs, this may have implications for the basis on which they would (in the language of paragraph 5.19) be "made available" to the local agencies. It would certainly have implications for the terms of any assurances you and Norman Fowler may want to give to Training Agency staff about their future position.

I welcome the emphasis in your proposals on a clear framework for both Scottish Enterprise and the local agencies, which fits in well with the general "Next Steps" approach even though these bodies will not be within Government. I also note that you emphasise the benefits of integrating training and enterprise support functions (ex-SDA) under the single roof of Scottish Enterprise. This may provoke questions about the lack of similar arrangements in England and Wales; and also questions of why a quango is needed to deliver them in Scotland, but not in England and Wales. Part of the answer ought to be that a Next Steps Agency will deliver broadly similar results in England and Wales,

but this is a point to be borne in mind in finalising and presenting both White Papers.

I also note that you envisage as many as 23 local agencies in Scotland, in many cases covering a much smaller population than their English counterparts. The White Paper explains why this may have to be so, but such small catchments must surely impose a significant handicap in attracting sufficient numbers of enthusiastic and high calibre businessmen as Board members.

I am copying this letter to the Prime Minister and other Cabinet members, and to Sir Robin Butler.

RICHARD LUCE

Richard Luce

CONFIDENTIAL

~~HP~~FROM: T U BURGNER
DATE: 25 NOVEMBER 1988

CHIEF SECRETARY

cc

Chancellor
Paymaster General
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr Turnbull
Mr Luce
Mr Kelly
Mr Jordan
Mr Meyrick
Mr Burr
Mr Waller
Mr Knight
Mr Call~~BF 2874~~~~BF~~ MP

DRAFT WHITE PAPER ON SCOTTISH ENTERPRISE

1. Mr Rifkind's minute of 21 November to the Prime Minister seeks comments on this draft of his White Paper. This is the parallel document to the one circulated by Mr Fowler a few days ago and his plan is to publish the day after Mr Fowler. Comments are sought by Monday, 28 November.

2. In general, mainly because it deals with a more limited area (the creation of Scottish Enterprise and the setting up of TECs) this White Paper has a firmer structure and the main themes which Mr Rifkind refers to in his covering minute emerge more clearly. However there remain a few points which it would be worthwhile your raising. These are described below.

(i) Role of the Private Sector

The White Paper does not give a very clear signal that the Government expects the role of the private sector to increase and the public sector to withdraw progressively. The Scottish Office have added a Treasury - suggested sentence - at the end of 3.8. But this theme ought to be prominent in the first chapter (a possible place would be in 1.5).

(ii) Increased Funding for Training by Private Sector Companies

This point is made in a helpfully explicit way in paragraph 5.4 (4th indent) but ought also to figure near the beginning of chapter 3. A new sentence might be added at the end of paragraph 3.1 on the following lines:

"This in turn would lead naturally to greater participation by employers and individuals in the funding of training."

(iii) Highlands and Islands Development Board

Although E(A) agreed that the HIDB or at least a separate body of some kind should remain in existence (presumably for mainly political reasons), the arguments supporting this (in 6.5) are pretty thin. This part of the White Paper needs to be strengthened if it is to be convincing.

(iv) Staffing of TECs

In 5.19 Mr Rifkind uses language similar to Mr Fowler about making available to TECs the staff who currently serve in the STA and Training Agency in Scotland. This was a point on which you wrote to Mr Fowler pointing out that under existing legislation staff would have to volunteer to go to the TECs; and asking that further consideration should be given to the issue to ensure that there would be no problems about securing proper staffing for the TECs. We are in touch with DE officials about this. However you might remind Mr Rifkind that these points apply equally in his case.

(v) Funding of TECs

Paragraph 7.7 says that the Secretary of State for Scotland "will also provide the necessary resources [for TECs], consulting the Secretary of State for Employment in relation to the appropriate level of provision for training in Scotland in the light of national policy considerations." As you know there have

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been protracted bilateral discussions between Mr Fowler and Mr Rifkind to establish the proper demarcation of their respective functions in this area. They have made some progress but the matter is not yet altogether settled. We shall be putting up separate advice to you after the weekend once it is clear what line Mr Fowler is taking to Mr Rifkind's latest letter. This correspondence has not been widely copied and I suggest that only a brief reference is appropriate in this draft.

3. There are a number of other less important and drafting points on which we will write separately to Scottish Office officials.

TB

T U BURGNER

CONFIDENTIAL

DRAFT LETTER FROM CHIEF SECRETARY

TO: SECRETARY OF STATE FOR SCOTLAND

DRAFT WHITE PAPER ON SCOTTISH ENTERPRISE

I have seen the draft White Paper enclosed with your minute of 21 November to the Prime Minister.

There are a few matters on which I wish to comment. In addition we have some less important drafting points which my officials will let yours have separately.

My first point concerns the more prominent role that we want the private sector increasingly to play. This does not really emerge in the draft until the end of chapter 3 (see end of 3.8). It ought also to be clearly stated in chapter 1 which maps out the broad direction of future change. At present this is mainly described in terms of the greater local input by the private sector but not the direction of change towards a larger private sector and a reduced public sector role overall. Related to this is the increased funding of training by private sector companies. This is referred to in 5.4. But it would help to foreshadow the point in chapter 3 by adding the following sentence at the end of the first paragraph:

"this in turn would lead naturally to greater participation by employers and individuals in the funding of training".

A second main point concerns the continued existence of separate machinery for the Highlands and Islands. At present paragraph 6.5 which deals with this is not in my view particularly convincing. Given the apparent complexities of the suggested options which follows, it would help the presentation if the rationale of a separate approach to this region could be strengthened.

Finally there are two points concerning the TECs. First you will need to satisfy yourself that the staffing of the TECs can be successfully arranged drawing on SDA and Training Agency in Scotland staff on a voluntary basis, a point referred to in paragraph 5.19. My letter of 22 November to Norman Fowler dealt more fully with some of the considerations that bear on this question and I know he is giving this further consideration. The same points clearly apply to Scotland. Second, in describing the future arrangements (7.6-7.7) the Draft White Paper says that the Secretary of State for Scotland "will also provide the necessary resources, consulting the Secretary of State for Employment". The precise arrangements underlying these words are of course currently under discussion and I may need to write to you separately about this.

Copies of this letter go to the Prime Minister, to Cabinet colleagues, Richard Luce and Sir Robin Butler.

JM

SECRET



Caxton House Tothill Street London SW1H 9NF

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Switchboard 01-273 3000 Telex 915564
GTN Code 273 Facsimile 01-273 5124

Mr Ministers
PS/ Secretary
Mr Reid
Mr Dawe
Mr D. Russell
Mr Lightfoot
MP

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

25 November 1988

CH/EXCHEQUER	
REC.	25 NOV 1988
ACTION	CST
COPIES TO	

Dear Nick.

DRAFT WHITE PAPER ON EMPLOYMENT

Thank you for your letter of 22 November commenting on my draft White Paper.

I welcome your broad support for my proposals and am grateful for your suggestions for the draft, which I hope we can accept. In particular, your point drawing attention to the many economic initiatives in inner city locations is well made. I have received another helpful letter on this from Tony Newton which you will have seen.

Copies of this letter go to Cabinet colleagues.

Yours,

NORMAN FOWLER

SECRET

SECRET



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2735803.....
Switchboard 01-273 3000 Telex 915564
GTN Code 273 Facsimile 01-273 5124

The Rt Hon John Moore MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NS

25 November 1988

Dear John

DRAFT WHITE PAPER ON EMPLOYMENT

Thank you for your letter of 21 November commenting on my draft White Paper.

I welcome your support for my proposals and am particularly grateful for your help with the section on pensions. I hope to be able to take on board all your suggestions for redrafting.

Copies of this letter go to Cabinet colleagues.

Norman Fowler

NORMAN FOWLER

SECRET

SECRET



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2735803.....
Switchboard 01-273 3000 Telex 915564
GTN Code 273 Facsimile 01-273 5124

The Rt Hon John MacGregor MP
Minister of Agriculture Fisheries and Food
Ministry of Agriculture Fisheries and Food
Whitehall Place
LONDON
SW1A 2HH

25 November 1988

DRAFT WHITE PAPER ON EMPLOYMENT

Thank you for copying to me your minute of 21 November to the Prime Minister about my forthcoming White Paper.

I welcome your broad support for my proposals and am interested to see your provisional ideas about the future of agricultural training, particularly in the light of my related responsibilities for industry training organisations. I look forward to seeing your more detailed proposals in due course.

Copies of this letter go to Cabinet colleagues.

NORMAN FOWLER

SECRET

SECRET



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2735803.....
Switchboard 01-273 3000 Telex 915564
GTN Code 273 Facsimile 01-273 5124

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

25 November 1988

Dear Nick.

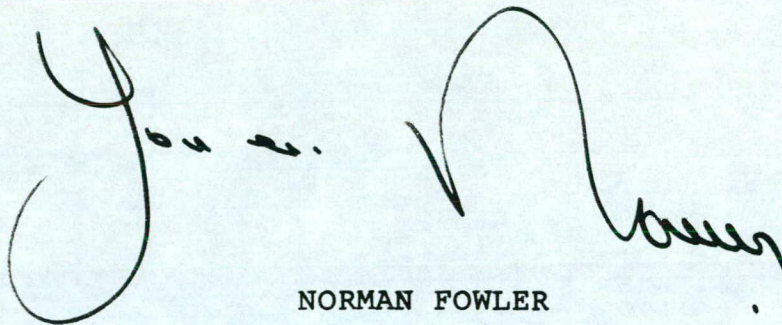
DRAFT WHITE PAPER ON EMPLOYMENT

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I welcome your broad support for my proposals and am grateful for your suggestions for the draft, which I hope we can accept. In particular, your point drawing attention to the many economic initiatives in inner city locations is well made. I have received another helpful letter on this from Tony Newton which you will have seen.

Copies of this letter go to Cabinet colleagues.

Yours,



NORMAN FOWLER

SECRET



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2735803.....
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The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Office of the Minister for the Civil Service
Whitehall
LONDON
SW1A 2AT

25 November 1988

DRAFT WHITE PAPER ON EMPLOYMENT

Thank you for your letter of 18 November about my draft White Paper.

I welcome your broad support for my proposals and am writing now to let you know how I propose to move forward on the points you raise.

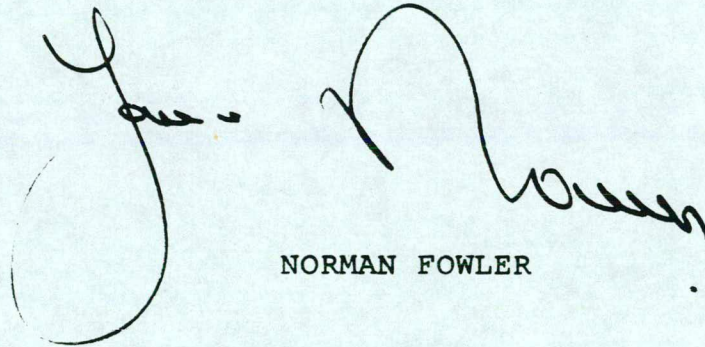
We have now amended our draft to indicate that the Training Agency will be considered as a candidate for executive agency status in the near future, in line with your suggestion.

Your officials and mine have discussed the important issue of staffing of the new Training and Enterprise Councils (TECs). I understand that they are in agreement on the principles involved, and the draft reflects this.



Finally, I well understand your point about the relationship between the TECs and Government. This is something that I have asked my officials to discuss carefully with yours in the context of agreeing the terms of the TEC prospectus which is to be issued at the end of January. Our officials agree that the White Paper draft as it stands is sufficiently robust on this point, and I would therefore propose to leave it as it stands.

Copies of this letter go to Cabinet colleagues.



NORMAN FOWLER



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2735803.....
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The Rt Hon Lord Young of Graffham
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 1-19 Victoria Street
 LONDON
 SW1H 0ET

21 November 1988

DRAFT WHITE PAPER ON EMPLOYMENT

Thank you for your letter of 21 November enclosing a copy of your minute to the Prime Minister about my forthcoming White Paper. I welcome your broad support for my proposals and am grateful for the drafting suggestions you have made, which I am asking my officials to consider. I am writing now to let you know how I plan to move forward on the substantive points you raised.

I am happy to amend the description of the TECs' training function as you suggest in order to make clearer their relationship with programmes for which the DTI and the DES are primarily responsible. I will ensure that the final text encompasses your point about clarifying the distinction between the TECs' functions relating to small firms and the role of the Enterprise Initiative and that, in doing so, it makes clear that DTI have a significant related interest.

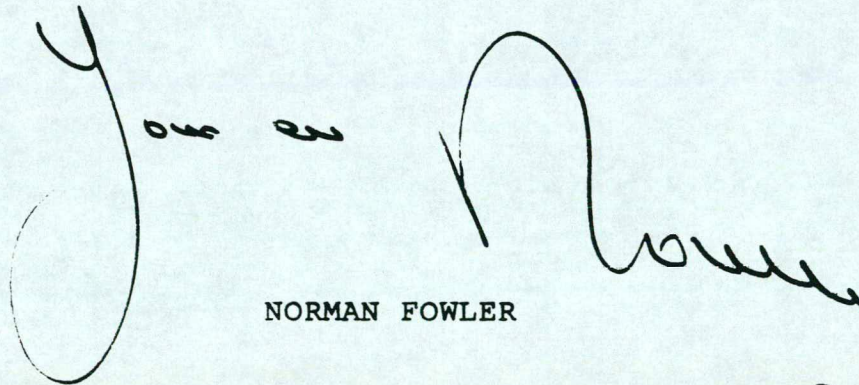
The White Paper will give a clear indication of the broad plans for the future of the ITBs but for tactical reasons concerned with our negotiations with certain of the ITBs I do not intend to be explicit about the timing.



You and I have already discussed the TEC name and have agreed that it should stand.

Finally, you suggested that Chapters 5, 6 and 7 of the draft should be reordered with a view to focusing more on skills. I will be making changes to the text which will improve the presentation - but without restructuring the White Paper.

I am copying this letter to other Cabinet colleagues.

A large, stylized handwritten signature in black ink, appearing to read 'Norman Fowler'. The signature is written in a cursive style with a large initial 'N' and 'F'.

NORMAN FOWLER

CST

- we need to send this letter asap

CST content 29/11

CONFIDENTIAL

tomorrow, ahead of Mr Fowler's

FROM: T J BURR
DATE: 28th November 1988

meeting with Mr Rifkind

CHIEF SECRETARY

cc Mr Anson
Mr Monck at 11 am.
Mr Burgner
Miss Peirson C
Mr Turnbull
Mr MacAuslan
Mr A M White
Mr Kalen
Mr Knight
Mr Call
Dr Spencer OMCS 610/23

SCOTTISH ENTERPRISE: FUTURE TRAINING ARRANGEMENTS IN SCOTLAND

1. As you are aware, discussions have been taking place between Mr Fowler and Mr Rifkind about responsibility for training policy and expenditure in Scotland once Scottish Enterprise has been set up.

2. Mr Fowler's objective in these discussions has been to make a reality of the "lead responsibility for developing national training policies in Great Britain" which E(A) agreed he should retain, and also to retain national responsibility for expenditure on training. You have supported him on the latter objective, since our assessment is that it will be easier to maintain pressure on the programme as unemployment falls if it is kept together under Mr Fowler as at present, than if some of the money gets into Scottish (or Welsh) hands.

3. On 16 November Mr Fowler wrote to Mr Rifkind proposing, among other things, that the PES provision for training should remain on his programme (although the corresponding Estimates provision would be routed through a Scottish Vote, as now, for the year immediately ahead). Mr Rifkind's reply of 21 November proposed, however, that while there should be a single discussion of training expenditure in the Survey, the agreed amount would then be broken down "by formula or by negotiation", and the Scottish component shown on the Scottish programme. Mr Walker has now also written, on 25 November, to propose a similar arrangement for Wales.

4. ~~In his reply of 25 November to Mr Rifkind, Mr Fowler argues that the money should remain on his PES programme, while preserving the present Vote arrangements. We recommend that you should continue supporting Mr Fowler.~~ Aside from the greater difficulty of controlling this expenditure if it is spread across three programmes, which is not an argument which you will want to use in writing to Mr Fowler, we think that there are good Treasury grounds for arguing against Mr Rifkind's's proposal. If the proposed post-Survey split between the three programmes were done by formula, we would be getting close to bringing this expenditure within the Scottish and Welsh blocks. With falling unemployment, the employment programme remains an area of relative over-provision. We hardly want to see this over-provision escape into the territorial blocks, from which it could not easily be extracted, and where it would add to existing over-provision. If on the other hand the provision were allocated by negotiation, the effect would be to add a potentially time consuming argument between Departments at a stage in the Survey when time is in any case short.

5. There are a couple of other points in the correspondence, but we do not think that you need be concerned with these. The attached draft letter simply supports Mr Fowler on the PES point.



T J BURR

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URGENT

~~DRAFT LETTER~~

FROM: CHIEF SECRETARY
TO: MR FOWLER
COPIES: AS INDICATED

SCOTTISH ENTERPRISE: FUTURE TRAINING ARRANGEMENTS IN SCOTLAND

1. I have seen the correspondence which you have been having with Malcolm Rifkind on this subject, resting with your letter to him of 25 November. I have also seen Peter Walker's letter of the same date.

2. The aspect of this matter which particularly concerns me is, of course, the public expenditure arrangements. It seems to be common ground that there will be a single PES negotiation on training expenditure for Great Britain, and I am sure that this is right. Malcolm has however proposed, with support from Peter Walker, that the agreed total should then be broken down to show separate territorial elements, with the Scottish and Welsh components being shown on their programmes in the public expenditure White Paper.

3. I very much share your misgivings about such an arrangement. If we are agreed that the provision should be settled on a national basis, the presumption must be that we show it on a national basis. Otherwise we risk confusing Parliament and others about the nature of the PES decisions in this area. Moreover, at a practical level, I am concerned about the implications of

roducing a further stage of negotiation between decisions on programmes, and the preparation of the Autumn Statement. If there were any difficulty in reaching agreement about the appropriate share for Scotland and Wales, that would tend to introduce delay at a key stage in the exercise.

4. For these reasons I favour a continuation of the present arrangements. These do of course include provision for the appropriate elements of expenditure to be shown on Scottish and Welsh Votes for the year ahead.

5. I am copying this letter to Malcolm Rifkind and Peter Walker, and to Sir Robin Butler.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

CH/EXCHEQUER	
REC.	28 NOV 1988
ACTION	CST
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28 November 1988

MP

Dear David,

DRAFT WHITE PAPER ON "SCOTTISH ENTERPRISE"

The Prime Minister was grateful for your Secretary of State's minute of 21 November and the enclosed draft of the White Paper on Scottish Enterprise. She has a number of comments.

The Prime Minister is concerned that at a number of points the drafting carries too much of a corporatist flavour. In particular the last sentence of paragraph 1.2 should carry the message that it is industry, not Government Agencies, that will drive Scotland's economy forward. The end of the second sentence of paragraph 5.3 might be redrafted. And the first sentence of paragraph 5.16 is difficult to reconcile with the original rationale behind the proposed changes; it does not seem necessary to single out local authorities for special mention.

Paragraph 5.5 seems to leave a major uncertainty as to how some of the existing functions of the SDA will be dealt with under the new arrangements; the Prime Minister thinks there would be advantage in making this more positive, with the presumption that these functions will be devolved to the local bodies.

The Prime Minister thinks that a further look should be taken at the drafting of paragraph 2.1, to ensure this contains a clear statement setting out the distinct roles of Government and employers in funding training, where the boundary between them lies, and how this is likely to alter as unemployment falls.

In commenting on the draft Department of Employment White Paper, the Prime Minister has already raised the point that the new local agencies should have the necessary flexibility to appoint staff other than those coming from the Training Agency. She thinks a similar passage should be included in this White Paper.

The Prime Minister has noted that paragraph 5.22 floats for the first time the idea that there might be two tiers of

local agency beneath Scottish Enterprise. She wonders to whom each tier would account and who are the regional directorates; and feels that, as the advantages of this approach are unclear, it seems unnecessarily complex and cumbersome.

Finally, the Prime Minister suggests a drafting change to paragraph 5.23. She thinks this would be better as:

"These proposals will allow - indeed positively encourage - response to local needs rather than central direction in how individual local agencies carry out their functions. There is much to be gained by providing for services to reflect local circumstances."

I am copying this letter to the Private Secretaries to members of the Cabinet, Eleanor Goodison (Office of the Minister for the Civil Service) and Trevor Woolley (Cabinet Office).

*Yours,
Paul*

PAUL GRAY

David Crawley, Esq.,
Scottish Office.

dti

the department for Enterprise

MP

CONFIDENTIAL

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
House of Commons
LONDON
SW1A 0AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

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01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

CH/EXCHEQUER	
REC.	28 NOV 1988
ACTION	CST
TO	

✓ 28/11

Direct line 215 5422
Our ref JW1AAE
Your ref
Date 28 November 1988

Dear Secretary of State,

DRAFT WHITE PAPER ON SCOTTISH ENTERPRISE

Thank you for sending me a copy of your minute of 21 November to the Prime Minister, and of the draft White Paper.

I support the new structure for the delivery of Government training and business support measures in Scotland, with the emphasis on involving the private sector at local level.

So far as training is concerned, the challenge in Scotland, as in the rest of the UK, will be to generate real enthusiasm in the private sector for the very big changes in attitudes and practice which are needed. It is a matter of judgement whether the mainly analytic tone of Chapter 3 of the draft is the approach most likely to succeed here.

I am concerned, as I was over similar proposals in Norman Fowler's White Paper, that the local agencies may view their remit as being more extensive than is realistic. I am sure you are right to seek a balance between local and central powers (para 5.3); one of the attractions of the SDA as a contractor to DTI for the Consultancy Initiatives lies in its ability to deliver centrally the Scottish element of a national scheme for which speed, cost effectiveness and consistency of administration are the keys to success. I attach two suggested additions to the text to help underline these points.

the
Enterprise
initiative

dti

the department for Enterprise

I am copying this letter to Cabinet colleagues, to Richard Luce and to Sir Robin Butler.

Yours sincerely

N. R. Tol

(approved by the Secretary of State
and signed in his absence)

CONFIDENTIAL

Suggested Additions to Draft White Paper on Scottish Enterprise

Chapter 2

After para 2.12

Other policies also help to promote and stimulate enterprise in Scotland, in particular the Enterprise Initiative, under which, for example, the Industry Department for Scotland is responsible for Regional Selective Assistance and Regional Enterprise Grants. In addition the Scottish Development Agency administers - on contract to DTI - the six Consultancy Initiatives which are designed to help firms improve their management skills.

Chapter 5

After para 5.4

Several of these functions involve a range of counselling which is complemented by the DTI Enterprise Initiative, under which help is available to small and medium sized firms in the form of assisted consultancy for the development of key management skills which are crucial to the improvement of competitiveness. A fully coordinated delivery of the Consultancy Initiatives is an important feature of their success in Scotland as elsewhere.

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QUEEN ANNE'S GATE LONDON SW1H 9AT

v28/11

28 November 1988

Dear Malcolm,

DRAFT WHITE PAPER ON SCOTTISH ENTERPRISE

Thank you for copying to me your minute of 21 November to the Prime Minister with a copy of the White Paper.

In my letter of 22 November, commenting on Norman's White Paper, I made some points about the involvement of the voluntary sector in the new arrangements and about the need to have regard to the part which is being and can be played by ethnic minorities in the workforce and in business. Those points are equally valid here and I am glad to see that you envisage voluntary sector representation both in Scottish Enterprise and in the local agencies you propose. I would welcome a more positive slant in relation to the ethnic minorities. In particular I fear that the listing of ethnic minorities among those who will need special help (paragraph 5.12) could reinforce the notion that each member of an ethnic minority poses a problem. I should prefer to see performance targets for the local agencies which require them:

- a) to ensure that their own and any contracted services provide equal opportunities for participants whatever their sex or race;
- and b) to meet the identified local training needs of those who require special help because of literacy/numeracy/English language problems, physical or mental disabilities and so on.

The White Paper refers to the fact that employers will have to look to women returning to the labour force to fill the vacancies left by the projected drop in the number of school leavers and, as I said in my comments on Barriers to Employment, I would like to see some reference to the positive work which is being done to train women to meet future needs.

The Rt Hon Malcolm Rifkind, QC, MP
Secretary of State for Scotland

CONFIDENTIAL



Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
5803

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Secretary of State

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ACTION	CST
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28/11

The Rt Hon John Major MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1

Dear John.

November 28

DRAFT WHITE PAPER ON EMPLOYMENT

Thank you for your letter of 22 November commenting on my draft White Paper. I am writing now to say how I plan to move forward on the points you raise.

My officials have discussed with yours and those in the Cabinet Office the relationship between the Training and Enterprise Councils (TECs) and the Government. We are aiming to handle this in the context of agreeing the terms of the TEC prospectus, which is to be issued at the end of January. Our officials agree that the draft on this is acceptable and I therefore propose to leave it as it stands. Similarly, your staff, mine and those at the Cabinet Office have discussed the issue of staffing for the TECs, and have agreed a way forward on this. You will understand why I do not wish to commit myself at this stage to detailed arrangements in the White Paper.

We have amended the section of the draft dealing with the future role of YTS in consultation with your officials. I believe that the text as it now stands will fully meet your concerns.

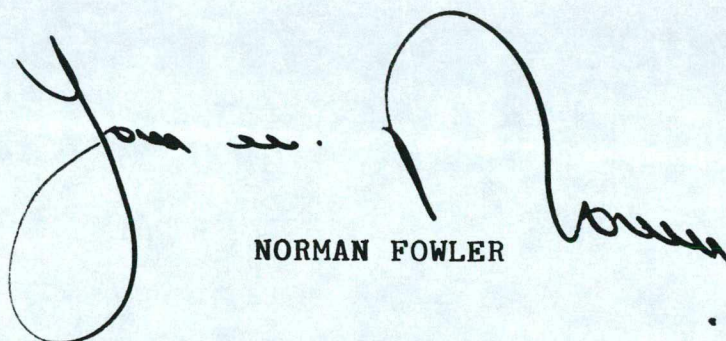
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I will ensure that the evaluation evidence on TVEI is with you as soon as possible.

Finally, we are grateful for the very helpful letter containing detailed drafting points received from your officials. These have been cleared in meetings and discussion between our officials.

Copies of this letter go to Cabinet colleagues.



NORMAN FOWLER



28/11/88

Handwritten notes and signatures

PRIME MINISTER

OK Chief Secs sent

*this to ... Burf
CX
Ser P.*

*Monck
Berger
Call*

DRAFT WHITE PAPER ON EMPLOYMENT

I enclose a revised version of my draft White Paper for consideration at E(A) Committee and Cabinet on 1 December, together with a covering minute. E(A) are considering a separate paper on Wages Councils on the same date.

The new draft reflects the many helpful suggestions I have received from colleagues. We have managed to resolve in correspondence or bilateral meetings all substantive issues though there are a few points of detail still to be agreed with Malcolm Rifkind and Peter Walker, though these will not affect the drafting of the White Paper.

The earlier draft did not contain details of my proposals on the National Training Task Force, the Skills Training Agency or Wages Councils, which were then still under discussion. The new version of the White Paper incorporates my proposals on these, and also highlights more clearly the central importance of training.

The new version of the White Paper also meets the points you raised via your Private Secretary's letter to mine on 21 November. I would rather not spell out in the White Paper the fine details on TECs. This will be done in the TEC prospectus to be published in January. This will make clear that TECs

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are to be free to appoint their own staff, spell out the accounting arrangements including incentives and sanctions, and describe how Councils will promote and direct more private sector investment in training.

My intention is still to publish on 5 December. Malcolm Rifkind plans to publish his White Paper on the handling of complementary issues in Scotland on the following day.

Copies of this letter and the new draft White Paper with its covering note go to Cabinet colleagues, Richard Luce and Sir Robin Butler.

A handwritten signature in black ink, appearing to be "NF" with a long horizontal stroke extending to the right.

NF

28 November 1988

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