

**ECONOMIC DEVELOPMENT AND TRAINING
THE ROLES OF SCOTTISH ENTERPRISE, HIGHLANDS AND
ISLANDS ENTERPRISE AND THE LOCAL ENTERPRISE
COMPANIES**

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INTRODUCTION

Scotland has a distinctive economic and business development system and an increasingly distinctive vocational training system. While aspects of this distinctiveness may be traced back to the 1970s or earlier, others are more recent. By the mid-1990s, the Scottish Office had acquired control over most of the key areas of policy and had its own institutions for policy implementation and development. Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) are unique institutions without direct parallel in other parts of the UK.

The development of SE and HIE has economic and historical dimensions. The institutional and policy development has occurred in the context of and been shaped by strong and consistent pressure to reassess and renew Scotland's relationship to the UK. The agencies may be seen both as mechanisms for implementing the Government's economic development

A draft of this paper was presented to a workshop at the Regional Studies Association Conference in Gothenberg in May. The authors would like to thank the workshop participants and Dr Alice Brown for helpful comments.

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strategy in Scotland, and as an attempt to respond to Scottish demands for more autonomy in this area of policy.

This paper sets out the key features in this process of historical development and outlines the emerging criticisms of contemporary economic development and training in Scotland. It raises questions concerning the two agencies and the constraints within which they operate.

REGIONAL POLICY DEVELOPMENTS TO 1979

It is important to acknowledge the influence of the wider economic environment and the nature of governmental responses to it. Throughout the earlier post-war period, concern was expressed as to the degree of divergence between the performance of the Scottish economy and that of the UK economy (McCrone 1993). This was particularly the case with respect to conventional economic indicators such as unemployment, inward investment and new firm formation. In general Scotland was said to be disadvantaged on all economic fronts (Ingham and Love 1983), and lagged behind the UK economy.

The underlying factors contributing to this position included: declining industrial competitiveness, a falling demand for Scottish products, an increasing demand for imported goods and services (Ingham and Love 1983), and a growing level of external ownership and control (Turok 1991). There can be no doubt that these features of economic divergence reflected Scotland's economic, urban and industrial history, its peripheral location and associated cost disadvantages. The general disadvantage of the Scottish economy was compounded by internal differentials between east and west, and between urban and rural periphery (Regional Studies Association 1983).

The conventional response to the lagging performance of the Scottish economy relative to the UK economic position was intervention by government through regional industrial policy assistance. Traditional regional policy comprised two broad sets of measures – those that encouraged labour mobility and those that encouraged capital mobility (Armstrong and Taylor 1988). Labour mobility incentives aimed to encourage workers with the appropriate skills to move to areas with job opportunities. Capital mobility measures, in contrast, encouraged firms to move from areas of labour or skill shortages to areas of surplus workers. The

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crowning - and enduring - achievement' (Kemp 1993, p.177) of the latter was the decision of IBM to locate in Spango Valley, near Greenock.

There was a political dimension to these policy options. Regional industrial policy was associated with Keynesian economic thinking and was part of the policy apparatus to facilitate the creation of full employment. In general, Labour governments have tended to be more supportive of this approach to economic policy within Britain. Notwithstanding this, up to the 1970s, Conservative governments implemented a relatively mild version of regional industrial policy.

Labour administrations tended to be more sympathetic to capital mobility whilst Conservative governments tended to express a leaning towards labour mobility, an early expression of supply side economics (McCallum 1979). Throughout the post-war period, and certainly from 1945 to 1979, regional policy was to greater or lesser degrees a constant on the political agenda of successive governments.

Regional policy was an important element in Scotland's administration. This was recognised by influential reports on Scotland's economy in 1961 (Toothill 1961) and 1971. During the period 1974 to 1982, the whole of Scotland was designated eligible for regional industrial policy assistance (Keating and Boyle 1986, p.48). This was largely but not necessarily exclusively dedicated to encouraging firms to move to Scotland to increase the demand for labour or to encourage Scottish based firms to expand or diversify so as to increase the demand for labour. However, regional policy was not seen as the only policy initiative needed in Scotland. The 1961 Toothill Report recommended a variety of measures including concentration on new, growth industries, a focus on 'new industrial centres' and a modernisation of apprentice training.

THE DEVELOPMENT AGENCIES

Notwithstanding the panoply of measures available to disadvantaged areas, the relative under-performance of the Scottish economy attracted additional government support. This may be taken as reflecting the relative severity of conditions in Scotland which were not responding to the regional policies put into place. It would also have reflected the political circumstances of the day. Thus, in 1965, the Highlands and Islands Development Board (HIDB) was established as an additional means of facilitating economic assistance in the

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Highlands and Islands of Scotland, an acknowledgement of the disadvantaged economic and social conditions in the locality requiring complementary regional planning initiatives to encourage indigenous economic activity and demographic stability. The HIDB was established with two main objectives: firstly, to assist the people of the Highlands and Islands to improve their economic and social conditions and, secondly, to enable the region to play a more effective part in the economic and social development of the national economy.

Perhaps the major innovation of the development of the HIDB lay in the Board's powers to spend money 'of its own volition' (Pottinger 1979, p.168). It was given powers to provide financial assistance via grant, loan and equity, to set up and carry on businesses, to undertake research and promotion, to provide advisory services, management support and training, to acquire land, erect factories and other premises and to provide equipment for establishments. The distinctive feature of the HIDB was the wider social responsibility with which it was charged which reflected the historical and cultural traditions of the region and highlighted many of the characteristics of localities in the Highlands and Islands, including the effects of demographic change and location, economic restructuring and the vulnerability of service provision (Carter 1974). The HIDB developed an overall economic development strategy based on the natural resources of the region, including forestry and tourism, the encouragement and attraction of industrial development and the promotion of inward investment. The social development aspect of its remit evolved within this broader economic context particularly with respect to the problems associated with depopulation (Highlands and Islands Development Board 1976).

The HIDB was not without its critics. Some considered that its interventionist powers, which included the statutory power compulsorily to purchase land, were alarmingly wide. Others pointed to likely duplication of effort in key areas like tourism. By the late 1970s the Board was perhaps most criticised for a lack of effectiveness, and apparent failure to tackle the structural problems of the Highlands, and an inability effectively to use its powers of land acquisition and ownership. Accountability was seen to be to the Scottish Office and not to the communities served by the Board.

In 1975, the Scottish Development Agency (SDA) was established with developmental responsibilities for the remainder of the Scottish territorial area. This reflected a continuing concern for the relatively poor health of the Scottish economy. The SDA was given the responsibility for providing,

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maintaining and safeguarding employment, promoting industrial efficiency and international competitiveness and furthering the improvement of the Scottish economy. The SDA did not have any remit for social development akin to that of the HIDB. Initially, the SDA addressed the sectoral problems that characterised the Scottish economy acting principally as an investment bank to encourage technologically advanced establishments (Danson 1980). This preferred emphasis did not last long, however, as the SDA began to target its support to defined area-specific projects (Boyle and Wannop 1982, Gulliver 1984). Keating and Boyle (1986, p.158) point out that the SDA was 'pushed into' area-based development in the east of Glasgow within a year of the Agency's establishment, and that the SDA 'became increasingly unhappy about the social policy role'. The SDA also played a key role in supporting important sectors such as oil and electronics and, through Locate in Scotland, in attracting inward investment.

While the SDA, like the HIDB, enjoyed consensus support, it also had its critics. Within Scotland it was viewed as over-centralised and bureaucratic. It was regarded as over-concerned with the Glasgow conurbation and insufficiently concerned with rural Scotland. It was seen as secretive and lacking in accountability. The accountability relationship was with the Scottish Office and not with the SDA's development partners.

EDUCATION AND TRAINING

The autonomy of Scottish education was preserved in the 1707 Treaty of Union (Paterson 1994). Scotland had distinctive traditions and arrangements in local authority schooling and post-school further education, the latter being particularly important for labour market training. These educational sectors were administered by local authorities under the policy direction of the Scottish Office. The University sector was very much a part of the UK higher education system, with some distinctiveness in its degree structure, but little in broader policy. The 1961 Tothill report emphasised the importance to the economy of the whole education system.

Training outwith the mainstream education system was not distinctively Scottish in nature (Fairley and Paterson 1993). In 1964 a network of powerful, statutory, independent Industry Training Boards (ITBs) were set up in response to the perceived failure of employer-led voluntarism to secure an adequate supply of skilled labour (Anderson and Fairley 1983). The ITBs were empowered to promote a modernisation of and general increase in

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training in industry, to research training and employment trends, and to levy firms to secure a more equitable pattern for the financing of training. While the largest ITBs treated Scotland as an operating area (Fairley 1982), most did not, and in general ITB policies were developed for Britain as a whole. The ITBs were criticised in the 1970s for paying inadequate attention to regional policy, and for not recognising the needs of small firms and local labour markets (Fairley 1989).

A Manpower Services Commission (MSC) was set up in 1974 to coordinate the Industrial Training Boards but it was quickly reoriented to respond to the massive and growing problem of youth unemployment (Fairley 1989a). The MSC was a highly centralised body staffed by civil servants. It had only an advisory committee for Scotland, and nine representative but toothless advisory boards at local level (Fairley 1989). In the late 1970s and 1980s, the MSC brought forward scheme after scheme in response to rapidly rising unemployment. These generally combined work experience and training. Later in the MSC's life some schemes sought to give a degree of policy control to employers in the private sector. The MSC was criticised for a lack of continuity in its policies and programmes, for an over-centralised approach, and for a failure to understand or respond to needs in Scotland. Its programmes were generally not linked to economic development and for many participants did not lead to jobs or other tangible benefits. In contrast to local-authority controlled schools and colleges, the MSC was seen to lack accountability. The MSC was accountable to Parliament through its headquarters in Sheffield. There was no accountability for policy to the Scottish Office and no accountability link with communities (Brown and Fairley 1987).

THE GROWING ROLE OF THE SCOTTISH OFFICE

The late 1960s and 1970s were a sustained period of strong electoral performance by the Scottish National Party (Keating and Bleiman 1979, p.179). During this period the Scottish Office role in economic development increased rapidly. The extent to which the growing role of the Scottish Office was a response to changing political circumstances is unclear. Some would argue that it was the close relationship between Secretary of State Ross and Prime Minister Wilson and the effectiveness of their 'condominium' (Kemp 1993, p.178) which brought growing public expenditure to Scotland along with a strengthened Scottish Office. At any rate the Scottish Office certainly had a strong economic role before the Wilson government or the rapid rise in

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SNP fortunes: its regional economic plan of 1963 was the first in a series of UK planning reports (Kellas 1980, p.106).

The Scottish Office took over the Department of Trade and Industry's Glasgow Office. During the interventionist Labour administration of Harold Wilson it secured legislation to establish the Scottish Development Agency (SDA) in 1975. By the mid-1970s, the Scottish Secretary, Willie Ross, 'could say with manifest justification that he was Scotland's industrial Minister' (Pottinger 1979, p.187). Critics however argued that the SDA would always be the smaller and weaker partner to the National Enterprise Board (NEB) and that the Scottish Secretary's powers were perhaps too fragmented to be effective. In addition, while Scottish Office powers were considerable, they were nevertheless incomplete.

While the Scottish Secretary could claim by the mid-1970s to have clear responsibility for industry to add to the longer-standing responsibility for education, he could not claim to be Minister for training. Responsibility for training policy lay with the UK Employment Secretary, though some administrative responsibilities for some MSC programmes were devolved to the Scottish Office in the late 1970s (Anderson and Fairley 1983). Nevertheless, the role of the Scottish Office had grown to the point where a wide range of economic development policies in Scotland could be regarded as 'indigenous' (Paterson 1994, p.122), that is, shaped and developed from within Scotland even where Ministerial and governmental responsibilities lay elsewhere.

DEVELOPMENTS AFTER 1979

The election of the Thatcher government in 1979 threatened a sea-change in economic development and training. The context within which the SDA and the HIDB operated changed dramatically. This was principally a consequence of the new government's free-market ideology and its commitment to supply side economic theory. This manifested itself in a suspicion by the government of intervention generally, of industrial policy and capital subsidies in particular. The government was elected on a manifesto overtly hostile to 'quangos' and other agents of central government policy, and their tripartite, consensual approach to policy. The Manpower Services Commission, the National Enterprise Board and the Industrial Training Boards were prominent and easy targets for this new approach. For example, the 'Omega Report on Scottish Policy' produced by the right-wing

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Adam Smith Institute proposed the abolition of the SDA, the HIDB and regional policy (Mitchell 1990, p125).

However change was also to some extent the result of a more general questioning of the nature and role of regional policy (Begg and McDowell 1986, Brown 1989). In a period of mass and widespread unemployment the purpose of regional policy increasingly came to be viewed as social rather than economic. The local dimension came to be prioritised, and within this the needs of small business. The new Conservative government's economic policy prioritised the control of inflation and promoted 'supply side' policies designed to reduce labour costs, improve the quality of labour, and make the labour market more free and flexible, principally through deregulation (Brown 1989).

The Thatcher administrations were also sharply centralist in nature, strengthening and using the central power of the state to usher in market forms of decentralisation, in particular privatisation, increased competition and a more constrained role for the state itself. This and the Conservatives' explicit opposition to any developments in Scotland which could weaken the Union were widely expected to lead to an undermining of Scotland's policy and institutional distinctiveness and a homogenisation of policy throughout the UK. There were fears that the two development agencies and the Manpower Services Commission's programmes to combat unemployment might require a vigorous defence if they were to survive in the new environment.

THE EARLY IMPACT ON ECONOMIC DEVELOPMENT AND TRAINING

While the National Enterprise Board was abolished, the impact on Scotland's institutions was sharp but less severe. The role of the HIDB changed quite dramatically following two critical reviews of its work by the government. Limits on its operations were put into place and new operating objectives established on a more commercial basis. These included the encouragement of entrepreneurship, the fostering of increased private sector involvement in the development of the area, and the disposal of land, property and investment when the opportunity arose (Industry Department for Scotland 1987).

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Similarly, the objectives of the SDA were revised along more commercial lines following a similar review of its operations. New investment guidelines were put into place and its objectives were redefined to stress the opportunities for business development, Scottish entrepreneurship, support for perceived growth sectors, the improvement of industrial efficiency and the regeneration of defined local economies. The Agency was required to divest itself of its industrial holdings and to sell off property assets. This resulted in a 'modified market' approach which was characterised in the area-based schemes as 'a movement from a strategic long term, redistributive and community based approach to a tactical, short term, market and business oriented approach' (Moore and Booth 1986, p.89). The SDA shifted away from strategic planning and intervention towards a policy of responding to market failure.

The arrangements for training were reshaped following two sectoral reviews carried out by the Manpower Services Commission. During the 1980s all but two of the statutory Industrial Training Boards were wound up (Fairley 1989a) to be replaced by a larger number of employer-led and mostly small Industry Training Organisations (Fairley 1995). Statutory arrangements were retained only in construction and related areas because of the difficulties in these sectors of securing collective, voluntary effort by employers. The driving philosophy of this change was to restore the employer-led voluntarism of the 1950s and early 1960s. In the late 1980s, the MSC was for a brief period renamed the Training Agency and was then abolished, its activities taken back within the centralised Employment Department. A key aspect of these changes was the ending of the tradition of tripartite representation in the public and publicly-funded institutions responsible for training.

THE EMERGENCE OF SE AND HIE

In December 1988 two government White Papers (Department of Employment 1988 and The Scottish Office 1988) proposed a radical change to economic policy (Fairley 1989b). The documents reflected the dominant ideas associated with supply side economics and stressed the need to create and sustain a flexible labour market to meet emerging and forecast international, national and industrial circumstances. However they also explicitly responded to criticisms of existing policies and institutions. While this was little debated at the time the White Papers proposed a common strategic approach throughout Britain, but this was to be achieved by policies

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and institutions which would show considerable differences in England, Wales and Scotland. An early commentary suggested that, as far as training and the labour market were concerned, 'the government is simultaneously pursuing different paths to voluntarism in different parts of the UK' (Danson and others 1990, p.182).

The White Papers advocated a training system which was to be much more explicitly oriented to the needs of industry and business. The provision of publicly-funded training was to be facilitated through a network of locally based training bodies which would involve the close involvement and participation of individual private-sector firms and employers in providing training services. Training in the workplace had already, for most of the economy, been deregulated and returned to private sector 'voluntarism'.

The core ideas drew heavily on the US experience with 'Private Industry Councils' - employer-led organisations which provide training and related services to localities based on the needs and circumstances of those areas in terms of economically disadvantaged young people and adults (Bennett and others 1990, Johnstone 1990, Evans 1994). This locally differentiated approach to the provision of training had attracted the attention of the British government because it reflected its prevailing ideas on market processes, encouraged self help amongst the unemployed and was delivered in localities. The drift of ideas from the US to Britain had become very evident in the field of local economic development and regeneration policy in the late 1980s and early 1990s (Barnekov, Boyle and Rich 1989). It also appeared to address the widely held view that the MSC's programmes did not respond to local needs and did not sufficiently involve employers.

Bill Hughes, Chairman of the CBI in Scotland, championed this approach, having been impressed by Michael Dukakis's 'Massachusetts Miracle' in the USA. Hughes suggested that there was a case for even greater involvement and participation of the private sector. He had previously advocated that the enterprise trust network be reorganised into more powerful local economic development bodies which would displace the SDA and HIDB (Moore 1989). While others had argued for various forms within which training provision could be locally controlled, Hughes went beyond this. His ideas were innovative in at least three aspects: he proposed that economic development and training should be locally controlled, thus making both more responsive to local conditions; his proposals set out to bring training and economic development closer together, thus ending their historic separation; and he proposed that the local agencies should be led by the

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private sector, in order to increase employer commitment (historically, the lack of employer commitment to training was recognised as a major problem throughout Britain) and to ensure that the new bodies were 'business like' in their operations.

Hughes was also remarkably successful in building consensus support for his proposals within Scotland, despite having first sought support from the Prime Minister rather than the Scottish Secretary. Some important details - such as employer majorities on the boards of the local bodies - did not find ready agreement. The Labour Party initially opposed merging the training and economic development institutions (House of Commons 1989). However, the broad localising thrust of the proposals and the prospect that training and economic development might better be integrated at local level were widely supported. Indeed much of the Parliamentary debate focused on the question of whether the proposed changes would bring sufficient autonomy to Scotland in training and economic development policy (House of Commons 1989).

In part the support may have been encouraged by Hughes's own belief that, without the type of change which he was advocating, the Thatcher administration would simply have abolished the HIDB and the SDA (Kemp 1993, pp.189-190), as it had already abolished the National Enterprise Board, the Manpower Services Commission and most of the Industrial Training Boards. Others supported the change because it was both presented and seen as a distinctively Scottish solution to the problems of Scotland. Hughes's proposals seemed to be a credible and acceptable means of addressing the growing and widely-held criticisms of the existing institutions.

THE NEW ECONOMIC DEVELOPMENT NETWORKS

Legislation of 1990 abolished the SDA and the HIDB, and combined their responsibilities and powers with those of the former Manpower Services Commission/Training Agency in two very powerful Non-Departmental Public Bodies known as Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). These two agencies are legally required to decentralise much of their operations and budgets to local partnerships or to companies. The Scottish Office encouraged local private sector consortia to bid for the local role, and 22 successful groups were formally established as Local Enterprise Companies (LECs) within the meaning of the Companies legislation. One of the 22, Moray Badenoch and Strathspey Enterprise,

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reports to both agencies. As a result of the legislation, Scotland has two development networks: SE with 13 LECs and HIE with 10.

SE and HIE report to the Scottish Office Industry Department (SOID), the former to the Scottish Enterprise/Employment Division, the latter to the Highlands/Tourism Division. The SOID issues annual 'strategic guidance' to the two agencies. Despite its title, this guidance is rather detailed in many respects. The SOID also controls the two agencies by means of a Management Statement. The two agencies in turn decentralise most of their budgets and operations to their LECs. The LECs are controlled by annual contracts which are monitored to ensure an appropriate level and quality of output from their programmes (Scottish Affairs Select Committee 1995, Vol 1).

The SE and HIE Boards are appointed by the Secretary of State. The LEC Boards are locally appointed with the requirement that two thirds of members should be senior figures from the local private sector. This arrangement has led to fears that LEC Boards could become self-selecting cliques, and to a recommendation by the House of Commons Scottish Affairs Select Committee that there should be a system of rotation or reappointment of members.

The Highlands and Islands Enterprise network is made up of LECs which are mostly small organisations. Their limited capacity means that they rely on HIE for support services and strategic leadership. HIE devolved some 80% of its 1992/93 budget of £77.7m to its LECs (Highlands and Islands Enterprise 1995), and does not envisage this proportion increasing (Scottish Affairs Select Committee 1995, Vol 1, x).

Scottish Enterprise, whose LECs are generally larger and more self-sufficient, devolves 85% of its budget (Scottish Enterprise 1995). The largest three LECs, covering Glasgow, Lanarkshire and Edinburgh/Lothian, account for about 40% of the total SE budget. In 1992/93 the SE budget was some £449m. In addition to its geographical focus, SE undertakes some initiatives which concern the whole of Scotland, through a part of the organisation which is known as Scottish Enterprise National (SEN) and accounts for about 13% of the total budget.

There are spending limits beyond which the LECs need approval from their parent agency. In the HIE network this is currently £50,000, a level which allows 92% of casework to be carried out by the LECs without reference to

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HIE. In the SE network the level is £250,000 which larger LECs, such as the Glasgow Development Agency, find is too low, although the effect seems to be one of extending the decision-making period rather than blocking or preventing projects (Scottish Affairs Select Committee 1995, vol 1, ix).

Scottish Enterprise has four broad, general functions:

- furthering the development of Scotland's economy and providing, maintaining and safeguarding employment;
- enhancing skills and assisting persons to become self-employed;
- promoting Scotland's industrial efficiency and international competitiveness;
- further improvement of the environment of Scotland.

Highlands and Islands Enterprise, which covers half of Scotland's land area with a population of only 370,000, has broader powers than SE. In particular HIE has a clear role in social development. Social development is seen as the process 'which harnesses the collective energy of communities to improve quality of life through the provision of facilities, services and networks'. It relies very heavily on 'self-help' and activities driven by culture to enhance and complement self-sustaining enterprise in the region. The approach involves the enhancement of community infrastructure and services by voluntary groups; the creation of community development initiatives which provide commercial activity and employment; the provision of training; assisting organisational support for the 'third sector' (of cooperative and community enterprises); encouraging communities to improve their cultural services and to enhance the environment (Highlands and Islands Enterprise 1993). In bringing forward proposals for economic and social development, HIE is required to consult local authorities and other interested bodies, though there is no such legislative requirement on SE. The Scottish Affairs Select Committee (1995, Vol 1, xxxviii) recommended that the networks should consult with local authorities throughout Scotland.

The Strategic Guidance issued to the two agencies sets out three main operational principles:

- maximum involvement of the private sector. The agencies are primarily enablers, charged to intervene only where there is market failure, and to identify a planned exit route from the outset;
- decentralisation of budgets and activities to the LECs while maintaining a central strategic role and capacity;

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- minimising bureaucracy, striking a balance between this objective and the need for public accountability.

When the networks were established, more than two thirds of the budgets available were to implement Department of Employment training schemes. These schemes are mostly 'demand led'. As unemployment declined during the early 1990s, the programmes attracted less government funding and declined in terms of their proportion of network budgets. However, these programmes remain large areas of expenditure.

SE's budget is divided between four programme 'funding blocks' and the costs of administration. In 1993/94 a total of £395m was spent on programmes, of which £137m was allocated to Enterprise, £88m to Environment, £79m to Youth Training and £91m to Adult Training. SE's own management and administrative costs accounted for a little over 12% of the total budget (Scottish Enterprise 1995). The largest LEC, the Glasgow Development Agency, had a 1993/94 budget of £59.2m and a staff complement of 132.

HIE's 1993/94 budget of £79.2m is divided between 5 programme areas and the costs of network administration. The estimated programme spend for 1993/94 is: £1.1m on Community Action Grants; £16.8m on Marketing and Projects; £5.2m on Environmental Renewal; £12.5m on Training; and, £30.7m on Enterprise Assistance. At a little over £10m, administration costs appear high. However this figure includes the administrative support required by small, rural LECs. Both SE and HIE are able to vire up to 10% of programme budgets, subject to certain conditions specified by the Scottish Office (1995).

HIE funds its LECs according to a formula which allows issues such as relative fragility of the area and employment deficit to be taken into account. Argyll and the Islands Enterprise has the largest budget in the HIE network, £14.4m, while Skye and Lochalsh Enterprise (SALE), with £2.4m has the smallest (Highlands and Islands Enterprise 1995). SALE has a staff complement of 11.

THE DEVELOPING POLICY CONTEXT FOR THE NETWORKS

Since the 1988 White Papers the broader policy context has developed in a number of ways. A system of 32 new, unitary local authorities will be

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operational from April 1996, and these will, for the first time, have a strong statutory stake in economic development. In order to ensure coterminosity of local authority and LEC boundaries, it was announced in May 1995 that the area covered by the Lanarkshire Development Agency would be enlarged. Reforms to the school leaving certificate are under way which could give Scotland Europe's first integrated post-16 education and training system (Raffe 1994). Under legislation of 1992, Scotland's Further Education Colleges have been brought into a system of direct Scottish Office funding. Scotland now has its own financing and planning framework for higher education. The Scottish Office acquired control over European Social Fund resources in Scotland. As part of the government's minimalist reappraisal of Scotland's position in the Union, control of training policy passed from the Department for Employment to the Scottish Office in 1994, with the DE retaining the lead role for UK strategy (DE 1995).

The Scottish Office (1994) issued its first consultative document on the future of training policy in October 1994. In the foreword the Secretary of State pointed out that 'from 1 April this year I have had formal responsibility for the Government's policy and resources for training, as well as education at all levels.' In less than twenty years the Scottish Secretary's role had grown from oversight of industry policy to cover all the main aspects of economic development and training. Perhaps the most important function controlled from outwith Scotland relates to the sectoral arrangements for training - the task of recognising and loosely regulating the large network of voluntary Industry Training Organisations (Fairley 1995) and overseeing the two remaining statutory training bodies remain with the DE. In 1995 the Scottish Office issued its first autonomous policy paper for training, announced the establishment of a training unit within the Industry Department, and issued a consultation paper on the proposal to merge the Industry and Education Departments.

TOWARDS AN ASSESSMENT

The Scottish Affairs Select Committee considered that it was too soon to examine the programme effectiveness of the networks. Beneath the broad funding programmes there exists a wide range of activities and projects, each requiring evaluation. There is then the question of how best to approach the task of comparing LEC performance. In short the full evaluation of such powerful agencies, given the range of their powers and responsibilities, and the extent of their decentralisation will be very difficult.

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Nevertheless both networks offered information on outcomes in relation to the maintenance and creation of jobs. SE qualified its estimates by pointing to the complexity of the area and to the youthfulness of the network. SE estimated that in 1992/93 its network had a 'net achievement of between 18,000 - 22,000 jobs' (Scottish Affairs Select Committee 1995, Vol III, p192), at a cost of £8,500 - £10,500 per net job. HIE reported that in the two years to March 1993 its network created or retained 5,578 at an average cost per job of £4,482, with all but one of the LECs bettering the target cost for job creation (Scottish Affairs Select Committee 1995, Vol II, p99). Both networks also claim fairly high levels of 'leverage' in of private sector funding, SE claiming a 3:1 ratio and HIE a 2.7:1 ratio of private to public funds.

In terms of the initial objectives of the Hughes proposals some progress has clearly been made. Employers are much more extensively involved in economic development and training than ever before, and are more heavily involved than many critics of the proposals considered to be possible. This aspect may indeed be the major success of the 1990 legislation. Whether employer involvement is maintained in the longer term is likely to be affected by the degree of operational and policy autonomy which is granted to the LECs.

However this greater involvement has not been without cost. The creation of the LECs as companies was seen by the Scottish Office as key to attracting employers into the new system, even though a partnership approach to decentralisation is possible under the legislation. The strengths of the company nature of the LECs include the abilities to act quickly and flexibly. However, companies cannot be representative in nature. Company boards are 'unitary', and members of the board have to act for the company and not in the representation of external interests. This has created difficulties for local authority councillors who are invited to join LEC boards. It has also led to criticism from the voluntary sector and from organisations representing small firms. The view that the LECs do not adequately represent local communities is probably the most widely supported criticism of the networks.

As companies the LECs are required to draw two thirds of their board members from the private sector. This has tended to exclude the public and voluntary sectors, or at least to cast them in a supporting role. The Federation of Small Business (1995) has argued that the LEC boards do not represent small enterprise. The exclusive nature of the LEC Boards may well have cut

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the LECs off from valuable experience and expertise which exists in the public and voluntary sectors.

Companies tend to be less open in their decision-making than statutory bodies. Highlands and Islands Enterprise recognised this problem and instituted a policy of promoting accountability through openness in its network. The Scottish Affairs Select Committee has recommended that Scottish Enterprise also adopt this approach. The Scottish Trade Union Congress and local authorities argue that it would be best if the LECs were statutory bodies, capable of representing a broader range of interests.

On the other hand, the networks are clearer and more visible in their operations than were the overcentralised Scottish Development Agency and Manpower Services Commission. Accountability is improved to some extent in the current system. However, despite their local nature, there is no local dimension to LEC accountability. Their accountability relationships are upwards to SE, HIE and the Scottish Office.

The new arrangements are certainly more local than their predecessors. However it is not clear how autonomous the LECs are, and there is emerging disagreement over the extent to which they should become autonomous. In the training area almost all LEC activity is still tied in with DE schemes. In evidence to the Scottish Affairs Select Committee (1995, Vol III, p140) SE estimated that LECs were only able to exercise flexibility with 4% of their training budgets. Clearly without more flexibility LECs may not be able to integrate training and economic development in the best ways for their areas, thus frustrating one of the main objectives of the reform. However, more flexibility may introduce a degree of fragmentation which undermines attempts to pursue a Scottish training strategy.

While the LECs may lack autonomy in training, this does not mean that they lack strategic importance. Rather they are an important part of a training system, which, like education in Scotland, may best be viewed as a national system locally administered. The LECs have been used, following a pilot scheme in Grampian, to introduce market mechanisms into publicly-funded training (Fairley 1994). The 'skillseekers' scheme for young people is essentially a voucher scheme which will be introduced across Scotland one year ahead of England. This suggests that the LEC networks may be effective devices for the rapid implementation of centrally-driven initiatives.

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With 22 local training bodies it is now difficult to establish a clear picture of publicly-funded training across Scotland. Little is known about the levels and patterns of employers' expenditure on training. The Scottish Affairs Committee was offered an overall estimate of £2bn for employer spending on training. However no information was offered on the levels of spend, the numbers of trainees and the levels of training for key sectors and industries.

The CBI and the Advisory Scottish Council on Education and Training Targets argued in their submissions to the Scottish Affairs Select Committee (1995) that Scotland lacks a training strategy, so backing an argument already raised by the CBI's manufacturing group. The Committee recommended that such a strategy be developed, and that it should have Scotland-wide, industrial, local, enterprise and individual dimensions (1995, Vol I, xxx). However, key information required to develop a broad strategy seems not to be available. There is little information available on how much is spent on training in particular industries and on the actual and required levels of training activity in particular sectors. There appears to be no systematic information-gathering across the range of training activities in relation to equal opportunities concerns. In the early consultations around the Hughes proposals, much was made of the need to ensure equality of opportunity through LEC programmes, particularly labour market programmes. Yet the information provided by the networks to the Scottish Affairs Select Committee suggests that the systems are not in place for monitoring. This is one area where progress may have been better with a partnership approach to local development. The absence of this information makes it very difficult to monitor the networks against this part of their remit, and may frustrate any attempt to evaluate the overall impact on training in Scotland.

In the longer term it may be impossible to know whether the decentralised networks of LECs have provided a more effective training system than the free-market arrangements of the 1950s, or the statutory system of the 1960s and 1970s. At the very least, if LECs are to become more autonomous in terms of policy, they will need to adopt better and common systems for gathering and publishing data on training.

The early information offered by the networks on job creation and costs per job are impressive, particularly for the Highlands and Islands Enterprise network. Equally impressive are the data on private sector leverage. However these areas need monitoring to verify whether trends are maintained or improved. There is also a need to ensure that the two networks use the same

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methods for measuring and recording. Lastly, there is a need to examine and compare different local areas; LECs may be more successful on these measures in some parts of the country than in others.

The merging of the Scottish Development Agency and the Highlands and Islands Development Board with the Manpower Services Commission/Training Agency rationalised the government's agencies in economic development and training. However, both fields remain fragmented into a range of active public sector, publicly-funded, private and voluntary organisations. The ability of the LECs to work with and give leadership to this range of organisations varies. Some LECs have tried to develop partnership at strategic and operational levels. Others seem to have seen partnership only as an implementation device. The LECs are of course tightly controlled and dependent for their existence on their operating contracts, and it is not easy for them to address or resource issues outwith these documents. There seems little doubt that area-based planning involving all the actors would reduce competition and duplication and create more effective economic development and training. It may be that the new local authorities will need to offer a lead in this area after 1996.

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June 1995