
Economic Perspective

Enterprise Scotland - the American Connection

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With both the Scottish Office and the Department of Employment (DE) expected to launch their respective "Enterprise" packages before the end of 1988, signs are emerging that a new acronym - the "PIC" - will join the already confusing alphabet soup of government policy. Brief reference to the PIC appeared in the press in the autumn of 1988, giving a bemused public perhaps their first insight into Norman Fowler's ideas for reforming manpower planning and training in England. Writing in the Guardian, Keith Harper suggests that "Private Industry Councils", or PICs for short, will effectively replace the Training Agency, which in turn superseded the Training Commission, the QUANGO until recently better known as the Manpower Services Commission.

This speculation as to the direction of policy reform at the Department of Employment - anticipating publication of a White Paper - has equal significance in Scotland. English support for the PIC offers a clue as to the genesis of the so-called Hughes initiative and hints at the content of and aspirations for the forthcoming Scottish Office White (Consultative) Paper on "Enterprise Scotland".

Whether Mr Bill Hughes, Chairman of the CBI (Scotland), conceived of integrating the Scottish Development Agency with the Training Agency in Scotland while driving down the A9 or steeping, like Archimedes, in his bath, there is little doubt that this model of private sector-led training dovetails precisely with the emerging promotion of the Private Industry Council at the DE. Based on comments in the Scottish press, Hughes appears to "want the whole package of support for enterprise - factory space, financial support, market intelligence, and the supply of trained workers - to be delivered through a network of local, one-door, user-friendly

agencies, where existing business talent makes the lead contribution" (Young, 1988). There is a remarkable correlation between the Hughes concept and the central objective of the Private Industry Council that is predicated on the development of an effective market-driven training system.

Speaking at the Arthur Young dinner at the end of September, Hughes made reference to the role private chambers of commerce play in Europe: "...the chambers have a vital role to play in Enterprise Scotland ... and coupled with the Enterprise Trust movement, they are potentially in many areas the ideal delivery mechanism". He might, just as easily, have used the American structure of the PIC working alongside Economic Development Corporations. But perhaps that would be straying dangerously close to the favoured training model that has been circulating in the DE since just after the 1987 Election!

At the beginning of Mrs Thatcher's third term, once again her Ministers looked to the USA for policy innovation. Both Kenneth Clarke (then at the DTI) and, more significantly, Norman Fowler flew the Atlantic to learn about urban enterprise initiatives in selected US cities. In public, their remit was to examine the possibilities of adapting "workfare" (where benefit may be withheld from people who do not participate in training programmes) in Britain. The "hidden agenda" however was to look just as carefully at how PIC's operate and examine ways of developing a training system that would be responsive to the market, directed by the private sector and funded, at least in part, from local business.

It is also no coincidence that Lord Young (then Kenneth Clarke's superior at the DTI and previously responsible for the DE) had held a series of high-level policy seminars on US

employment initiatives and invited a range of US experts to brief British civil servants. One of these, Cay Stratton, previously Michael Dukakis's Director of Employment and Training Policy in the Commonwealth of Massachusetts, remained in Whitehall, becoming policy advisor to Norman Fowler, Secretary of State for Employment.

The link with the Massachusetts employment programme has, to date, focused on the importation of the Boston Compact. In an agreement between business and the local education system, employers offer work experience, sometimes jobs, in return for curricular changes and attendance requirements at school. Targeted at minority groups, a British Compact is being piloted in London, attracting wide ranging support from employers, the CBI, Business in the Community, even the London Docklands Development Corporation.

But it is the organisation rather than the detail of the Boston Compact, and similar initiatives in the US, that has attracted the attention of Fowler and Thatcher. Their interest lies in the 1982 Job Training Partnership Act (JTPA) that gives the private sector the key role in governing local, publicly-funded training programmes. Under the JTPA, Private Industry Councils, funded by the Department of Labor, were given broad responsibility for implementing training programmes in "Special Delivery Areas" designated at the State level. The legislation gave PIC's the ability to design job training programmes, administer grants, select training agents, determine local budgets and implement monitoring procedures (NCUED, 1984).

While the 1982 JTPA Act brought the Private Industry Council on to centre stage, PICs were originally introduced during the Carter Administration under his Private Sector Initiative Program. Here, organised business was asked to take responsibility for planning and spending Federal training funds as well as offering advice to private companies involved in the training and placement of the hard-core unemployed.

Since 1978, and particularly after 1983, manpower planning, job training and local economic development have evolved into a PIC - and local government, with a reduced level of public support being channelled through State governments. Gradually, the Councils have extended their involvement into other local employment activities, often creating Economic Development

Corporations largely controlled by local business, but with access to certain public powers and, importantly, the public purse, (Struever and Clarke, 1984).

The evolution of the PIC, from a narrow focus on training into a much more expansive programme of local economic development, is remarkably close to what the Hughes plan appears to recommend. Throughout the US there are examples of PICs getting involved in a range of local economic initiatives; in local marketing, business assistance, building revolving loan funds as well as in the mainstream role of developing on-the-job training programmes. The width of these activities effectively covers much of the ground that will become available to a series of regional agencies in Scotland (perhaps 20) created from the merger of the SDA and the Training Agency.

The fact that PICs pre-date Reagan is of more than simply historical interest. Today, with many parts of the USA experiencing what is effectively full employment, certain Private Industry Councils, particularly in the more buoyant cities such as Boston, New York, or Atlanta, have been modestly successful. But in 1978, with the back-to-back recessions of 1979 and 1981 about to impact on the US labour market forcing unemployment levels up to 15 per cent, many PICs found it almost impossible to train, never mind employ, the long-term unemployed. Moreover, simultaneous reductions in public expenditure and public employment placed many of the original PICs in a double bind.

Even the most passionate advocates of the PICs and other dimensions of private sector-led local economic development admit that the results over the past decade are mixed. Emma Oxford, a civil servant from the DE seconded to a US research institute in 1987 to study employment problems in US cities, concluded that local programmes are often tailored to those most easy to help. (Oxford, 1987). Other studies reveal that the design of the JTPA awards programmes targeted to train people most likely to succeed, in the shortest time and for the least cost; "JTPA creates a temptation to cream the unemployed leaving a hard core out in the cold... The big danger with JTPA is forgetting the original purpose of job training assistance: getting jobs to people who need them most" (Struever and Clarke, 1984; 20).

Use of Chambers of Commerce as the delivery mechanism for the Hughes model for Scotland may similarly re-orientate economic development as currently implemented in Scotland. Looking once more at research in the US, members of local Chambers of Commerce tend to assume that a broad community consensus exists as to the benefits of local economic development yet their activities focus on flagship or "capstone" projects. Of considerable value for downtown image enhancement, it is harder to measure the employment benefits for local distressed communities and, moreover, may distort the use of scarce public funds, (Bowman, 1987).

A forthcoming comparative study of urban change in Britain and the US concludes that in both countries calls for business leadership and economic growth are understandably attractive but underplay the poverty of evidence that private sector-led economic development helps to regenerate depressed cities. In the name of privatisation, local development initiatives fragment into a series of quick-fix solutions that are judged on the basis of ideology or simply by the immediate political capital to be acquired by announcing a string of economic development ventures, (Barnekov, Boyle and Rich, in press).

Although this paper is being written before the White Papers are published there can be little doubt from snippets of information released by Fowler, Young, Rifkind, et al that the private sector is to be given central responsibility for training, business support and regeneration of local enterprise. It is therefore vital that in adopting private sector models from the USA policy analysts recognise long-term impacts, understand the enormous variety in US labour market conditions and avoid pitfalls of simply policy replication with little concern for political or economic context.

Moreover, if the US Private Industry Council or the European Chamber of Commerce or the British Enterprise Trust are serious contenders for implementing the Hughes scenario in Scotland then there should be the fullest and frankest debate as to their ability to deliver a complex mixture of business support, assistance with training, community renewal and economic promotion. A narrow, commercial, definition of Enterprise may not be in the best interests of Scotland's long term economic development. What's more, a crude interpretation of a PIC might also spell disaster

for communities that need social regeneration just as badly as an injection of business acumen.

References

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