

SCOTTISH ENTERPRISE: AN EVOLVING APPROACH TO INTEGRATED ECONOMIC DEVELOPMENT IN SCOTLAND

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Introduction

In December 1988, the Industry Department for Scotland published a White Paper "Scottish Enterprise: A New Approach to Training and Enterprise Creation". This document represents the government's most recent thinking on the nature and direction of economic development policy in Scotland. The White Paper proposed an overhaul of the existing institutional arrangements for training, economic development and environmental improvement in Scotland. It put forward a revised framework which set out to secure the integration of these activities through a single administration. The White Paper reflected the government's overall liberal market ideology and mirrored the policies being proposed and implemented in England and Wales. It also, however, introduced a peculiar Scottish dimension which carries with it considerable implications for existing arrangements. Not surprisingly, the proposed changes have attracted a wide ranging political debate, considerable academic conjecture and extensive media coverage in Scotland. In July 1989 the government then published its response to the representations which had been submitted regarding the proposals of the White Paper. In broad terms, the government re-affirmed its commitment to its proposed strategy and pledged itself to introduce legislation at the earliest opportunity. This article outlines the context to the White Paper, the government's response, the nature of the proposals and discusses some of the likely implications for labour market training and economic development initiatives in Scotland.

Existing Institutional Arrangements for Training and Economic Development

In order to appreciate the significance of the government's proposals it is necessary to understand the structure of the existing institutional arrangements for training, economic development and environmental improvement in Scotland. There are three main organisations involved, the Training Agency (formerly the Manpower Services Commission), the Highlands and Islands Development Board and the Scottish Development Agency. Particular attention should be paid to the evolving policy strategy

of these bodies throughout this decade. It is clear that the agencies have had their policy context successively refined and amended by the government so as to reflect its prevailing liberal market ideology. As a consequence, as the agencies have adapted to the emerging market led paradigm so considerable changes have been effected in terms of their policy formulation and implementation. Thus, whilst the White Paper appears to effect a radical and fundamental change to the existing institutions, it in effect merely represents a logical extension of a process of policy restructuring which is already well established. Scottish Enterprise can therefore be viewed as the sophisticated end result of earlier changes to the bodies and their respective policies. This section provides a brief overview of the three organisations and their changing policy base by way of background to the discussion of Scottish Enterprise.

Firstly, the Training Agency is the government organisation which currently has the responsibility for vocational education and training (VET) in Scotland. The organisation is the result of restructuring of the institutional arrangements for the provision of VET – a process which reflects the government's specific policy on training requirements. This involves an increasing reliance on the market to provide the necessary services together with judicious intervention to secure a more liberal labour market. This approach is generally described as 'voluntarist', and is based on the view that employers should be left to invest in training as and when they see fit⁽¹⁾.

A brief review of recent reforms of training shows that the main initiatives have originated from Conservative administrations. Prior to 1964 arrangements for the training of labour were entirely voluntary on the part of individual employers, firms and local authorities. This piecemeal approach to training was unsatisfactory, particularly as it encouraged the poaching of skilled labour by firms rather than their investment in the provision of specific training services⁽²⁾. After 1964, however, there was increased state intervention in the provision of training. The Industrial Training Act 1964 was effectively a response to the failures of the voluntarist system. It introduced powers to enable the setting up of Industrial Training Boards (ITB's) which had the duty to secure the training requirements of certain industries. By 1979, there were 23 ITB's and one Training Committee which between them accounted for 50% of all employees. There was, as a result of this legislation, an increase in the level of training carried out by industry. In 1973, the Employment and Training Act established the Manpower Services Commission (MSC) which was to co-ordinate training activities including the ITB's. It subsequently expanded its responsibilities so as to include aspects of further education, specific training initiatives (such as TOPS) and special unemployment programmes⁽³⁾. In 1977, the responsibility for MSC activities in Scotland transferred from the Secretary of State for Employment to the Secretary of State for Scotland. Since 1980, there has been a long run strategic change in

the emphasis given to certain manpower issues⁽⁴⁾. Major uncertainties have emerged around its main programmes. Overall, however, the direction of training policy generally has been restructured in line with the government's market led economic development philosophy. The search for a market solution to unemployment has involved the closure of many of the ITB's, the collapse of apprentice training and cuts to further education. This has resulted in the MSC becoming the main agency for the provision of training. Effectively it became the main instrument in the government's strategy to remove perceived rigidities in the labour market. A similar policy shift is evident in the reduced financing by government of the employment information and matching service, which is intended to encourage self generated search processes among the unemployed⁽⁵⁾.

The MSC has attracted considerable critical attention⁽⁶⁾. The main criticisms include its heavily centralised administration and lack of sympathy with local and community needs⁽⁷⁾, the use of its programmes as a subsidy for temporary labour and the differential spatial opportunities it creates for its specific programmes such as with the Youth Training Scheme (YTS)⁽⁸⁾. There seems over the last ten years to have been a process of almost constant change in VET and job creation programmes. The changes in policies, structures, programmes and funding arrangements have been bewildering. It could be argued that the new proposals are building on top of a degree of confusion and uncertainty from the start. Major uncertainties have also emerged over the main programmes of the MSC. The YTS seems certain, for example, to decline in importance and change in nature as the school leaver population falls⁽⁹⁾. The shift of emphasis in training policy was also accompanied in 1987 by administrative changes to the MSC. Effectively the MSC was restricted to training alone, other functions being transferred to the Department of Employment. The MSC was then renamed the Training Commission. In September 1988 the Commission was transferred back into the Department of Employment and its work was carried out by the Training Agency. The Secretary of State for Scotland approves the Training Agency's plan for Scottish programmes and is responsible for its operations.

Secondly, the Highlands and Islands Development Board (HIDB) was established in 1965 as a specific and additional response to the problems associated with the relatively remote Highlands and Islands of Scotland. Its objectives were to assist the people of the region, improve their economic and social conditions and to enable the area to play a more effective part in the economic and social development of the national economy. Within the context of the relatively disadvantaged Scottish economy, the region manifested a number of specific problems which included population loss through outmigration, limited employment opportunities and inward investment and restricted indigenous economic activity. It was suggested at the time that the HIDB "has been given a formidable task. It is charged with what must be the most difficult regional development problem in

Britain, for it is expected to find a means of restoring to economic health an area which has suffered a process of decay for well over a hundred years"⁽¹⁰⁾. The HIDB was given a wide range of powers, including the ability to provide financial assistance by way of grant, loan and equity; to carry out commercial activities itself; to undertake research and promotion; to provide advisory management and training services; and to acquire land, erect factories and provide equipment to firms.

Since its inception the HIDB has been primarily responsible for ensuring the economic and social development of the region. The HIDB devised an industrial development strategy that sought to encourage traditional economic activities, such as agriculture and fishing. It also sought to complement this with the attraction of manufacturing investment to the region. In its first Annual Report the HIDB argued that "manufacturing industry is the third main prop (with tourism and forestry) and we increasingly regard it as the most urgent of all relative to the immediate need to stem a substantial proportion of the emigration ... from the Highlands and Islands ... It is our clear duty to see that this most important and most deficient element in the Highlands economy is furnished." The HIDB directed its attention to attracting large scale capital intensive industry into the region which was then to be strategically located in geographically defined growth poles. An example of this spatial/scale approach was the establishment of the Invergordon aluminium smelter⁽¹¹⁾. Since this early strategy the HIDB has committed itself to a policy of higher per capita assistance in the more fragile communities of the periphery. An illustration of this approach is the HIDB's more recent support and active encouragement of marine fish farming – a strategy which now tends to discriminate in favour of the smaller scale, indigenous operator rather than the large scale multinational enterprises⁽¹²⁾. Generally, the HIDB is committed to inject a higher level of assistance per capita into the remoter, more socially fragile areas. The social strategy of the HIDB, as for example through its support for cultural and community activities, is aimed at stopping depopulation from the periphery. Overall, the HIDB has succeeded, in that in the 1970's and 1980's there was a reversal of net emigration from the region. This overall effect obscures, however, a marked redistribution of population within the Highlands and Islands. There has been, for example, a significant movement of population away from the north and west to the Moray Firth sub-region⁽¹³⁾.

In 1985 the Scottish Affairs Committee conducted an examination of the functions, impact and cost effectiveness of the HIDB. This review acknowledged the need for such an agency-led approach to economic regeneration in the region. It qualified this support with some marginal changes to the HIDB's work, including, for example, the recommendation that certain areas be included in the Board's jurisdiction. More significantly, from the point of view of this paper, was the recommendation that the proportionate contribution of public sector resources to the HIDB

be reduced further. It also argued the HIDB Board members "should have business and commercial experience to ensure the realism and appropriateness of its policies on industrial development for those it is aiding"⁽¹⁴⁾. In 1987 a further critical review of the HIDB was carried out by the Industry Department for Scotland (IDS) and the Treasury. This study recommended that the HIDB be given specific objectives. These were laid down as:

- (a) to encourage entrepreneurship, assist in the creation of a viable economy and build up confidence within the area as a generator of wealth for Scotland and the UK;
- (b) to help stabilise the level and improve the structure of the population of the area;
- (c) to assist in the diversification of the economy of the area and to identify opportunities for new development;
- (d) to foster increased private sector involvement in the development of the area and to work constructively with other public sector bodies operating in the Highlands and Islands;
- (e) to offer advice to Ministers on the opportunities for development in the Highlands and Islands; and
- (f) to dispose of land, property and investments when the opportunity arises"⁽¹⁵⁾.

These objectives clearly indicate the increasing tendency to the commercialisation of the HIDB's activities.

The market led approach to the recapitalisation of the Highlands and Islands was further underlined by the statement that the "continuing rationale for the Board and its activities must reflect the government's general approach to intervention in the economy and its aim of creating a self-sustaining economy and society in the longer term. As a general rule public intervention should offer the prospect of long run real benefits to the regional (and national) economy, should support activities that are additional to the area and do not involve displacement (except in line with stated geographical objectives), should be based on a clear diagnosis of the root cause of the problem it seeks to overcome and should be aimed at rectifying the underlying market failure ... the Board, in pursuing any intervention in the market, should aim to encourage the private sector wherever possible, should justify the costs of any intervention against specified objectives and should aim to share in rewards as well as risks."⁽¹⁶⁾. These principles and recommendations were subsequently reflected in the corporate strategy of the HIDB.

Finally, the Scottish Development Agency (SDA) was established in 1975 in order to further economic development; to provide, maintain and safeguard employment; to promote industrial efficiency and international competitiveness and to further the improvement of the environment. The

SDA has subsequently developed an industrial development strategy which has emphasised key sectors such as high technology; an inward investment strategy, implemented through Locate in Scotland; and a portfolio of area specific initiatives. The SDA's approach has been described as 'modified market' in character, reflecting the fact that it emphasises the development of competitive and efficient enterprise, economic diversification and the leveraging of private investment"⁽¹⁷⁾.

From 1975 to 1979 the SDA concentrated on its industrial role. It operated primarily as an investment bank, with an emphasis on the acquisition and provision of land and buildings"⁽¹⁸⁾. There was also a marked urban dimension to this industrial strategy. Although the SDA was charged with securing the balanced development of the Scottish economy, its early policy tended to concentrate on the problems of the major urban areas. In its First Annual Report the SDA, states that "because of their special and long standing problems, the Agency is bound to be heavily involved in areas such as West Central Scotland, Fife, parts of the Central Region, and parts of Tayside". This was seen as part of its general approach to economic development, however, and as Wannop points out, the SDA was not initially wholehearted about area development or other initiatives which were not unequivocally economic"⁽¹⁹⁾. In 1976 the SDA was invited by the Scottish Office to take the responsibility for co-ordinating the Glasgow Eastern Area Renewal (GEAR) Project. GEAR effectively commenced in 1977. It marked the beginning of an interest by the SDA in area based initiatives, which the SDA itself subsequently began to introduce in 1981. At this time the SDA's activities had moved to a balance significantly different to that implicit in the Agency Act. The expected emphasis on industrial and company restructuring had been reduced and, in terms of expenditure, was overshadowed by rising investment on the physical renewal of selected areas in urban Scotland"⁽²⁰⁾. In short, the area initiative became an important policy instrument of the SDA.

The SDA's area initiatives offer a pragmatic approach to local economic development whereby policies and programmes are aimed at improving the performance of the defined local economy. The SDA state that "emphasis will be placed on economic and industrial regeneration and the crucial criterion in the selection of areas will be their potential for improved performance. Thus while the programme will focus on areas where current performance is poor, it will not exclude initiatives in relatively prosperous areas where substantial development opportunities are identified"⁽²¹⁾. Area projects are concerned with six overlapping activities:

- (a) business development, in order to improve the competitiveness and efficiency of existing and potential business in the area with an emphasis on indigenous economic activity;
- (b) property development, through provision of accommodation and

- financial and marketing devices;
- (c) environmental works, to improve local morale;
- (d) place marketing, in order to make the area attractive for inward investment;
- (e) 'imagineering', the requirement of all area projects to create and implement new initiatives for economic development; and
- (f) improvement of the economic development planning effort and institutional capacity at the local level.

Gulliver provides a typology of SDA area projects⁽²²⁾. The projects are not homogenous, and involve different sets of exogenous and endogenous relationships and influences. There are four types of area project. The first involves comprehensive urban renewal, of which GEAR is the classic example, where the SDA co-ordinated a multi-agency programme concerned with social welfare, education and recreational provision in addition to economic development. The second type, Task Forces, have been described as "an instrument of direct public sector intervention in the provision of an economic infrastructure. The objective is essentially to promote the conditions (through factory building, environmental improvements, financial packages) whereby the market and private sector investment become self-generating, enabling the Agency to progressively withdraw from its 'fire-brigade' role"⁽²³⁾. In contrast, Integrated Area Projects embody "two general concepts which have subsequently guided the use of Agency resources for any activity; first, dependence – no activity is undertaken by the Agency which is likely to lead to any area or enterprise being dependent on the Agency for its future existence; and second, selectivity – resources are concentrated on areas and issues where potential has been identified for positive growth and development, i.e. selective intervention"⁽²⁴⁾. The final category of area project consists of self help initiatives which are facilitated through the promotion of a local enterprise trust.

The SDA's remit has been modified over time to emphasise the commercial aspects of its work, to highlight selective and indirect intervention and to involve the private sector as far as is possible in its development policies. The effect of the government's modifications in 1981 was to remove the SDA's obligations to maintain and safeguard employment and to promote industrial democracy. In 1986, this trend was confirmed in a review of the SDA carried out by the IDS. The review made a considerable number of recommendations as to the detailed operation of the SDA. It did not, however, propose changes or a reduction in the scope of the SDA's functions and responsibilities. The review effectively expressed a vote of confidence in the SDA as a primary conduit of the Conservative government's current thinking on economic development. It stated that "the public sector should only be involved where the market alone will not produce the outcome desired by policy; and its intervention should wherever possible seek to achieve its ends by improving the working

of the market and should not create dependence"⁽²⁵⁾. As an example of the latter point the review pointed to the phased withdrawal of the SDA from the provision of premises to the private sector in circumstances where the market itself could ensure an adequate supply of premises. The review confirmed the consistency of the SDA's economic development strategy with the government's overall economic and industrial strategy and concluded that the SDA has substantial achievements to its credit.

The review stated that a reason for the success of the SDA was its arms length position from government. This, it suggested, has facilitated "its ability to form constructive partnerships with local authorities and to adopt a distinctive action orientated and opportunistic style of operation"⁽²⁶⁾. Furthermore the review endorsed the explicitly commercial interpretation of economic development which is pursued by the SDA. It recognised that the SDA should continue to be the principal instrument in Scotland for delivering the economic and environmental objectives of urban policy. It made the point that the SDA "should not be given a remit to pursue social objectives which extend beyond its existing objectives of economic development and environment improvement"⁽²⁷⁾. It would appear therefore that economic development in Scotland is to be governed by market based criteria and commercial opportunities in which the private sector will assume an increasingly dominant role in terms of investment and influence. Traditional concerns of social distress and intervention would not appear to be afforded a role in this future development strategy.

More recently, a report by the National Audit Office critically discussed the involvement of the SDA with the private sector. It also assessed the appraisal and monitoring procedures established by the SDA and examined whether an appropriate balance had been struck between the respective public and private sector interests and responsibilities. Particular attention was paid to a number of specific projects with which the SDA is involved, including the Glasgow Garden Festival, the Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre. The study examined those activities of the SDA that offered the greatest potential for private sector involvement. These included the SDA's commercial investments, provision and management of premises, advisory services and development planning and funding. The National Audit Office found that the SDA had made good progress in a number of areas, such as in the reduction of factories being constructed in advance of requirements, this role increasingly being undertaken by the private sector. It was also found that the SDA were steadily developing their relationships with the private sector, as with the company Scottish Development Finance Ltd. The National Audit Office expressed some reservations, however, about certain aspects of the SDA's monitoring procedures and methods of financial appraisal and about certain individual projects. Overall, the corporate strategy of the SDA reflects the market led philosophy of the government and the SDA has stated that "emphasis will

be placed on economic and industrial regeneration and the crucial criterion in the selection of areas (as SDA initiatives) will be their potential for improved performance. Thus, while the programme will focus on areas where current performance is poor, it will not exclude initiatives in relatively prosperous areas where substantial development opportunities are identified⁽²⁸⁾.

This brief review of the existing institutional arrangements for training, economic development and environmental improvement in Scotland reveals the changes already in place. Over the past decade, the three agencies responsible for these activities have undergone considerable amendments in terms of organisation and administration, and policy objectives and focus. In broad terms, the agencies have been brought more closely into line with the government's liberal market philosophy.

Scottish Enterprise – An Evolving Idea

There are two aspects of the 'Scottish Enterprise' initiative which deserve attention – the origins of the idea and the parallel policy proposals put forward for implementation in England and Wales. These are briefly considered in turn. Firstly, the origins of the Scottish White Paper apparently rest with a proposal put forward by Mr Bill Hughes, Chairman of the CBI in Scotland. In October 1987 there was a meeting held between the Scottish Office and SCOTBIC, the umbrella organisation for enterprise trusts in Scotland. The meeting was intended to discuss the consolidation of the involvement by the private sector in the mainstream local economic regeneration process in Scotland⁽²⁹⁾. It considered a possible re-organisation of the enterprise trust network so as to create more powerful local bodies and, furthermore, to provide the means of targeting more precisely available resources on the peripheral public sector housing estates, the latter assuming priority as the current focus of urban policy in Scotland⁽³⁰⁾. Following this meeting Mr Hughes put forward his own proposal which differed from that discussed at the meeting and which centred on the creation of a new body – to be called Enterprise Scotland – which would bring together the work of the Training Agency, HIDB and SDA. The proposal attracted a significant amount of attention, including the observation that it effectively involved "creating a structure whose name is synonymous with Conservative thinking, and which is led by business rather than by civil servants, could radically improve public perception of the government's record on job creation"⁽³¹⁾. The proposal appeared to be clearly drawn from the government's own political agenda. Of significance here is the fact that the so called Hughes Proposal rested on a rationalisation of existing bodies into a single administration.

It is clear that in its desire to push on towards a more market led system, Ministers and others were influenced by their perceptions of experience elsewhere. There is the role, for example, played by Chambers

of Commerce in the West German vocational education and training system⁽³²⁾. Furthermore, Boyle has suggested that the twin notions of integrating training services and economic development initiatives and of securing the greater involvement of the private sector is drawn from current American practice, in particular the Private Industry Council (PIC)⁽³³⁾. This is a market driven local training initiative designed so as to include wider developmental and employment activities. The essential characteristic of the PIC is the increasing extent to which the private sector assumes the key role in governing local, publicly-funded training programmes and associated initiatives. In the context of the Hughes Proposal this has led to the observation that "alongside the public agenda of enterprise is a hidden agenda of business control and an extension of the Conservative government's wish to increase private influence and restrict local authority and trade union involvement in economic regeneration"⁽³⁴⁾.

Secondly, the Scottish White Paper translates the broader policy framework laid down in the accompanying White Paper for England and Wales "Employment for the 1990s". We may briefly summarise its proposals here by way of contrast with those made for Scotland. The White Paper argues that, as a consequence of fundamental changes in demography, global competitive forces and the nature of employment itself, there is a need to establish a more flexible labour market. This will necessitate greater investment in training and create the need to devise a training system which can provide the skills required by industry and the private sector. Here the White Paper draws attention to the poor record of the private sector with respect to training. The White Paper also advocates that there is a need for a more clearly defined onus of responsibility for providing the necessary training services. It asserts that "employers will have to adopt different approaches to training, recruiting and managing their workers as the composition of the work force 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. More and more it will be in the individual's interest to take charge of their own career development and see that they acquire the right balance of skills. 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"⁽³⁵⁾. The quotation illustrates the process of disengagement on the part of the government, a trend which is also evident in other policy arenas. This approach places the responsibility for policy and provision of services on to the private sector, the community at large and the individual.

The White Paper sets out the main elements of the government's supply side critique of and prescription for the labour market. Attention is drawn, for example, to the perceived barriers to an efficient labour market. It is argued that these barriers include existing arrangements for industrial relations, pay negotiation and the provision of training. It advocated, for

example, the establishment of flexible pay arrangements which can reflect local labour market conditions. Variations in wages, based on local collective bargaining arrangements, are then seen as a pricing mechanism enabling better decisions by investors, developers, employers and the labour force itself. With respect to training the private sector is identified as the main mechanism for change. The White Paper promotes the notion of locally based training systems with close involvement of firms and employers. Underpinning this suggestion is a shift in the onus of responsibility for providing training services from the state to the employer and the individual. A framework for training provision is proposed which would operate at three levels: national, industry and local. At the local level the emphasis is on the delivery of services and the White Paper proposes establishing "Training and Enterprise Councils" (TEC's) as the primary mechanism. The TEC's would "contract with government to plan and deliver training and to promote and support the development of small businesses and self-employment within their areas". Norman Fowler, the Secretary of State for Employment, views the proposals as a "revolution" in training.

The White Paper for England and Wales clearly sets out the government's supply side approach to training and economic development. That strategy involves a shift of responsibility from the state, a greater role of business in public policy implementation and quite far reaching attempts to deregulate the process of the labour market, particularly with respect to wages and training. In Scotland this philosophy also prevails but the detailed implementation of training service provision and economic development is significantly different.

Scottish Enterprise: A New Approach to Training and Enterprise Creation

In Scotland, the government proposed to secure the implementation of its policy through a fundamental overhaul of the agencies currently responsible for training and economic development. Its rationale for this far reaching institutional restructuring is that economic circumstances have now changed dramatically thereby necessitating a similar change in approach by the individual agencies. Thus, the White Paper argued that, the SDA "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 and of unemployed adults"⁽³⁶⁾. The quotation is effectively describing the changes the government has already brought about in the operation of the Training Agency, SDA and HIDB. The organisational restructuring and policy reviews have had the effect of

modifying the behaviour and approaches of the appointed bodies.

The White Paper proposed creating a new body – 'Scottish Enterprise' to be formed from the merger of the Training Agency and the SDA. Scottish Enterprise would be charged with the following remit: "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-to-date the skills of the Scottish workforce". The ultimate objective of the Scottish Enterprise agency would be "the creation of a dynamic self-sustaining Scottish economy in which investment and training are private sector led and financed." The Scottish Enterprise agency would comprise two elements: a central body and a network of local agencies. The central body would have the following functions:

- (i) to consider strategic issues relating to enterprise, economic regeneration and training in Scotland;
- (ii) to ensure through contracts and performance monitoring that the responsible local agencies deliver provision in their areas; and
- (iii) to discharge those functions presently carried out by the Training Agency in Scotland and the SDA which are not devolved to the local agencies.

The main emphasis of the Scottish Enterprise proposal, however, was the decentralisation of the delivery of training services. The White Paper envisaged that this would be carried out by a network of employer led local agencies. These would take on the functions "of assessing the local labour market, arranging the delivery of national training programmes, developing training for specific local needs, designing business development services, raising private sector funds, organising tenders for training contracts, publicising opportunities and such other promotional activities as may be appropriate"⁽³⁷⁾. The White Paper proposed a network of twenty-two local agencies in Scotland based on defined travel to work areas. The White Paper stated that the initial responsibility of the local agencies would be on the provision of training services although, as the agencies matured, it was anticipated that they would assume a wider range of local economic development activities. These wider activities would include property development functions such as providing starter units and managed work spaces; land reclamation and environmental improvement schemes, often linked to local regeneration initiatives; the administration of grant, loan and equity arrangements in firms; the marketing of property and other services; and finally, schemes to assist the development and improvement of property by the private sector.

The White Paper made separate proposals for the Highlands and Islands. Although the same principles of integration and private sector participation were applied, it acknowledged that different local delivery

mechanisms may be necessary in order to suit the prevailing circumstances and existing institutional arrangements in that region. Its objective was stated as "restructuring on a more locally focussed and market-based model with an accompanying hand-over of decision taking to involved and committed employers at local level". The White Paper highlighted the importance of the already established integrated approach of the HIDB, and put forward an argument to retain the HIDB as a distinctive body in the region. In order to reconcile these circumstances the White Paper outlined three options for the new arrangements in the Highlands and Islands. The first involved creating a new body – Highland Enterprise – which would be an equivalent, but more area specific, Scottish Enterprise for the area. This would enable the integration of training with the HIDB's existing functions and would enable Highland Enterprise to invite local employers to enter contracts to operate local agencies providing business and training services. The second option involved Scottish Enterprise contracting with local agencies in the Highlands and Islands and at the same time the HIDB devolving its business functions to those local agencies. This would have effectively created two agencies negotiating with local employers. The third option was for the HIDB to continue as at present but for itself to become a local agency in order to contract directly with Scottish Enterprise. Under this latter proposal the HIDB would then relate training provision to its established economic developmental functions. The White Paper suggested that this option "would arguably be a more cost effective method of organising training services in a sparsely populated area"⁽³⁸⁾.

The White Paper set out the resource implications of the Scottish Enterprise proposal. It stated that there would not be a net increase in public sector funding for the initiative. Thus Scottish Enterprise could be expected to receive the budget already allocated to the three existing agencies involved in the provision of training and other services. The Secretary of State for Scotland was to be responsible for the operation of Scottish Enterprise and would lay down the operating policy and financial framework. The Secretary of State for Scotland would also be responsible for the monitoring of the initiative. Performance related contracts would be adopted so as to ensure accountability of the local agencies involved with Scottish Enterprise.

In July 1989, the Secretary of State for Scotland outlined the government's response to the representations made to the proposals put forward in the White Paper. Effectively, the government propose to integrate the Training Agency and SDA into Scottish Enterprise. It intends also to create Highlands and Islands Enterprise as the body responsible for that specific area. This conforms to the first of the options laid down in the White Paper. The two parent bodies will have the following specific functions to discharge:

- (a) the design, development and implementation of industry and

- enterprise projects which will apply throughout their respective areas;
- (b) the approval of major projects which fall outwith the competence of the local enterprise companies;
- (c) the handling of major domestic investment and inward investment attracted by Locate in Scotland;
- (d) the marketing and design of major physical programmes; and
- (e) the provision of central support services to local enterprise companies.

In addition, Highlands and Islands Enterprise will assume responsibilities for the environmental improvement functions in their area. This represents a transfer of function from the SDA, which until now had assumed that role in the HIDB area. It is also the government's intent to establish twenty privately run local enterprise boards. These will be made up of local business consortia and will be the vehicles for the delivery of training and economic development initiatives. These local bodies will be largely autonomous and will be expected to devise programmes to meet the circumstances in their individual areas. The government has suggested that eight local bodies will be accountable to Highlands and Islands Enterprise and twelve to Scottish Enterprise. Budgets for each local enterprise will be agreed with their respective central body and the boards of the enterprises will comprise two-thirds local private sector representatives. The local bodies will have the following specific powers:

- (a) the development of property;
- (b) the carrying out of land reclamation and environmental improvement projects;
- (c) provision of advice and assistance to business and urban renewal; and
- (d) the training functions currently discharged by the Training Agency.

In general, therefore, the government has confirmed the main thrust of its proposed restructuring of service delivery and development initiatives as laid down in the White Paper. It is possible, however, to identify the divergences from the original proposal now supported in the government's response. These are: firstly, the government now suggests a reduced number of local enterprise bodies. The areas in question will be based on existing local authority boundaries rather than the initial notion of travel-to-work areas. In fact, the schedule of local enterprise bodies for Scottish Enterprise bears a marked resemblance to the existing administrative structure of the SDA. Secondly, the government is now to allow the local companies to undertake economic development work from the outset. Initially, the focus was to be on the provision of training with the wider developmental functions following on with time. The government now view the two sets of functions as complementary. In addition, local authorities will not necessarily be excluded from the local arrangements.

Finally, the government has chosen the option for the Highlands and Islands, the creation of Highlands and Islands Enterprise.

The Implications for Training in Scotland

As noted above, the government is proposing a network of one hundred employer-led local companies in England, Wales and Scotland. These will be responsible for about £3bn of VET expenditure annually. A National Training Task Force (NTTF) was set up early in 1989 to advise the Department of Employment and the Scottish Office on the VET aspects of these local companies. In England and Wales there will be eighty Training and Enterprise Councils (TECs), each with a likely budget of £20m to £50m per year⁽³⁹⁾. In Wales the responsibilities of TECs will differ from the English pattern because of the roles of the Welsh Development Agency and Mid-Wales Development. In Scotland there will be twenty local companies and these will have broader responsibilities than south of the border because of the complete merging of the Training Agency and SDA functions. Crucially as far as VET is concerned, local companies throughout Britain will be responsible for the Area Office functions of the Training Agency, in particular the YTS and Employment Training (ET) programmes. In Scotland it is already clear that the local companies will also handle the schools-based Technical and Vocational Education Initiative (TVEI) and the Scottish Education Department's PICKUP programme⁽⁴⁰⁾. When the differences between England, Wales and Scotland are considered, and when it is remembered that these proposals do not affect Northern Ireland, which will continue to have its own VET arrangements, it could be argued that the government is simultaneously pursuing different paths to voluntarism in different parts of the UK.

The White Papers and subsequent government statements have said little about the detail of the expected VET activities of the local companies. It is clear that the government sees its role as limited to setting the framework for effective employers' control, establishing proper contractual and monitoring arrangements to safeguard public funds, and setting strategic policy objectives such as YTS and ET 'guarantees'. At a detailed local level, the voluntarist view is that local employers should be free to make decisions in the light of their perceptions of market conditions. Despite the lack of detail on VET matters, there has been substantial discussion around a number of key themes for VET. It may be useful briefly to consider these in turn. They are likely to be amongst the yardsticks used to measure the performance of Scottish Enterprise in the years to come.

Firstly, throughout Britain there is debate about how autonomous the local companies will actually be. Will they have real flexibility and decision-making powers in VET, or will they simply implement policies and programmes which are designed at the Training Agency's headquarters in Sheffield? This is a matter of concern in Scotland. But in Scotland there is a

second dimension to the debate on autonomy. To what extent will Scottish Enterprise and the Scottish Office enjoy autonomy in VET compared to the Sheffield-based Training Agency and Whitehall? Will Scottish Enterprise simply end up as a vehicle for implementing the policies and programmes of the Employment Department, which is acknowledged to be the "lead Department" for VET?⁽⁴¹⁾ Thus far in Scotland, the opposition parties have expressed degrees of cynicism on these points. The SNP has opposed the new developments arguing that they constitute a party political initiative by the Conservatives rather than a genuinely Scottish solution to Scottish problems. Some of these concerns have been focussed on the issues of budget flexibility. In relation to VET, some such as the Standing Commission on the Scottish Economy have pointed out that the greater part of Training Agency expenditures are dedicated to the YTS and ET programmes⁽⁴²⁾. If this remains the case then Scottish Enterprise and its local companies will for the most part simply be implementing programmes devised in England. Against this, Lex Gold, Director of the Training Agency in Scotland, has argued that the reforms will bring with them "real decentralised decision-taking"⁽⁴³⁾. The prospectus published for TECs (Department of Employment, 1989) seems to offer some flexibility in moving funding across budget heads as local conditions may demand, and also offers more or less complete control over the Local Initiative Fund which each TEC is to have. The debate on the actual level of autonomy planned for Scottish Enterprise and its local companies remains unresolved, although the Secretary of State for Scotland has told Parliament that under the new arrangements, "there will be substantial flexibility and local autonomy that has not existed up to now ... will be a major feature"⁽⁴⁴⁾.

Secondly, doubts have been expressed as to whether employers will come forward in sufficient numbers to develop the twenty local companies in Scotland. It is pointed out that employers have traditionally been reluctant to become involved in training and may not wish to play a role in running VET at the local level. In Scotland, the fact that the local companies will have broader functions may make them more attractive to the private sector, given that it is widely agreed that executives will only be attracted to become involved if there are major initiatives to be taken, and if there is genuine autonomy and freedom from bureaucracy. This seems to be one lesson which can be drawn from the PICs in America. Cantor writes that "despite the fact that the Private Industry Councils have a majority of their members from industry and business, ensuring sound relationships between those administering the programmes and private industry has turned out to be difficult: industry tends to shy away from the bureaucratic procedures that have grown up and, frequently, does not want to be too closely involved with what it sees as low-prestige activities"⁽⁴⁵⁾.

In Britain attempts have been made to strengthen employers' degree of organisation at the local level to prepare for a decentralised voluntarist

system. Initiatives like the Training Agency's Local Collaborative Projects (LCPs) and the Local Employer Networks (LENs) which were supported by the Association of Chambers of Commerce and the CBI were intended to strengthen employers' capability in local VET. The CBI has argued for LEN involvement in TECs because of this⁽⁴⁶⁾. Nevertheless, these initiatives are fairly recent and have had different degrees of success in different local areas. It is very likely that in many parts of Scotland employers are not well organised for involvement in VET⁽⁴⁷⁾.

Thirdly, the proposal that all the local Scottish Enterprise and Highlands and Islands Enterprise structures should be themselves established as limited companies may be of little relevance to the future of VET. If there is a healthy VET market then efficient companies will be able to respond to it. If there isn't, then the structures of private companies may bear little relevance to tackling existing local problems. The training needs of the long term unemployed and of other disadvantaged people in the labour market like women, the disabled and minority ethnic groups, generally are not effectively measured or served by the market place. It is unfortunate that the experience of local government economic development and EEC Social Fund Projects, both of which are often managed by companies set up solely for the purpose, has not been evaluated. This aspect of the VET reforms are a clear departure from the US experience. Generally, PICs are based on a partnership arrangement between the private and public sectors. Only a minority of PICs have corporate status and only about 30% employ their own staff⁽⁴⁸⁾.

There has been much discussion about the desirability of the government's insistence that two-thirds of Scottish Enterprise and local company boards should be from private companies. Critics point to the experience of large scale Training Agency programmes like the YTS and the Community Programme, where success appeared to be based on a partnership of local government, the voluntary sector and (at times) the private sector. It is suggested that in the public and voluntary sectors there is more experience (and therefore more competence) of VET than is to be found in most of the private sector. In Scotland, there is widespread concern that local authorities, trades unions and the voluntary sector will not have a right to representation on the new structures.

The Industrial Training Act 1964 had attempted to construct a VET system on the needs of industrial groupings through the ITB network. This approach is now abandoned with all the remaining ITB's to lose their statutory powers. The new arrangements will seek to build VET on the local perspectives of employers and there is no guarantee that this will allow for an industry wide standard to be ensured. This concern was forcibly expressed by the Engineering ITB in its comments on the Scottish Enterprise proposal.

Finally, in recent years in Scotland there has been a widely held view in educational circles and in the trades unions that VET is education led⁽⁴⁹⁾. The developments of the Action Plan and of Standard Grade, it was argued, preserved the lead role for education in parts of the YTS and TVEI. The MSC had not, on this view, become quite so powerful in Scotland as in England and Wales. In the new proposals, the private sector is very clearly being given control over VET. The implications of this for links between the twenty new companies and the education sector are not clear. Jack Dale, the official responsible for further and higher education in the Educational Institute of Scotland, has warned that the new arrangements may lead to the "marginalisation" of education interests⁽⁵⁰⁾.

The government's statements so far have said little about the role of SCOTVEC in the new developments, a point which features in COSLA's response to the proposals⁽⁵¹⁾. If the new structures are to achieve high quality and recognisable standards in VET, then SCOTVEC will need to be awarded a key role. Equally, it will be important to ensure that the development of the system of VET qualifications proceeds in a manner which has some compatibility with the National Certificate for Vocational Qualification arrangements in England and Wales.

Within a debate based on market principles it is difficult for social concerns to find legitimate expression. Very few of the responses and very little of the public debate indicated any concern with the needs of women, though there were some exceptions⁽⁵²⁾. The experience of Scotland in the last decade seems to suggest that stronger measures will need to be taken if women are to achieve any measurable progress towards equality in VET⁽⁵³⁾. Those in favour of market solutions believe that it will be sufficient to leave women's training to the self interest of employers who, it is argued, will need more women returners given the declining pool of school leavers available for recruitment. In itself though, demography is only likely to help some women enter jobs previously held by school leavers. However valuable this may be, it is hardly likely to assist progress towards labour market equality. Other dimensions of equal opportunity, for example the needs of the disabled and of the minority ethnic communities, have had even less discussion. The White Paper however, does indicate that equality targets could become important performance indicators within VET contracts. This is one area where the Scottish Enterprise proposals seem more socially progressive than the proposals for England and Wales.

The Implications for Economic Development in Scotland

The White Paper and the government's response clearly articulate many of the ideas that constitute the government's prevailing liberal market ideology and supply side economic development strategy. Its ideology has been repeatedly asserted in a number of White Papers published throughout its term of office. These include 'Lifting the Burden'

(1985), 'Building Businesses Not Burdens' (1986) and 'DTI – The Department for Enterprise' (1988) – the titles of which indicate the pro-market, anti-interventionist sentiments of the documents. The government's commitment to free enterprise and private initiative as the primary mechanisms for securing economic recovery and developments rests on "the belief that sensible economic decisions are best taken by those competing in the market place. The responsibility of government is to create the right climate so that markets would work better and to encourage enterprise. The aim of our policy is thus to encourage the process of wealth creation by stimulating individual initiative and by promoting and understanding of market opportunities combined with the ability to exploit them"⁽⁵⁴⁾. Central to the government's ideology and its economic strategy is the disengagement of state intervention from the market place itself. This strategic objective is based on the government's view that "too much government intervention in economic activity stifles enterprise, discourages innovation and removes incentives. Equally, inefficient government imposes costs, delays and uncertainties on business"⁽⁵⁵⁾. The Scottish Enterprise model combines these three aspects of government philosophy: the perceived need to disengage from active intervention, the rationalisation of government involvement where necessary and the hand over to the private sector wherever possible. The Scottish Enterprise proposal provides for a streamlined administrative process, establishing a single 'one door' approach to labour training, economic development and environmental improvement. It also restricts the extent of state involvement to the strategic policy making functions: enabling the private sector to involve itself in the implementation of the scheme through the provision of the services involved. The White Paper therefore follows on from the established ideological position of the government, and complements the changes made to the wider policy context in which Scottish Enterprise and Highlands and Islands Enterprise will be operating.

Firstly, with respect to industrial development the government has embarked on an aggressive strategy of recapitalisation of British industry. This has involved attempts to improve industrial efficiency and cost competitiveness, renew corporate profitability, reconstruct opportunities for productive investment, privatise public sector industry and restore the power of capital over organised labour⁽⁵⁶⁾. This macro-approach to industrial development has set the context within which other policy initiatives operate. Put simply, the government has overturned the earlier post-war consensus in regional industrial policy as a means of securing a more even geographical distribution of employment opportunities and investment. The government has developed a critical perspective of the established regional policy framework of assisted areas and financial assistance. It has taken the view that this system of assistance has served to dampen private investment and has damaged longer term employment growth. As a consequence the government has initiated the erosion of conventional regional policy, primarily through two critical reviews of its

operation⁽⁵⁷⁾. These changes have sought to make regional policy less interventionist, in the sense that less physical space is designated as eligible for assistance and regional policy expenditure has been reduced. Attempts have been made to make the policy framework more cost-effective, more selective and oriented to local job creation rather than job diversion and capital investment per se⁽⁵⁸⁾. In addition there has been a more general run down of industrial aid, such as the reduction in expenditure by public corporations.

Secondly, an important insight into the nature of the Scottish Enterprise proposal is provided by the earlier review of regional policy carried out in 1983. The White Paper, 'Regional Industrial Development', argued quite categorically that regional problems were essentially imbalances between areas in employment opportunities and were caused primarily by labour market rigidities such as wage stickiness and labour immobility. The White Paper argued that these caused the labour market to work inefficiently, by preventing its natural adjustment processes with respect to demand, supply and price. It was suggested that the longer term solution to regional industrial problems would lie on the labour side of the economic development calculus. The Scottish Enterprise proposal is consistent with this reasoning by attempting to bring the provision of training, a critical part of the labour adjustment process, into the economic development machinery.

Finally, the government has introduced significant changes to its urban policy and land use planning frameworks. Urban policy was explicitly laid down in the late 1960's so as to address the problems associated with the inner cities. Initially, urban policy comprised the provision of social goods and facilities to the inner urban areas. Towards the end of the 1970's, however, a more explicit economic dimension to inner city policy began to emerge. This reflected the view that the problems of the inner cities could be overcome by economic development initiatives. It was argued that the "underlying premise of the policy was that inner city economies had inherent structural weaknesses which market forces alone could not overcome. The programme offered various forms of financial aid for land acquisition, provision of amenities, rent and interest relief and so forth"⁽⁵⁹⁾. The significance of this economic approach was its delivery mechanism. This was the concept of a partnership between central government, local authorities and the private sector. Throughout the 1980's the emphasis on economic regeneration and the partnership has remained the basis of Conservative government policy. The notion of the partnership has, however, undergone dramatic change. On the one hand, central government has, increasingly, assumed responsibility and control over urban economic development initiatives. The Urban Development Corporations in England and Wales are one example of this approach. In Scotland, the increasing influence of the participation of the SDA in urban policy also illustrates this trend to centralisation. On the other hand, the

private sector has assumed greater influence over policy formulation and greater control over policy implementation⁽⁶⁰⁾. The casualty of these twin processes is the local authorities, who are increasingly sidestepped in the local economic development process.

The Scottish Enterprise proposal represents the continuing evolution of the various policy changes already set in place by the Conservative government. It involves the rationalisation of institutional arrangements making for a streamlined governmental machinery, a greater involvement by the private sector in both policy formulation and implementation, and the effective stonewalling of local authorities. Within this context, the implications of the Scottish Enterprise initiative may be set out as follows.

Firstly, there is a possibility that the Scottish Enterprise proposal will result in a loss of momentum of established economic development initiatives and environmental improvement programmes. This point is made despite criticisms of the existing arrangements for training, economic development and environmental improvement. Concern has been expressed about the impact of SDA programmes on local authorities in Scotland⁽⁶¹⁾ and the problems of relying excessively on the private sector⁽⁶²⁾. Despite these reservations it is also the case that the agencies involved have established a formidable portfolio of services and initiatives. It is this established resource base that may be threatened by the new proposed arrangements. The rationalisation of organisational arrangements involves a fragmentation between policy and delivery involving a marked division between the public and private sectors.

If the local agencies are to concentrate on the provision of training services to meet national policy requirements and local circumstances, there must be some uncertainty over the wider developmental functions. It would appear, as noted above, that in time and with maturity the local employer-led agencies would undertake those functions currently discharged by the SDA. What of the interim? Will the developmental initiatives be retained by the central organisation of Scottish Enterprise? If so, how will they be implemented, monitored and controlled? Despite a number of fundamental reservations about the impact of the SDA's strategy, it is evident that it creates valuable opportunities albeit on a selective basis. Furthermore, the existing close relationship of its inward investment arm – Locate in Scotland – with its various sector and area specific initiatives gives it considerable strength in establishing an overview of economic development. The fragmentation of organisation, responsibility and function could seriously erode the established momentum.

This point is heavily underscored by the apparent failure of the Scottish Enterprise proposals to actively involve or incorporate existing local authority initiatives into its overall scheme of things. This generates

considerable uncertainty over the role of local authorities⁽⁶³⁾. What it achieves is the sidestepping of a considerable armoury of economic support and initiative. Scottish local authorities have increasingly involved themselves in conventional and unconventional local economic development strategies⁽⁶⁴⁾ yet the Scottish Enterprise proposal would suggest this is to be overlooked. It substantiates the argument that the established momentum of initiative and innovation in Scotland is likely to be seriously lost.

Secondly, a related point to the new structures being proposed and the effective sidestepping of local authorities is the potential loss of strategic planning in Scotland. It has long been acknowledged that a distinctive feature of planning and policy in Scotland is its strategic dimension⁽⁶⁵⁾. This may be considered an embedded characteristic of government in Scotland and is a product of scale, governmental relationships and the integration of policy. The Scottish Enterprise proposal effectively militates against this strategic dimension by downgrading the balance between the centre and the local agencies. It would appear that a greater emphasis is to be placed on the delivery of services and initiatives in response to local circumstances. The strategic dimension is effectively being lost. This has longer term implications for the overall economic development process in Scotland. An indication of this possibility is given by the government's separate proposals for the winding up of the five new town development corporations in Scotland. This strategy effectively involves the privatisation of East Kilbride, Glenrothes, Cumbernauld, Livingston and Irvine. An integral part is the proposed arrangements for economic development in the areas covered by the new towns. The government have concluded that "the most effective organisation to undertake economic development activities in the new towns would be a private sector based local development company with contractual obligations to fulfill certain public sector functions, channelled through the central board of Scottish Enterprise"⁽⁶⁶⁾. The government argues that this approach to the privatisation of the economic development functions of the new towns will facilitate greater private sector involvement and will enable disposal of new town assets to the private sector. The local enterprise company will contract with Scottish Enterprise at the centre. This implies that in addition to the twenty bodies envisaged as comprising the network of local agencies there will be in addition five bodies based in the new towns. The government assert that in the longer term the five additional bodies may be integrated into the mainstream Scottish Enterprise network. In the interim, however, there is the very real possibility of duplication of effort, overlap of functions and conflict. This would be avoided with a more concrete strategic dimension to economic development in Scotland.

Thirdly, there is the related issue of whether the private sector can substantiate the new role and responsibility being expected of them. There is the question as to whether there is sufficient geographic coverage of

employers willing to engage in such activities. At a conceptual level, for example, research indicates that rural areas tend to be under represented in terms of the private sector. Malecki has pointed to the fact that rural areas can virtually be eliminated in terms of entrepreneurial fertility, particularly in terms of innovation and technology adoption⁽⁶⁷⁾. Similarly, there must be considerable variation in a private sector presence between different urban environments. This suggests that the proposed network of employer led agencies may not materialise, thereby introducing a marked element of discrimination to the proposal. In more practical terms the White Paper proposed that the existing enterprise trust movement in Scotland provides the basis for the Scottish Enterprise network. At present, there are forty enterprise trusts in Scotland but there are considerable differences between them in size, location and private sector participation and performance. A related issue is the role played by local authorities in the enterprise trust network. Would this, given the general bias against local government in the White Paper, create further difficulties for the local agencies? A further point associated with the ability of the private sector to carry out the new integrated functions is the costs of such an initiative. It has been argued in this respect that "a sticking feature of the Scottish economy is a lack of good entrepreneurs and it would be a misuse of their skills if they devoted much of their time to taking over functions currently performed reasonably well by SDA and HIDB staff. Local businessmen are already well to the fore in the enterprise trust movement and that experience does not augur well ... some trusts have been excellent but others have been very disappointing and, in our opinion, they do not represent a good model for greater business control of public sector development activities"⁽⁶⁸⁾.

Fourthly, there is the point already alluded to, that of the possible uneven geographical impact of Scottish Enterprise. The variations in coverage by the private sector will result in a poor distribution of the labour training and economic development opportunities of the initiative. In particular, rural Scotland will be particularly poorly catered for⁽⁶⁹⁾. At present, rural Scotland is characterised by conflicting economic change: it is generally improving relative to Scotland as a whole, but parts of rural Scotland are especially severely disadvantaged⁽⁷⁰⁾. This is particularly the case with respect to demographic restructuring and relocation, deprivation and economic regeneration. Throughout the post-war period, rural Scotland has attracted considerable public policy support, including the work of the development agencies. Recent research evidence shows, however, that despite the apparent targeting of policy on rural Scotland there remain substantial weaknesses in delivery, particularly in terms of training described as "severely deficient in remote rural areas" of Scotland⁽⁷¹⁾. There is no guarantee, however, that Scottish Enterprise will address these shortcomings, nor improve upon them. The private sector, as noted, is especially thinly spread in rural Scotland. Of the Scottish Enterprise trusts most are urban based: the exceptions being Wigtown, Nithsdale and Highland Perthshire. There is also the implication in the

White Paper that the rural problems of Scotland are distinctly identifiable as an extension of urban issues. This is revealed in the separate treatment of the Highlands and Islands as one specific set of rural problems and the remainder of rural Scotland as another.

Finally, there are questions relating to the loss of democratic control associated with the Scottish Enterprise proposal. The appointment of members to its Board by the Secretary of State, the preponderance of business representation and control and the sidestepping of local authorities all indicate a loss of democratic accountability. The private control of training services, economic development and environmental improvement functions could lead to the local communities being imposed to changes beyond their control. This tendency has already begun to emerge in a number of SDA supported urban development and regulation initiatives such as Glasgow Action and Aberdeen Beyond 2000. In both instances, the private sector have proposed their own schemes for urban development and have effectively sidestepped the conventional planning processes⁽⁷²⁾. Associated with this lack of control is the lack of strategic planning or overview that will result as a consequence of the rationalisation of organisation. It is not apparent that a strategic overview is maintained, in direct contrast with existing arrangements.

Conclusions

The Scottish Enterprise and Highlands and Islands Enterprise reforms point the way forward for the arrangements for economic development, training and environmental improvement in Scotland to the next century. It is far too early to offer any sensible conclusion on the new reforms. The importance and range of the major issues raised, however, indicates the extent to which the government is committing itself to market forces as the primary delivery mechanism for its policy. This in itself illustrates the extent to which the social objectives of the agencies involved are continuously eroded in favour of commercial criteria. It also suggests a gamble on the part of the government. One expert commentator has recently contrasted the strategy which appears to be present in the Government's education proposals with those being taken with VET. It is suggested that if this gamble comes off "we should by the turn of the century have a training system to match any in the world. If the gamble fails, we will not only have lost ten years in which the existing not very successful arrangements could have evolved, but also have created such a discontinuity that it will be necessary to start yet again almost from scratch"⁽⁷³⁾. The stakes are clearly very high for Scotland.

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