

SKOPE

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Skills Policy and the Displacement of Industrial Relations

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'Skills is the most important lever within our control to create wealth and to reduce social deprivation'
(Leitch, 2006: 2).

Summary

The above statement taken from the Treasury-sponsored Leitch Review of Skills reflects the central importance that the UK government attaches to skills as the key to both economic performance and social justice. Skills have not only become the main focus of policy intervention but are increasingly being conceived, at least by policy makers, as an alternative to, or replacement for, more traditional industrial relations concerns. This issues paper explores the reasons behind this policy shift and the challenges it presents for the development of a 'joined up' skills strategy.

Introduction

The identification of skills as 'the most important lever' available to government to deal with both social and economic challenges elevates skills above all other forms of policy intervention. In this issues paper, we argue that current policy neglects the workplace and industrial relations context in which skills are created and mobilised and, as a result, the development of a viable and 'joined up' skills strategy is impeded. We begin by charting the rise and fall of industrial relations as a policy issue in the UK from the 1960s to the present day, comparing it to the growing importance attached to skills and training. We then explore some of the reasons behind New Labour's current focus on skills, and their corresponding neglect of industrial relations issues.

The waxing and waning of industrial relations

In the 1960s and 1970s, deficiencies in the design and conduct of industrial relations were seen by government as a major factor in explaining the UK's productivity and economic growth problems. Worries centred on issues such as lack of labour flexibility and rigid demarcation lines, and the rise of informal workplace bargaining arrangements that resulted in wage drift and price inflation. As a result, there was substantial interest in reforming the industrial relations system, particularly to secure the orderly conduct of collective bargaining, as a means of delivering improved economic performance (e.g. the Donovan Commission 1965-68).

In the 1980s, the lines of the policy debate were radically re-drawn by the Thatcher government, with trade unions, collective bargaining and management-union relations coming to be seen as a major cause of relative economic decline. Rather than reform the system, government sought a radical reduction in trade union power, a dismantling of collective bargaining and the development of more individualised and managerial-led forms of pay determination.

From the 1960s through to the 1980s industrial relations were a major focus of policy attention. The UK was perceived as having a 'labour problem', the definition of which shifted over time along with the proposed solutions. Addressing that problem was seen as key to reduced industrial conflict between management and workers, enhanced economic performance, and (for some) as a means of securing greater social equity.

The rise of skills

While skills issues were not absent from policy debates during this period, they were largely overshadowed by industrial relations concerns. During the early 1960s, there was however growing criticism of Britain's voluntarist training system and its ability to provide training of sufficient quality and quantity. The *Industrial Training Act* of 1964 made a decisive break with tradition by establishing statutory Industrial Training Boards (ITBs) with the power to raise training levies. In 1973 the tripartite Manpower Services Commission (MSC) was created to oversee workforce development.

When, in 1976, the then Labour Prime Minister, James Callaghan, delivered his famous 'Great Debate' speech on the failure of the education system to meet the needs of industry, it signalled a major shift of gear in terms of policy makers' determination to address perceived weaknesses in the education system (see Gleeson and Keep, 2004). The nature of Callaghan's framing of the skills problem – as one to do with inadequate and inappropriate supply by the education system and a failure to meet the needs of employers – would henceforth prove very popular with policy makers.

The Thatcher government, while adopting similar concerns, saw the solution in terms of developing a 'training market' in which decisions would be left at the discretion of employers and individuals. The ITBs were replaced with new voluntary, 'employer-led' bodies as the levy system was demolished and the training system deregulated. When the MSC was finally wound up in 1988, it effectively brought to an end all formal tripartite arrangements for the governance of training across the UK.

Throughout the 1980s and 1990s, successive Conservative governments increasingly identified weaknesses in the UK's skills base as a major constraint on the country's ability to compete successfully in the global economy. By the early 1990s, Cutler (1992) argued that a paradigm shift was already under way, as the nature of Britain's 'labour problem' was transmuted in public debate, from an industrial relations problem to a skills problem.

Enter New Labour

Since its election in 1997, New Labour has identified education and training as a major policy priority, insisting that, in today's global knowledge economy, skills are critical to achieving both improved economic performance and a fairer, more inclusive society (see Blair, 2007). The centrality of skills policy can be readily seen in the torrent of speeches, policies, white and green papers, programmes, schemes, initiatives and institutional 'reforms' that have emanated from central government over the last decade (Keep, 2006)

At the same time, New Labour explicitly rejected any form of 'traditional industrial policy' and committed itself to the maintenance of a lightly regulated, 'flexible' labour market. In following this path, the government set itself firmly against the North European model of social partnership, labour market regulation and workplace industrial democracy. The Leitch Review of Skills, with its insistence that 'skills is the most important lever within our control', underlines the degree to which New Labour's ideological filtering has squeezed the range of acceptable policy options.

Current skills policy in England (DIUS, 2007) is focused upon international skills benchmarking and targets aimed at developing a workforce with 'world-class' skills (or, to be more accurate, *qualifications*) by 2020.¹ This stockpiling of qualifications is expected to produce better paid and more interesting work, compress wage inequalities, reduce poverty, aid social mobility and make enterprises more productive. Although Leitch adds an important caveat, namely that '[s]kills must be effectively utilised for their benefits to be fully realised' (Leitch, 2006: 22), the focus of policy recommendations is exclusively on boosting skills supply.

In comparison, there has been very little in the way of active policy engagement with industrial relations and broader employment issues. The government has introduced a minimum platform of employment rights, but further legislation has been resisted. The mass of policy strategies and initiatives in the skills arena stands in stark contrast to the paucity of interventions in the area of how best to manage and motivate people at work. Issues such as work organisation and job design, which have a vital bearing on the ability of organisations to make effective use of skills and harness them to improve performance, have been largely ignored. There are no publicly-funded workplace innovation programmes of the kind found in countries such as Finland, Norway and Germany for example (see Payne and Keep 2003, Payne 2004).

There has been general support for the 'high performance workplace', mainly in the form of exhortation and the publication of 'best-practice' examples, yet even here policy interest appears to be fading. The government initially encouraged a form of social partnership at work, albeit one that in stark contrast to European approaches did not necessarily have to involve trade unions. In 1999 the Partnership at Work fund was set up to finance projects aimed at improving employment relations through partnership working. However, the initiative was closed in 2004, and, as yet, nothing else has been put in its place.

¹ It is important to note that the devolved administrations of Scotland, Wales and Northern Ireland have control over education and training policy, though not industrial relations and employment legislation which remains a reserved area.

Reasons for the shift

Why then have skills come to be seen as a more important and fashionable form of policy intervention than industrial relations reforms?

Industrial relations problems solved

First, the analysis of the 'British labour problem', as formulated by the Thatcher government, could, by the late-1990s, be presented as having largely been 'solved'. With trade unions severely weakened and strikes at an all time low, it became harder to blame unions for the UK's persistent productivity problems. However, in an era of deregulation and 'letting managers manage', the list of potential actors and structural factors that were left to provide an explanation were highly problematic, since it included managers themselves and managerial decisions, along with financial institutions and other incentive structures (see Lloyd and Payne 2002).

A narrow skills supply strategy played well with New Labour's conversion to a neo-liberal growth model, avoiding the need for interference in areas of managerial prerogative or any significant regulation of capital and labour markets. Moreover, in so far as the boost to skills supply could be delivered by the education system, the active cooperation of employers was not required. Their role was mainly that of a 'consumer' of publicly-funded provision or a 'passive' recipient of public subsidy or schemes designed to provide them with what government decided they needed (e.g. Train to Gain) (Gleeson and Keep, 2004).

Dismantling industrial relations institutions

Second, there has been a dismantling of institutions that dealt with industrial relations issues and which provided industrial relations actors with an influence over the training system. When the Conservative government abolished the National Economic Development Council in 1992 it removed the main institutional mechanism that might have addressed the other side of the 'labour problem' coin, namely the orderly conduct of industrial relations and the productive deployment of labour within the workplace. The assumption was that enlightened management, under pressure of market forces, would, of their own volition, adopt whatever forms of employee relations and work organisation were needed to maximise performance – an assumption that New Labour have, on the whole, been content to endorse. In contrast, the same approach has not been accepted in relation to employers' willingness to train, where 'market failure' is consistently used as a pretext for intervention and public subsidy.

At the same time, there was a sequential weakening of the very institutional mechanisms that had rooted training issues within the wider policy context of industrial relations. The abolition of the ITBs and the

tripartite MSC essentially allowed the re-framing of where training sat within the policy world, and ultimately enabled it to become subsumed in the machinery of central government (through the merger of the education and employment departments) and within broader debates and policies to do with education reform and the supply of skills.

The removal of these tripartite governance structures for training, and the subsequent refusal by New Labour to contemplate any return to formal social partnership arrangements (despite continued pleas from the Trades Union Congress), has left the vast bulk of skills policy and activity *outside* the industrial relations system. Although the skills system in England is supposed to be 'employer-led', in reality employers have been offered individual representation on bodies, such as the Learning and Skills Council (LSC) and Sector Skills Councils, created and funded by government to deliver its own policy objectives (Keep, 2006).

Construction of a skills industry

Third, central government's policy machinery has supported and bolstered the dominance of skills. Skills have had a clear champion in the shape of government departments responsible for education and skills, and after 1997 the Treasury has shown an increasing interest in this area. Since the 'machinery of government' changes in 2007, England has acquired two central government departments (and hence Cabinet Ministers) with a direct interest in promoting the education and skills agenda – the Department for Innovation, Universities and Skills and the Department for Children, Families and Schools.

Furthermore, the delivery of skills policy has resided in a growing array of government agencies and quangos, many with comparatively large budgets (the LSC has an annual budget of £11 billion) (see Keep, 2006). One of their key roles has been to heighten the public profile of skills issues and mobilise public opinion behind the government's 'skills agenda'. Over time, a large skills 'industry' has also arisen, comprising bodies such as the Association of Colleges, the various teaching unions, the 157 group of Further Education college principals and Universities UK, all with a strong material interest in promoting the further expansion of publicly-funded education and training provision.

By contrast, industrial relations and workplace issues have been the concern of a sub-section of what was the Department of Trade and Industry (DTI) and is now the Department of Business, Enterprise and Regulatory Reform (BERR). Once New Labour had established its platform of individual employment rights and the Low Pay Commission was in place, neither DTI nor BERR appeared to place a particularly strong emphasis upon the employee relations element of their policy portfolio.

New Labour has also brought on board trade unions to support their skills initiatives. The Union Learning Fund and statutory backing for union learning representatives have been aimed at supporting union efforts to help employees take up learning opportunities. The government regards the work of union learning representatives to be primarily part of a skills agenda rather than an industrial relations one, while unions have been offered an essentially supporting role in skills policy within certain parameters laid down by the state (Lloyd and Payne 2007). Attempts by the TUC to reinsert skills into more traditional industrial relations arenas, by calling for a statutory right to bargain collectively over training and an equal role with employers in vocational education and training institutions (as happens in many other European countries), have come to nothing.

Conclusion

The UK government's policy agenda on skills can be read as having subsumed and largely supplanted earlier policy debates on collective bargaining and workplace industrial relations, industrial policy and economic development. Although skills are now identified as the 'most important lever within our control', this does not mean that, on their own, they are a particularly potent one (Keep, 2008). While the development of a more highly skilled workforce is clearly important, ensuring that skills are utilised effectively at work and harnessed to improved performance is certainly no less vital.

Indeed, there is a strong case for re-discovering and re-prioritising the importance of a range of other issues, such as research and development and capital investment, but also industrial relations systems and policies, work organisation and job design, which have tended to be somewhat neglected in policy terms. Rather than seeing the organisation as a 'black box' into which more skills can simply be injected, greater attention needs to be paid to how the different elements of production, not least labour, interact with each other, and are deployed and managed within the workplace. Interestingly, in other countries, such as Australia, New Zealand and Scotland, the focus of skills policy has already starting to return to the workplace context and the conditions which allow for the effective use of workforce skills.

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