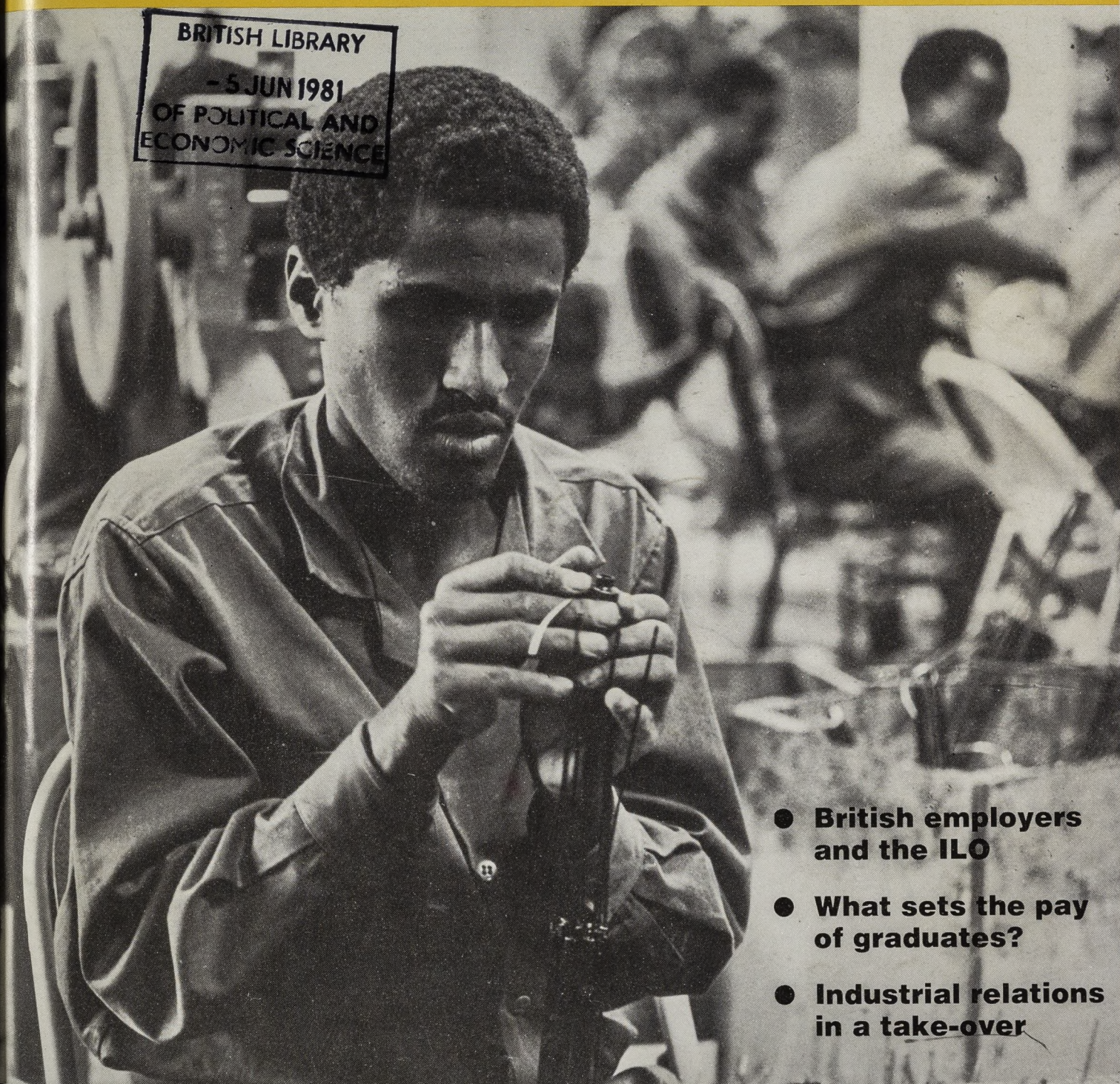


Employment Gazette

May 1981 Volume 89 No 5
Department of Employment

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- **British employers and the ILO**
 - **What sets the pay of graduates?**
 - **Industrial relations in a take-over**

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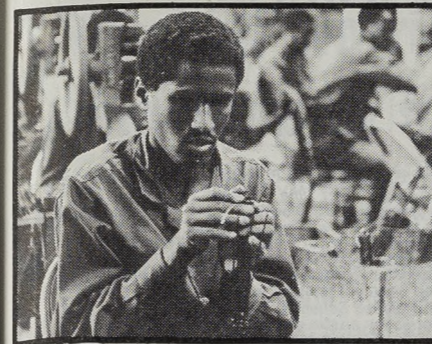


Photo: ILO

Cover picture

Physically-handicapped people need rehabilitation to give them personal freedom through economic independence. In Addis Ababa, Ethiopia, an ILO expert helped start an umbrella factory for disabled people; and this blind man no longer begs to stay alive (ILO feature—p. 215).

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Complete volumes of *Ministry of Labour Gazette* 1924-1968, *Employment and Productivity Gazette* 1968-1979 and *Employment Gazette* 1971 onwards are now available in microfilm form from University Micro International, 18 Bedford Row, London WC1R 4EJ.

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Free Department of Employment leaflets

The following is a list of leaflets published by the Department of Employment. Though some of the more specialised titles are not stocked by local offices, most are available free of charge from employment offices, jobcentres, unemployment benefit offices and regional offices of the Department of Employment, or from:

Public Inquiry Office, Department of Employment, Caxton House, Tothill Street, London SW1H 9NF (01-213 5551)

Orders for bulk supplies of leaflets (10 or more) should be sent to General Office, Information 4, Department of Employment at the above address.
Note: This list does not include the publications of the Manpower Services Commission or its associated divisions, nor does it include any priced publications of the Department of Employment.

Employment legislation

A series of leaflets giving guidance on current employment legislation. It deals with the *Employment Protection (Consolidation) Act 1978*, which came into effect on 1 November 1978 and brought together in one enactment the provisions on the employment rights previously contained in the *Redundancy Payments Act 1965*, *Contracts of Employment Act 1972*, *Trade Unions and Labour Relations Acts 1974 and 1976*, and the *Employment Protection Act 1975*.

The series deals also with the *Employment Act 1980*, which makes a number of amendments to the *Trade Union and Labour Relations Acts 1974 and 1976*, *Employment Protection Act 1975*, and the *Employment Protection (Consolidation) Act 1978*. No 10 in the series has been withdrawn as the provisions no longer apply.

- 1 *Written statement of main terms and conditions of employment* PL631
- 2 *Procedure for handling redundancies* PL624 (rev)
- 3 *Employees' rights on insolvency of employer* PL619 (rev)
- 4 *Employment rights for the expectant mother* PL652
- 5 *Suspension on medical grounds under health and safety regulations* PL668
- 6 *Facing redundancy? Time off for job hunting or to arrange training* PL620 (rev)
- 7 *Union membership rights and the closed shop* PL658
- 8 *Itemised pay statement* PL633
- 9 *Guarantee payments* PL649
- 11 *Rules governing continuous employment and a week's pay* PL670
- 12 *Time off for public duties* PL626
- 13 *Unfairly dismissed?* PL656
- 14 *Rights on termination of employment* PL667
- 15 *Union secret ballots* PL657

Individual rights of employees—a guide for employers
Briefly explains the rights for individuals in employment and sets out the corresponding obligations on employers PL650

Fair and unfair dismissal—a guide for employers PL654

Recoupment regulations—guidance for employers
Guidance on procedure for recoupment of unemployment and supplementary benefits for employers in cases where an employee has received benefit and has subsequently received an award from an industrial tribunal RCP1
Employment Act 1980—an outline PL651

Other related publications

Employees' rights on insolvency of employer
Operational guidance for liquidators, trustees, receivers and managers, and the Official Receiver IL1 (rev)

Insolvency of employers
Safeguard of occupational pension scheme contributions IL2

Time off with pay for safety representatives
A summary of the regulations governing the entitlement of authorised safety representatives to time off with pay in connection with their duties PL634 (rev)

Redundancy payments

The Redundancy Payments Scheme—March 1980
General guide for employers and employees about their rights and obligations under the redundancy payments provisions of the *Employment Protection (Consolidation) Act 1978*

The Redundancy Payments Scheme
A leaflet outlining aspects of the Redundancy Payments Scheme of particular interest to employees RPL6

The Redundancy Payments Scheme—offsetting pensions against redundancy payments
Information for employers on the rules for offsetting pensions and lump sum payments under occupational pension schemes against redundancy payments RPL1

Industrial tribunals

Industrial tribunals procedure
For parties concerned in industrial tribunal proceedings ITL1

Industrial tribunals
For appellants with particular reference to industrial training board levy assessments ITL5

Determination of question by industrial tribunals
For appellants and respondents, with particular reference to the Health and Safety at Work etc Act 1974 ITL19

Overseas workers

Employment of overseas workers in the United Kingdom from 1 January 1980
Information on the work permit scheme—not applicable to nationals of EEC member states or Gibraltar OW5 (1981)

Employment in the United Kingdom
A guide for workers from non EEC countries OW17 (1980)

Employment of overseas workers in the United Kingdom from 1 January 1980
Training and work experience schemes OW21 (1981)

Employers and employees covered by Wages Councils

Are you entitled to a minimum wage and paid holidays?
Contains a brief description of the work of wages councils which fix statutory minimum pay, holidays and holiday pay for employees in certain occupations
Statutory minimum wages and holidays with pay
The Wages Council Act briefly explained
Guide to the toy manufacturing wages order
Guide to the hairdressing wages order EDL504

Other wages legislation

The Fair Wages Resolution
Information for government contractors
The Truck Acts
Leaflet on the main provisions of the Truck Acts 1831-1940, which protect workers from abuses in connection with the payment of wages PL538
Payment of Wages Act 1960
Guide to the legislation on methods of payment of wages for manual workers (in particular those to whom the Truck Acts apply)

Special employment measures

Temporary Short Time Working Compensation Scheme
For firms faced with making workers redundant PL636 (2nd rev)

Job Release Scheme
Information on the scheme for employees aged 64 (men) and 59 (women) PL664 (1981)

Job Release Scheme
Information on the scheme for disabled men aged 60 to 63 PL665 (1981)

Young people

The work of the Careers Service
A general guide PL669

Employing young people
For employers PL604

What's your job going to be?
For young people making a career choice PL603

Careers help for your son or daughter
For parents of school leavers PL596

How did you get on when you started work?
Career advice for young people in employment PL601

Finding employment for handicapped young people
Advice to parents PL614

The Long Term
A leaflet about a new film for parents, showing the importance of combined parental and Careers Service guidance for young people about to leave school PL659

We get around
A leaflet describing a film which shows how the Careers Service helps young people find the right job PL586

Quality of working life
Work Research Unit
A brief description of the role of the Unit, which can provide practical advice and help to all those in industry, commerce and the public services who want to improve the quality of working life PL661

Work Research Unit—Future Programme 1980 and 1981
A summary of the future programme of the Unit, supported by the Tripartite Steering Group on Job Satisfaction PL662

Employment agencies
The Employment Agencies Act 1973
General guidance on the Act, and regulations for users of employment agency and employment business services PL594 (2nd rev)

Equal pay
Equal pay
A guide to the Equal Pay Act 1970
Equal pay for women—what you should know about it
Information for working women PL573 (rev)

Race relations
The Race Relations Employment Advisory Service
How this service can help the employer with a multi-racial work force
Background information about some immigrant groups in Britain
Filmstrips for better race relations
A leaflet describing two filmstrips on race relations for use by employees and management PL615

Miscellaneous
The European Social Fund
A guide for possible applicants for assistance from the fund which seeks to improve employment opportunities through training, retraining and resettlement in EEC member states PL577

EMPLOYMENT BRIEF

The ACAS annual report for 1980

Survival worries lead to big drop in stoppages

Increasing preoccupation with the survival of businesses and the preservation of jobs in a deteriorating economic climate led to a dramatic drop in stoppages of work and days lost through disputes in 1980, according to the annual report of the Advisory, Conciliation and Arbitration Service ACAS published this month. The report notes that in 87 per cent of the cases coming to ACAS for conciliation there was no strike or other form of industrial action pending; a reflection of the importance of involving the service at an early stage.

In these circumstances of "less overt strife", the report suggests, "an opportunity exists for employers and trade unions to review their procedures at all levels and to seek a new relationship with each other which will be strong enough to survive the temptation for either side to ignore agreed arrangements when the balance of advantage moves temporarily in their favour".

Frequent causes

Pay and other terms and conditions of employment were again the most frequent causes of disputes dealt with. Trade union recognition continued to be the second largest cause. Redundancy was the cause of disputes in ten per cent of cases in 1980 compared with only four per cent in 1979.

Compared with 1979, companies seem to be settling pay claims more frequently with



shop stewards at plant level, the report states. But more collective disputes have developed over the arrangements for manning reduction, work-sharing and similar matters.

Common features

A number of features were common to many disputes. Among workers affected there was considerable concern about job loss, either as a result of technological change within the industry or as a result of structural decline. Situations were often complicated by apparent conflicts of interest between different groups of workers represented by different unions and a lack of willingness to use or abide by the TUC's own disputes procedure.

The disputes also revealed weaknesses in managements' approach, and ill thought-out strategies by negotiators in bargaining.

Cure the problems now, urges Lowry

In a statement commenting on the report Mr Pat Lowry, chairman of ACAS, said: "The incidence of strikes is low and the level of pay settlements is lower than we have seen for many years in a situation of free collective bargaining. I have seen this referred to as the new sense of realism. I trust that those who make this statement do not automatically assume that when the upturn comes we shall not be returning to the bad habits and practices that have so contributed to our poor economic performance in the past.

Genuine improvement

"During the past two years much of British industry has had to go through a process of painful re-adjustment of a kind unknown for 50 years. This has caused considerable hardship but there now does seem

to be scope for genuine productivity improvement once we move out of the recession. It will be tragic if we lost that advantage.

Special responsibility

"There was never a more opportune time than now for managements, employees and trade unions to be reviewing all those problems which cause bad industrial relations, and trying to put them right. Managements have a special responsibility. Industrial relations policies based on fear of lost jobs do not guarantee much by way of long-term peace. The ready provision of information and of consultative process during times of recession when jobs have to go and pay expectations have to be lowered but then withheld when times get better will reinforce cynicism and do nothing to change attitudes."

Emphasis is reflected in the report on ACAS advisory work as an aid to industry in improving the climate of employer/employee relations. Demand for advice was generally at a higher level than in previous years, although interest in specific topics varied, reflecting the changing economic circumstances and needs of those engaged in manpower matters.

A firm manufacturing military uniforms called in ACAS to examine its organisational structure before taking steps to increase production levels through the introduction of a new payment system. A piece-work scheme was being considered and the trade union favoured a bonus scheme.

The ACAS advisory team carried out interviews and checked absenteeism and labour turnover figures with personnel records. Their investigation also covered hours of work availability of employees and the working environment as well as sending a questionnaire to workers who had left in the last six months. The recommendation favoured a piece-work system and emphasised the need for employee and union involvement in its design and implementation.

Systematic operator training was also advocated and consistent monitoring of absence together with the development of communication and consultation. As a result of implementing the ACAS proposals, morale noticeably improved in the company and earnings levels increased as did production levels in the ensuing months.



More than 20,000 young people have joined the Youth Opportunities Programme in County Durham since the scheme was first introduced by the Manpower Services Commission.

The 20,000th youngster to join the programme was **Mr David Rothwell** (left) from Easington who is on a six-month work experience scheme at Screenprint in Peterlee. He is pictured with Mr Collin Long, a former YOP trainee.

Permanent job

He is the sixth unemployed teenager to go on YOP at the firm of display printers on the South West Industrial Estate; so far, all of the youngsters have moved on to a permanent job with the company.

Although one has since left for another job, all the rest are working as trainee screen print technicians.

Mr Rothwell left school with CSES, including art. He attended college for two years taking A-level art and a diploma in graphics. However, after successfully completing the course he was unable to obtain a job despite several interviews.

Durham County careers service offered him the chance of the work experience place at Screenprint. He said: "I am really enjoying it here. Clearly without the scheme I would still be on the dole."

Companies' response

Principal careers officer Mr Dermot Dick is pleased with the response of companies like Screenprint to the problems of unemployed young people in the county.

He said the fact that 20,000 young people had joined the Youth Opportunities Programme in Durham County since 1978 was some indication of youth unemployment in the area.

"What is worthy of note is that half of those who joined the programme have now left for permanent jobs. We rely on companies like Screenprint to help and maintain this programme."

Shepherd to head new advisory group on the training of trainers

The Manpower Services Commission has announced the appointment of Mr Ron Shepherd of the Ford Motor Company as chairman of the newly-formed Training of Trainers Advisory Group (TTAG).

The group, set up by the MSC to review and co-ordinate trainer training throughout the country, will advise the Commission on ways of maintaining and improving the competence of trainers.

The TTAG will be a part-time body which will meet about twice a year. It will comprise a small but influential group of people who between them will have extensive experience and influence in the training world.

Committees

Mr Shepherd is the manager of Ford's education, training and personnel services in the UK and is a member of both the CBI education and training committee and the Department of Education and Science's action committee which administers the National Engineering Scholarship Programme.

He is chairman of the Business Education Council's business studies board, a member of the council's planning and monitoring committee and also a governor of the North East London Polytechnic.

During 1973 and 1974, he was a member of the Central Training Council's training of training staff committee and from 1973-75, was vice-president of the Institute of Personnel Management, with responsibility for training and development.

Mr Shepherd is also a Companion of the Institute of Personnel Management and a Fellow of the Institute of Training and Development.

Commenting on his appointment, Mr

Schools micro plan 'will help industry'

Information Technology Minister Kenneth Baker has given details of a scheme, worth up to £4 million, to put at least one micro-computer into every secondary school by the end of 1982.

Public purchasing

Speaking at the launch in London he said: the scheme was a prime example of enlightened public purchasing, which would do much to develop British sources of supply. It would provide further opportunities for our microcomputer and software industries, where the UK already held a leading position in the educational world.



Shepherd: major role

Shepherd said: "I endorse the MSC's definition of 'trainers' as anyone in employee development—especially line managers.

"In my view, there has been an unhealthy tendency in the past to concentrate on the training of full-time specialists at the expense of the many others who, in a wide variety of ways, play the major role in training."

HSC commissioner

Employment Secretary James Prior has appointed Dr Michael Shannon as a member of the Health and Safety Commission. Dr Shannon is a general medical practitioner and Conservative group chairman of the Suffolk Coastal District Council.

He is a member of the Health and Safety Commission's Medical Advisory Committee, a member of the National Health Services Committees and has a particular interest in agricultural and forestry safety.

Guidance note looks at skin diseases at work and their causes

Occupational skin diseases cause the loss of 630,000 working days on average each year, and they are by far the commonest reason for payment of industrial injury benefits, reveals a new guidance note from the Health and Safety Executive.

The guidance note, *Occupational skin diseases: health and safety precautions* (HMSO, 50 p plus postage), presents the problems of occupational dermatosis in simple terms, and describes the skin reactions which may occur and some of the agents liable to cause them.

In the prevention of skin diseases, all

reasonable measures should be taken to reduce or eliminate the risk of exposure, the note says. It gives guidance on the engineering and process controls that should be considered and discusses the type of personal protection that may or may not be suitable depending on circumstances.

Traditionally-accepted barrier creams, it remarks, offer only limited protection.

Co-operation

To be successful, the note emphasises, the measures agreed must be strictly adhered to with the full co-operation of managers and workpeople. A high standard of personal hygiene should be encouraged by education and by the provision of clean and adequate washing facilities as near as possible to the place of work.

Supervision

It stresses the importance of training and of planned supervision which should include regular examinations of workers' skin and systematic inspection of working methods, standards of cleanliness and the effectiveness of protective measures.



Mr John Bridges, the Health and Safety Executive's new Area Director for the North East. He replaces Mr Robert Moffett, who is retiring.

Mr Bridges, who will be based at Kenton Bar, Newcastle upon Tyne, will assume responsibility for the work of HM Factory Inspectorate in Northumberland, Tyne and Wear, Durham and Cleveland. He will also have responsibility for the Shipbuilding and Shiprepairing National Industry Group of the inspectorate.

He is a native of Derbyshire and he first came to the University of Durham in 1944, returning after service in the RAF to complete his degree.

In 1954, he joined the Factory Inspectorate at Newcastle upon Tyne and later worked in Middlesbrough and in Scotland before returning to Newcastle in 1972. For the last few years he has been the senior principal inspector for the Shipbuilding and Shiprepairing National Industry Group.

Training put Ted into his own business

Two Government-sponsored training schemes have led to an ex-factory supervisor setting up his own business in Milton Keynes.

At the end of 1979 Mr Ted Bacon took a six-month hydraulic and pneumatic fitting course at the Milton Keynes Skillcentre. After a short spell in industry to gain further experience, he decided to branch out on his own.

His recently launched enterprise, Keyne Hoses, now offers local factories a round-the-clock service supplying and fitting hydraulic or pneumatic hoses.

Before embarking in business on his own, Mr Bacon took a second course which also had Manpower Services Commission backing. At the Anglian regional management centre in Essex he studied small business management—a course particularly designed for those with a firm view of what they have in mind as a business opportunity. It covers areas like finance, bank loans and marketing.



Bacon: branched out

New fee structure for medical checks

Regulations establishing a new structure and level of fees for statutory medical examinations carried out by Employment Medical Advisers took effect from April 8, 1981.

Drawn up by the Health and Safety Commission after consultation with the CBI, TUC and other interested bodies, the regulations should ensure that charges are more closely related to the work undertaken and equal the full economic costs to the HSE.

Previously, less than half the true costs were recovered.

Periodic medical examinations are required by various regulations under the Factories Acts. About 90,000 examinations are carried out each year by doctor's appointed by the HSE; a further 20,000 by the HSE's employment medical advisers (EMAS).

Appointed doctors

Where examinations are undertaken by appointed doctors, the fees are agreed between individual employers and doctors. The new regulations apply only to fees for EMA examinations.

For the first time there will be a basic fee for a medical examination and separate fees for any laboratory tests or X-rays. Before, a single inclusive fee covered such tests regardless of whether they were carried out or not.

Fees for Statutory Medical Examinations Regulations 1981 (SI 1981/334) is available from HMSO, price 70p plus postage.



Information Technology Minister Kenneth Baker on the Microtrain.

All aboard the Microtrain for a journey into new technology at work

Officials from the TUC will be running counselling sessions for trade union representatives on the training implications of new technology, as part of the programme of events on board a special train. Sponsored by the Department of Industry, and interested companies and organisations, the "Microtrain" tour forms part of the Government's Micro-electronics Awareness Programme.

With visits planned to a total of 21 towns and cities throughout the country over a 20-week period, the train got under way this month. In addition to exhibition coaches covering the latest developments in office and manufacturing technology—particularly British-made microcomputers—the train is concentrating on providing courses and working sessions for managers, workpeople and school parties on different aspects of the micro-electronic revolution.

As well as the TUC's participation in the Microtrain's programme, the Institution of Electrical Engineers is running a series of one-day seminars for small manufacturing companies with no previous experience of applying micro-electronics.

Successful project

The British Institute of Management and the Computing Services Association will be presenting the findings of a study on the management approach to a successful micro-electronics project.

Representatives of manufacturing companies can try out a micro-computer with

Dressing gown accord

A quota on imports of women's dressing gowns into the UK from Korea has been introduced by the European Commission. A quota of 350 tonnes has been negotiated by the EC for 1981, and 401 tonnes for 1982.

various applications, such as accounts, stock control and graphic design. Among the other special events being organised, representatives from training organisations in each area being visited by Microtrain will be available to advise on courses being organised in the locality.

August break

During June, Microtrain will spend a week at a time in Nottingham, Cambridge, Southampton and Reading. In July it will move to locations in the West of England and Wales and after a break during August it will tour Scotland and the North of England in September.

Speaking at the inauguration of Microtrain, Mr Kenneth Baker, Minister for Information Technology, said: "Micro-electronics is going to affect all of our lives and if Britain is to reap the benefits we have to begin taking our opportunities now. Much has been achieved in the first phase of the Micro-electronics Applications Project in encouraging British companies to take up the challenge. But too many companies—around 50 per cent—still have not appreciated that micro-electronics is relevant to their business."

Already since the project was launched well over 100,000 people have attended awareness workshops, seminars and other courses. Studies by MORI indicate that the general level of awareness has improved but there is still some way to go before UK companies catch up with overseas competitors.

DE statistical services review should save £4 million a year

The Government expects to save about £4 million a year as a result of a proposed reorganisation of the Department of Employment's statistical services. The savings which will mean 550 fewer staff, are explained in a report published on page S58 of this issue of *Employment Gazette*.

It sets out the action to be taken on the review of statistical services in the Department of Employment and Manpower Services Commission prepared as part of the review of the Government Statistical Service co-ordinated by Sir Derek Rayner.

Over half of the savings should be accruing during 1982 with the remainder occurring by 1984. They are in addition to economies worth £1½ million a year, including 90 posts, which had already been made by the time the review began in spring 1980.

The review examined systematically all the statistical activities, bearing in mind the need for data and the resources required to provide them.

Two-day turnround on job vacancies

The Manpower Services Commission has reported that despite the recession and the steep rise in unemployment, Jobcentres and employment offices filled over 1,500,000 vacancies last year—mostly within two working days. About nine out of ten people who were found jobs were unemployed.

Altogether, more than 2 million vacancies were attracted.

In the same year, ending March 1981:

- over 120,000 applications were taken for the MSC's training courses;
- over 7,000 people who attended employment rehabilitation courses were subsequently found jobs or further training courses; and
- over 39,000 jobs were found for disabled people by the service's disablement resettlement officers.

In the previous year (1979-80) the public employment service attracted 2,720,000 vacancies and filled 1,903,000 vacancies; of that total, 1,630,461 were filled by people out of work.



Special features

British employers and the ILO

Experts provided by the ILO are helping develop a national vocational and technical education system in Mauritius: here, Mr Keith Beaumont from Britain helps install welding equipment for a hydro-electric scheme and train its operators.

Photo: ILO

by J A G Coates

Confederation of British Industry

Throughout the 15 years during which I have been associated with the work of the International Labour Organisation I have had the greatest difficulty in explaining to anyone else just why I believe it has been time well spent. Since 1975, when I became British Employers' delegate and a member of the ILO's Governing Body, I have even seemed to have two different working lives: one at home among colleagues in industry who are preoccupied with the rough and tumble of domestic affairs and the realities of making a living; and the other in Geneva where people act their parts on a much wider stage with words as their tools and where progress seems to be measured in piles of paper. And yet it is a misapprehension to simplify the difference as being between the real and the unreal. With all its frustrations, the ILO provides a unique forum for examination of some of mankind's most intractable problems and for hearing at first hand how the rest of mankind views those problems. Its highly motivated permanent staff constitutes the world's most expert centre of knowledge about comparative labour and social conditions. The fact that alone among the organs

of the League of Nations it has survived since the Treaty of Versailles, must be a powerful argument for its relevance to the real world.

The early years

The concept of an international organisation which would seek to establish and improve labour and social standards emerged as a logical development from the pre-1914-18 War efforts to obtain international agreements to regulate employment conditions, but was encouraged by a general fear of instability after the war. From the British point of view, since our standards of workmanship were at that time considered to be second to none, it made economic sense to encourage similar conditions of employment in all competing markets.

Trade unions in the belligerent countries were insisting on having some influence on the peace settlement, following war conditions which had necessarily brought the associations both of employers and workers into much closer relations with the governments than had ever been the case in the past. The new position which labour thus gained was exemplified in England by the creation in 1916 of a Ministry of Labour and the inclusion at the same time of a representative of labour in the War Cabinet. International co-operation had been stimulated between the Allies by the necessities of war and was now caught up in the ideas of a new international order to give effect to social justice



Photo: ILO

Trainee at the Industrial Training Centre in Mauritius cutting a metal sheet as part of a plumbing and pipe fitting course.

within the over-all plans for post war economic and political development.

On January 22, 1919, Mr Lloyd George proposed to the Peace Conference "That a Commission approved by the Congress be appointed to enquire into the question of the international adjustment of conditions of employment, and to consider what forms of permanent international machinery should be established to enable the several countries to secure joint action on matters affecting conditions of employment and to recommend what steps should be taken to set up an appropriate organisation." The Commission was appointed on January 31, 1919, and its first meeting was held at 11 am on the following day. There was considerable surprise at the appointments to the Commission made by President Wilson—Mr Samuel Gompers, president of the American Federation of Labour, and the Hon A N Hurley, president of the American Shipping Board. They were appointments which had considerable influence on the course of the Commission's work, as were the appointment later of Mr Leon Jouhaux, the French trade union leader, and the election of Mr Gompers as chairman of the Commission.

Vital changes

One of the first documents it considered was a detailed memorandum submitted by the British delegation for the establishment of an International Labour Office, which contained the following radical proposal, strongly supported by the British and French prime ministers, Lloyd George and Clemenceau: "The General Conference shall be composed of three representatives of each of the High Contracting Parties of whom one shall be the delegate of the Government and others shall be delegates representing respectively the employers and the workpeople of each of the High Contracting Parties." The British document foreshadowed to an extraordinary degree the Constitution of the ILO as it is today. After a great deal of argument, some vital changes and some 35 sessions of the Commission, a

scheme on these lines was finally accepted and the ILO came into being through Article XIII of the Treaty of Versailles. The Belgian Government representative paid tribute to the contribution made by Britain. "I should say that there are two methods of making revolution, the Russian and the British method. It is the British method which has triumphed in the Labour Commission."

This article cannot pretend to do justice to the history of the ILO's development since those early days,* but it is I think important to understand that this organisation, which is sometimes regarded as a rather dull part of the contemporary scene, was a keystone of post-war reconstruction only 60 or so years ago. Another aspect which must strike the reader of that early history is how durable this organisation has been: its constitution, its structure, and its basic objectives have altered little since the original British proposals at the Paris Commission. Inevitably, dealing as it does with fundamental social problems, the ILO has often been a centre of controversy and tension; this is more a tribute to its relevance than a criticism of its behaviour. In times of international tension it has always tended to be something of a political "Aunt Sally": not only did the USA withdraw its membership in 1977, but as long ago as 1919 opponents of the Versailles Treaty in the US saw the first international labour conference as "a premonitory symptom of European intervention in American affairs", whose delegates were described as Bolsheviks who should all be deported! As recently as June 1979 *The Economist* suggested that tripartism was now a farce since "the unsmiling *apparatchiks* from so many national delegations . . . are all the state's men." I believe that though many of such criticisms have justification from time to time, in the long run the ILO faithfully reflects the world as it is. It remains the one forum where countries in breach of international obligations are methodically called to account, and where representatives of free employers and free trade unions have the right to insist that governments take account of their opinions in trying to find solutions to common social problems. This is particularly true when the ILO exercises its traditional role of establishing new labour standards.

It is not merely that the sometimes conflicting views of governments, employers and workers have to be reconciled; somehow or other a consensus has to be created which can encompass the widely differing conditions which prevail within the 145 member states. The final balance which is struck must represent a practical and practicable step forward—neither too advanced "pie in the sky" standards which few countries could ratify, nor standards set at a level which merely reflects what already exists, and thus makes little contribution to progress.

How the Employers' Group operates

The International Labour Conference which meets annually consists of delegates representing governments, employers and workers from each of the 145 member countries and each of these groups elects a smaller number to represent their interests in the Governing Body. In principle these groups are independent of each other and it is this "tripartism" which gives the ILO its value so far as we

* I am indebted to George Foggon, director of the London Office of the ILO for advice on the early history.

See also: Antony Alcock—*History of the International Labour Organisation* (Macmillan, London 1971); Margaret Stewart—*Britain and the ILO* (HMSO, London 1969).

are concerned. But for group autonomy to be meaningful there must also be a degree of independence at the national level and, as *The Economist* implied, this is not the case in countries which have collectivist or authoritarian forms of government. It is for this reason that the employers' electoral college, which is convened every three years at the Conference, has up to now declined to elect to the Governing Body any representatives from communist states, although as a compromise, forced on the employers by the Conference in 1959, a limited number of communist delegates are appointed by a special procedure to technical and industrial committees. Since such delegates have invariably voted with their governments, this has tended to confirm the fears of free employers and to exacerbate the continuing debate about changing the organisation's constitution and structure.

Improve conditions

Among those who founded the ILO, there were some who regarded its objects as being solely to improve the conditions of working people and who had little sympathy with employer organisations, which they regarded as merely pressure groups and obstacles to progress. For many years the ILO itself did little to assist the development of effective employer organisations and so it is not surprising that the initiative came from other quarters.

Although the idea of establishing some formal links between employer organisations in different countries dates back to well before the first world war, it was not until the ILO was formed that concerted action was taken. Employers meeting at the first International Labour Conference in Washington agreed that it was necessary to create an organisation which would be able to act as a permanent means of liaison between national employer bodies. Although there is some argument about the actual place of birth, our respected colleague, the late Mr Pierre Waline, maintained that it was on March 22, 1920, in London, at Claridges Hotel, at a meeting presided over by Sir Allan Smith, representing the British Confederation of Employers' Organisations, assisted by Mr Marjoribanks, Mr Ross and General Baylay. The first General Council meeting of the 12 founder members of this International Organisation of Industrial Employers took place in Brussels in 1920. After weathering the years of economic and social crisis (between the wars) the IOE hibernated during the second world war, but was then reactivated largely on the initiative of the British Employers' Confederation. Resuming with 25 members, mainly from the major industrialised countries, the IOE (OIE in French) grew rapidly over the years with the great influx of emergent nations entering the ILO, eventually attaining its present total of 88 member federations. The headquarters was moved from Brussels to Geneva to facilitate closer contact with the ILO where the IOE, led by its energetic secretary-general, Mr Raphael Lagasse, today provides the secretariat for employer delegations to all meetings.

The objectives of the IOE can be summarised as being to enable the central national federations which are its members to discuss together social and labour matters and their economic consequences; to represent their common interests in international inter-governmental organisations (the IOE like the ICC has full consultative status with the UN); and to protect and strengthen the position of employers in



Photo: ILO

Delicate coffee plants being handled at a rural co-operative in Ethiopia.

developing countries. Members of the IOE, in return, are expressly bound to support the principles of free enterprise.

Independence

In my experience, the employer groups, both at the Conference and in the Governing Body, operate effectively with reasonable cohesion and a large measure of independence. Not surprisingly, when agendas stray into questions which are highly charged politically, such as Arab/Israeli relations or apartheid, there has to be freedom to cast votes according to conscience; but in matters which are within the normal technical competence of the ILO it is generally possible to achieve consensus within the group. As with the contribution of British Government officials in the early part of the ILO's history, so over the years have British employer delegates played a leading part in the development of this collaboration within the employers' group.* Names such as those of Sir John Forbes Watson and Sir George Pollock are still remembered with deep affection and respect. In the sometimes difficult negotiations which can arise at ILO meetings, especially when new labour standards are under discussion, the contribution which the British employers have made over the years would I hope be widely acknowledged. While pressing strongly for international standards to be practicable in the real world of industry and commerce, they nevertheless keep firmly in view the objective of achieving a positive outcome, and are generally very active both in the counsels of the employers' group and in discussions with the workers' and government groups in seeking accommodations which bridge their different positions.

At the Conference and in other ILO meetings an employer is of course also an accredited member of a national delegation, and in the free world with its tradition of dialogue and compromise, this rarely presents any diffi-

* See Margaret Stewart, *Britain and the ILO*, Chapter VII.

culty. Indeed it has been observed with more than a grain of truth that sometimes one has more in common with the opposite number on the worker benches than with some employer colleagues! Certainly I have always enjoyed and valued the frank interchanges and discussions with delegates from the TUC, as indeed I have with my many friends from the Department of Employment, although occasionally voting in a different direction! The constructive role of the employers' group has contributed in turn to the development of a more positive attitude within the ILO towards employer organisations. This can be measured by the much increased budget for its Employers' Activities Branch (now standing at \$750,000 a year) a considerable proportion of which is devoted to assistance to employers' organisations in developing countries. The communist governments habitually challenge this part of the budget on the grounds that the ILO exists to help workers, not employers; but the programme is widely supported as not only being consistent with the tripartite principle but also an essential contribution to social and economic development.

Growing influence of developing countries

Since its inception with 45 member countries, the ILO has sought the goal of universality; in 1981 with 145 members this is near to attainment, although China has not yet taken up its place and South Africa has withdrawn. Inevitably in the early years the character of the organisation was heavily weighted towards the western industrialised countries and even today still gives some preference, as was provided in its original constitution, to the position of the ten states of chief industrial importance. These countries still provide about two-thirds of the organisation's income; but their favoured position is challenged by the far more numerous emergent nations who are naturally dedicated to the UN principle of equality between all sovereign states. In the event it was, ironically, the growth in the number of independent states in Africa and Asia in the 1960s and 70s which rapidly altered the balance of voting within the ILO and introduced a new power base which no international organisation could escape. The Group of 77, established in the mid-1970s (now representing over 100 developing countries) were soon alive to the strength of their block vote which could be organised, and traded off, with East or West to gain mutual political advantage. This was first demonstrated in the ILO in 1974 after the oil crisis, when the Arab countries were able to gain the support of the rest of the developing world and the communist bloc for a strongly political anti-Israel resolution which did much damage to that year's Conference. There can be no doubt, moreover, that in many other ways the politics associated with a search for a New International Economic Order have produced new stresses and severely complicated the ILO's original purpose of "peace through social justice".

Technical co-operation

About half the world's population live in the countries represented by the Group of 77, yet these people enjoy only about one-sixth of the world's goods and services. At the present rate of progress it would take a century and a half to double the income per head in the least developed countries, without taking account of population growth. With the change in the balance of its membership, the

How the ILO works

The **International Labour Conference** meets annually in Geneva. Each member state has the right to send four delegates to the Conference: two from the government, and one each representing workers and employers each of whom may speak and vote independently. The Conference provides an international forum for discussion of world labour and social problems. Much of its work is devoted to setting new minimum international labour standards and to monitoring the extent to which the governments of member states are observing the extensive series of standards already adopted. The Conference is the supreme authority of the International Labour Organisation.

Between Conferences, the work of the ILO is guided by the **Governing Body**, comprising 28 government members and 14 workers and 14 employer members. The work of the Governing Body and of the Office is supplemented by tripartite committees covering major industries, and by meetings of experts on such matters as vocational training, management development, occupational safety and health, workers' education and the special problems of women and young workers. Regional conferences of ILO member states and meetings of regional advisory committees are held periodically to examine matters of general interest to the regions concerned.

The **International Labour Office** in Geneva, is the organisation's secretariat, operational headquarters, research centre and publishing house. Operations are decentralised in regional, area and branch offices in more than 40 countries.

emphasis in the ILO's activities is rightly being placed less on protecting workers from the adverse consequences of industrialisation and more on accelerating industrial development. In consequence an important part of the assistance to developing countries (in which the ILO collaborates with UNDP and other UN agencies) has been directed towards increasing the skills and effective use of manpower at all levels, to compensate for their chronic shortage of capital.

Considerable effort

In 1979 the ILO administered \$78m on technical co-operation activities, nearly half of which went to vocational training and management development. It is probably not generally recognised that the ILO now devotes a considerable effort to the training of managers. Starting in 1952 with missions to India and Israel, the productivity and management development activities had expanded to a point where as far back as 1968 the director-general could claim that they constituted the largest international programme in the world in that field, and this is probably still true today.

Employers' representatives in the Governing Body and its Committees have an important voice in assessing the relevance, priority, and results of these programmes. From the point of view of donor nations, it would seem more satisfactory that funds are directed through specialised agencies such as the ILO, towards well considered and managed projects in collaboration with the local authorities concerned, rather than dispersed through less well defined and politically more sensitive channels.

Associated with its technical co-operation activities, the ILO has during the 1970s devoted much effort and debate to the vast problems of world employment. Although bedevilled by political argument, this work has contributed a deeper understanding of the facts which lie behind bare statistics, and of the hard problems of adjustment which face both developed and developing countries. The emphasis on national strategies to satisfy basic needs as a primary objective may have lasting value, as will also the priority which has been accorded to rural development—an objective to which Mr Roy Watson, director general, National Farmers' Union, devoted himself during his 16 years as a member of the British employers' team.

Unhappily the optimism of the economic growth targets which seemed realistic in 1976 has been overtaken by the reality of recession in 1981, and in short term there can be little prospect of significant advances on this front.

The multinationals

The point which should first be made is that technical progress, improved standards of work and life, and enhanced human rights and dignity, can all go hand in hand in fulfilling the ILO's basic purpose; but there must be effective management and adequate investment. The British companies which had traded all over the world during this century, and longer in many cases, believed that their activities had been helpful to host countries in providing such resources. However, criticisms of the role of international business began to be voiced in the United Nations about ten years ago from many different political points of view, and British international companies found that they were being lumped together as targets for criticism with many others to which the Newspeak term of "multinationals" or "transnationals" came to be applied. The late Wilfred Jenks, who had recently become director-general of the ILO, came to London in 1971 to ask for the co-operation of British employers, since he was under pressure to bring this highly charged political topic on to the agenda of the Conference. British employers recognised the need for a constructive response, and it is pleasing to look back on the work which the ILO has since done to create greater understanding of the positive contribution which these enterprises are making to social and economic progress. Employers, workers and governments from both industrialised and developing countries were able to join together in producing in 1977 a Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. This seems likely to be accepted by the UN as the definitive international instrument, in the field of employment and industrial relations.

Self interest

The training role of such enterprises in host countries is underlined in the Declaration. The training effort which accompanies foreign investment could be regarded as an act of self interest, for technology and related know-how can only be transferred successfully if recipient countries have manpower with the necessary skills and organising capability. However, this training effort also brings considerable benefits to developing countries, as a number of ILO research reports demonstrate. Apart from the direct benefit of their investments, this is possibly the most lasting contribution which British companies are making to overseas development.

What of the future?

When the US government withdrew from the ILO in 1977 as an expression of concern about the growing politicisation of the organisation without due regard for constitutional procedures, the employers' group found it easy to sympathise. The consequent financial and staffing retrenchment imposed on the ILO, though painful, had some salutary effect in causing a vigorous re-evaluation of all activities and programmes. There was, too, a lessening of political heat in the subsequent conferences and perhaps more balance in the investigation of claimed violations of human rights, including the question of trade union freedoms in the Soviet Union; but some of the underlying issues could not be expected to change. It was with general relief, therefore, that in February 1980 the USA was welcomed back into this robust but unruly international family.

Renewed attempts must now be made to resolve the outstanding problems of the organisation's structure, in ways which will give some measure of satisfaction to the developing countries' majority, while preserving a basis within which the industrialised market economy countries will still feel able to collaborate. In fact, many of the proposed constitutional changes are widely supported; but some, particularly those which would weaken the autonomy of the non-governmental groups—including the representation of "employers" from communist countries—have so far proved insoluble. I believe that some accommodation will be found, if only because the political price of failure would be severe. The next decade is likely to see new influences whose effects it is impossible to predict: the impact of President Reagan's USA; a more active China; and the increasing divergence of interests within the Group of 77.

Useful work

Employers must continue to insist that the time and effort which they give to the ILO (which for the CBI represents about 120 person/weeks pa—excluding maritime activities) is devoted to useful work within the organisation's field of competence and not dissipated in political debate more appropriate to the intergovernmental agencies of the UN, or the UN itself. Employers will give priority to well directed technical co-operation, to industrial committees with relevant agendas, and to the more thorough application of existing standards, especially those concerning basic human rights.

In Britain nowadays we tend to be so preoccupied with pressing domestic problems that it is easy to overlook the importance of maintaining the reputation which we still enjoy in world affairs and in international forums. Certainly in the ILO the British employers continue to be highly respected and influential members of the Employers' Group. Despite the heavy demands which our involvement entails, I am sure that the ILO continues to be worthy of active support, so long as we care about our international reputation for common sense and social justice. As a trading nation it would be a mistake to underrate the value of this reputation which once lost would be difficult to recover. But as "a school for co-operation", as Mr David Morse, a former director-general, once described it, the ILO will continue to require a lot of patience! ■

Men graduates' salaries were about £650 higher than those of women after allowing for the effect of the other variables. An extra year in work after graduating was worth £270 in 1977 compared with £70 for an extra year spent studying for an achieved postgraduate qualification. A first or upper second class degree was worth £200; being married was worth about £200 but a month spent unemployed seeking work incurred a penalty of £60 in salary. Compared with an arts first degree, social studies was worth a premium of £670 overall, engineering was worth £530, and science was worth £390. For the smaller sub-samples some care should be taken in the interpretation of the salary variations since the numbers involved may be small. For example in the engineer and scientist sub-samples there was no graduate with a first degree in languages and only one graduate in arts (the basis of the first degree subject effect). Similarly in the secretarial and clerical type of work sub-sample there was only one graduate in engineering and one in the "other" subject group. The effect of a 10 per cent increase in the average A-level score (approximately the difference between a B and a C, for example, in one subject) was worth about £20 in salary.

Unemployment between 1970 and 1977

The sample used for the earnings regression analysis, with the addition of those who gave no A level score, formed the basis of a simple regression analysis of time spent unemployed seeking work since graduating in 1970. The number of graduates in the unemployment regression analysis was 3,964 and their characteristics were very similar to the sample used in the earnings regression.

On average the graduates in this sample* spent less than one month unemployed seeking work during the first seven years after graduating, but those in secretarial and clerical type of work had been unemployed for considerably longer (nearly five months).

Because of the generally short length of time spent unemployed since graduating (most of which probably occurred before entering the first job) the effects of the variables are rather weaker than in the earnings regressions. The most significant effect was the unsurprising one that the longer graduates had been in work after getting their first degree the shorter had been their period of unemployment seeking work—it should be noted that the latter was used in the estimation of the former period. However, the two periods are not interchangeable—an additional year in work after graduating reduced the total time spent unemployed and seeking work by less than a month on average. Another significant effect was the time spent studying for a completed post-graduate qualification—an additional year of study reduced the time spent unemployed by 0.7 month on average.

Other effects were that graduates with a first or upper second had 0.4 of a month less unemployment on average than those with a lower class degree, and that graduates who had attended training courses in their first or more recent job had 0.3 of a month less unemployment. Married graduates with children had spent less time unemployed seeking work than other graduates.

The unemployment effects of time in work after graduating and in studying for a completed post-graduate qualification were especially marked for public administration,

commerce, and "other" sectors of employment and for technician and "other" occupations. The association of a good first degree with shorter unemployment duration was most marked for the public administration and industry sectors of employment and for managers.

Conclusions

Earlier articles in this series have found that the 1970 graduate men, on average, were earning consistently higher salaries in 1977 than the 1970 graduate women†, and that men had more chance of achieving managerial status early in their career‡ (although a contributing factor is likely to be shorter careers for those women who leave work to start a family). The overall difference in salary between men and women graduates was just over £1,000 in 1977, but about a third of this can be explained by the factors (such as subject and class of first degree, time in work since graduating, and time spent studying for a post-graduate qualification) taken into account in the earnings regression analysis. This still leaves a difference of over £650 to be explained by factors not covered by this survey. One explanation may be the deliberate choice by women of occupations that are satisfying rather than highly paid. Others may include restricted job opportunities for married women in the geographical area of their husbands' work, or limited opportunities for promotion and higher responsibilities. This postal survey was not a suitable instrument for measuring these complex factors.

Opposing factors

The question of whether there was an advantage, in terms of salary, of studying for a higher degree (at the expense of reduced work experience) was mentioned earlier** and it was then suggested that these two opposing factors might interact. But it is clear that, in the seventh year after graduating, it pays *not* to have taken a post-graduate qualification. Whether the post-graduate continues to suffer a financial penalty throughout the rest of his or her career cannot be answered by this survey, which took place soon after many post-graduates had completed their period of study and entered employment. It seems likely that this penalty could well become a benefit later, with the post-graduate qualification opening the doors to better positions.

The regression analyses described in this article have considered only the *time* spent studying for a completed post-graduate qualification; the *type* of qualification was not identified. A later article will examine the numbers and average earnings of those who received a doctorate, a masters' or some other post-graduate qualification. ■

* The sample consisted of those currently in employment at the time of the survey and therefore excluded any then unemployed.

† June 1980 issue of *Employment Gazette*.

‡ December 1979 issue of *Employment Gazette*.

** June 1980 issue of *Employment Gazette*.

SPECIAL FEATURE

Company mergers and take-overs

Steve Reardon looks at five case studies of take-overs that occurred between 1971 and 1974 based on the Department's recently published results* of a three-year study of mergers and take-overs. Particular references are made to the implications for management organisation and industrial relations as opposed to monopoly and consumer interest.

□ Mergers and take-overs seem to be a regular feature of business life these days. Yet by definition they are often the result of secretive, behind the scenes activity causing mistrust and anxiety to the "victims" at both management and shopfloor level. Some spectacular take-over bids in the last few months, not least in Fleet Street, have re-focused attention on the visible end of what has been a rising trend in take-over activity since 1975. In 1980, for example, there were roughly twice as many company take-overs as in 1975.

The Department of Employment has just published the results of a three-year study of mergers and take-overs, which looked particularly at the more neglected side of these events: the implications for management organisation and industrial relations, as opposed to monopoly and consumer interest issues.

Case studies

Five case-studies of take-overs that had occurred between 1971 and 1974 were carried out by the research team between one-and-a-quarter and four years after the take-over. Interviews were conducted with managers, supervisors and trade union representatives in the companies that had been acquired, virtually all of whom had been working with the firm at the time of the take-over.

In some respects the take-overs themselves were atypical. All were planned at a time of high take-over activity during the boom years of generally high business confidence in the early 1970s. Bids were based on paper assets in the form of shares and loan stock to a greater extent than usual and may therefore have been rather more hurried affairs than would normally be expected. In many cases during this period, asset-stripping was the name of the game. But by contrast the companies chosen for the research were all acquired as going concerns; asset-stripping was not a major motive of the acquiring company and none involved mass redundancies or large-scale closure.

All the companies concerned were in a sense multinational; one was a subsidiary of a foreign company and the other four had substantial overseas operations.

The five companies have been given pseudonyms to prevent identification. These are:

Toolmakers: a firm producing a narrow range of specialised engineering products about half of which went for export.

At the time of the take-over it was employing 3,000 workers in nine geographically dispersed plants. The company subsequently became a small but significant part of the engineering division of the acquiring firm *Consumer Durables*. At two of the firm's plants studied, one had a recognised union for manual workers; the other did not.

Drinx: an old-established London-based company producing alcoholic drinks at 10 sites in England with a total workforce of about 25,000. About 9,000 were employed in the manufacturing process itself and the remainder on distribution. The company was taken over by *Stable Group* late in 1972 to become a major product division. Manual workers tended to be unionised; non-manuals generally were not.

Precision was a small precision engineering firm taken over by the much larger *Chemicals* group late in 1972. It employed about 200 people at a single site in the North of England and at the time of the take-over had no specialist personnel or industrial relations function. Manual workers were unionised and bargained direct with management within the engineering industry framework. The small number of white collar workers were not unionised.

Resistance produced an extensive range of electrical products with a UK workforce of about 2,500. It had four main manufacturing plants in the Midlands and three overseas. It was finally taken over in 1971 after a contested bid by *Rawmat* to become the main subsidiary company in its newly-formed electrical division. At the time of the take-over, trade unions were not recognised in *Resistance* and few of the workforce apart from toolmakers were in fact members of a trade union.

Industrial Exporters was taken over in 1971 by *Consumables* group at a time when it was employing a workforce of about 2,600 in four plants producing a range of mechanical engineering products for use in civil and chemical engineering. Although manual workers were fully unionised, white collar unions were not recognised in the firm and had few members.

* *Company take-overs, management organisation and industrial relations* by Neil Millward and John McQueeney, Manpower Papers 16, HMSO £4.10 net. ISBN 0 11 361196 X.

Take-over process

From the point of view of the directors on the board of the firm being acquired the beginnings of a take-over may be quite invisible to them. Acquiring firms may have spent a long time waiting for the right company and the right moment and as a result the victim may be quite oblivious of what is happening. On the other hand rumour plays a major part in business circles and this was particularly true at the time most of the case firms were taken over. So it may be that the level of preparedness for a take-over bid ranges from total ignorance, on the one hand, right through to total preparedness in the case of an invited bid, as happened in the *Precision* take-over.

Some firms may already be experienced in dealing with take-overs; others may never have experienced one before. *Resistance* had grown largely through internal expansion before the *Rawmat* bid and had no previous experience to draw on. *Drinx* on the other hand had a history of merger and acquisition and so its senior managers had experience both of acquisition and being acquired. Such experience seems likely to have helped *Drinx* secure better terms for their directors with assurances of continuing employment and the smaller degree of control to be exercised by the parent company. On the other hand *Precision*, with no previous experience of a take-over, lost considerable areas of management control soon after it was acquired.

Informality

The textbook take-over bid is a process of informal, secret negotiations leading to an outline agreement between quoted companies being made public. A closing date will be given to allow shareholders to respond to the bid after which, if all goes according to plan, the bidding company will shortly be in a position "to go unconditional", that is purchase any outstanding shares compulsorily.

Most of the case study firms showed some variation to this stereotype, however. For instance, *Precision* was not a quoted company so there was no prior announcement of talks or offers to shareholders. In fact nothing was made public until the deal had actually been concluded. Apart from a small number of people in the company involved in the negotiations, the take-over came as a complete surprise to the company's workforce. In the case of *Resistance* the bid from *Rawmat* was bitterly contested, to the extent that it clearly had had some lasting effects on the firm's subsequent history. Although an amicable one, the take-over of *Toolmakers* was not without problems which must have had some lasting effect too. The *Consumer Durables* bid was on a share-for-share basis rather than a cash offer. But between the offer being made and the acceptance being concluded with shareholders, the bidding company's own shares lost value, so that they tried to renegotiate a more favourable deal leading to predictable delays and uncertainties.

Transfer of control

The most significant right accruing to the parent company following a take-over is the right to appoint directors of the acquired company. The appointment of new directors and the dismissal of existing ones are the two most obvious manifestations of control by the parent company. With the exception of *Drinx* each of the companies in the

study acquired a new chairman appointed by the parent company. In the case of executive directors though, it is perhaps surprising that the study did not find more changes being made in the wake of the take-overs. However in these firms the management did not see change at board level as being a prime motivation for the take-overs. All were relatively successful companies and this was seen as the positive reason for the bid by the parent organisations.

Track records

New executive directors were appointed, though, to the boards of *Resistance* and *Industrial Exporters* and it may be no coincidence therefore that these were the cases where the greatest time elapsed between the take-over and the start of the research. Needless to say, for a parent company to gain immediate or direct influence over the running of its new subsidiary, it is not just a matter of hiring and firing directors. More important is the need to install directors with proven and approved track records, such as senior managers from the parent firm or candidates suggested through business and social contacts.

In all the cases, at the time of the research, the chairman of the subsidiary was also a director of the parent company or a senior director of the intermediate divisional company and in four out of five cases had been a "strategic replacement". Linking directors, not necessarily just the chairman, formed a crucial part of the formal communication between the subsidiary and parent body and were an obvious device for the exercise of real control over the subsidiary. It is a device not without problems; in particular, the possibility of role conflict. In *Resistance*, for example, the duality of the role of the chairman, who was also chairman of the division, led to problems in the allocation of production between various companies and a consequential sense of grievance at *Resistance*.

Control systems

Setting up formal control systems to provide the parent firm with appropriate management control information was another strategy which the research identified as a means of establishing more than just a shareholder's interest in the acquired company. Indeed all the firms studied demonstrated an increase in the written information provided by the board for the new owners although the amount varied from case to case. So, too, did the direction of the initiative, with some acquired companies having the system imposed on them and others volunteering it. In most cases the information provided became monthly, in contrast to the less frequent statements of past performance to shareholders. As a minimum all the firms provided information comparing recent performance to budgets: certainly a departure from statements to shareholders which deal only with performance and not budgets.

Planning and budgeting systems also became more formalised and generally in tune with those of the parent company, not necessarily as a result of direct instructions; sometimes it was as a result of anticipation of the parent company's needs. And even where such formal systems had existed before, there was a tendency for them to become more regular and more frequently revised. As a result of these introductions it is clear that in some cases the brunt of

the change was borne by the finance or accounting function.

The regular flow upward of information relating to industrial relations varied considerably. In three cases extensive reporting was introduced after the take-over. At *Drinx*, management insisted that the information was not being provided for control purposes for the parent company, although it was used to ensure that "no-one rocks the boat". *Toolmakers* also made similar disclaimers although their upward reporting was frequent and detailed. Both *Drinx* and *Precision* took part in formal meetings of industrial relations specialists at divisional or enterprise level and formal policy statements or manuals were generally an obvious attempt by the parent company to influence industrial relations practice in the subsidiary.

These were not the only aspects of change at board level which resulted from the take-overs. Perhaps one of the most significant was the fact that boards no longer had the ultimate decision-making capability on major capital expenditure.

Control strategy

A further control strategy identified in the research was the absorption of previous company management functions into higher bodies. The acquisition of long-term capital, for instance, now became the function of the parent companies, who also received subsidiaries' profits. Responsibility for insurance was also mentioned as having been taken over by specialists in the parent company headquarters. Significantly, too, *Industrial Exporters* experienced the transfer of some data-processing from its sales departments to a centralised facility at *Consumables*. (Cases can easily be imagined where this practice could have a profound effect on management control; for instance in retailing, distribution and many other service industries.)

In the personnel function, both *Precision* and *Resistance* mentioned the loss of pensions' administration, and *Drinx* experienced changes regarding salary surveys and management training, which previously they had organised themselves and which was subsequently monopolised by the parent company.

More difficult for the research to quantify, but nevertheless very much a control strategy adopted by parent companies, is the alteration of the organisational culture in the subsidiary. Although not necessarily deliberately carried out, it can be, nevertheless, an identifiable by-product of other decisions. Clearly intentional as part of the "cultural revolution" following some of the take-overs was the way in which parent companies assumed responsibility for management training and appraisal. More subtly, resocialisation of company managers is achieved by expectations signalled to them during the course of their interaction with parent company executives. All this can, of course, lead to countervailing political strategies whereby subsidiary managers attempt to retain independence.

Employee effects

As was the case at company level, rumour played a large part in preparing the shop-floor for the possibility of take-over. In all the firms studied, rumours were widespread

well before any announcement by senior management. More important, perhaps, is that rumours of this kind usually contain speculation about the identity of possible bidders. Usually, too, they cause anxiety amongst those likely to be affected. When the identity of the bidder eventually becomes known this anxiety becomes focused on that company's image as an employer and the possible reasons behind the bid. *Stable Group* was seen by *Drinx* employees as a good employer with high wages and fringe benefits, coupled with enlightened personnel practices. *Rawmat*, conversely, was seen by the *Resistance* shopfloor as a ruthless employer paying poor wages. Any suggestion that the take-over may be motivated by "asset-stripping" will also affect the level of anxiety.

Notification of employees of the take-over bid varied in the firms studied; from the last-minute presentation of a *fait accompli* in one firm (a meeting called for monthly-paid staff and notices being posted for the rest), to a series of mass meetings and meetings with shop stewards throughout the negotiation period in another firm.

It is clear from the research that ideally whether held at the bid or take-over stage, meetings provide an opportunity for directors and senior management to explain and discuss the take-over's implications with their employees in a way that written notices cannot. Naturally, whatever assurances are given about employees' futures at such meetings will be interpreted by them in the light of their perceptions of the new parent company. The timing of the research made it difficult to assess the attitudes and effects of the take-overs on the employees at the time it occurred. Apart from a temporary drop in productivity at two of the plants, the most noticeable effect recollected was an increased interest and participation in trade union affairs. There was no immediate observable impact on absence, labour turnover, accidents or industrial action.

Minor phenomena

In terms of the employment effects there were a number of minor phenomena reported. At *Drinx* and *Industrial Exporters* an increase in finance and accounting staff was observed. In addition, an increase in the numbers of managerial employees was noted at *Precision* and *Resistance*. The explanation offered was that the increases were necessary to deal with the greater flow of information to top management and to the parent company. This fits in with evidence of the increase in management control information which the take-overs brought about in each case.

Response to the take-overs in terms of trade union activity was mixed. Particularly pronounced were the effects at *Industrial Exporters* where the one non-unionised plant experienced a surge in union membership resulting in a successful claim for recognition. On the white-collar side the situation was transformed. Before the take-over only a small group of clerical workers was unionised, with a shop steward informally consulted by management; but by the time of the research team's visit, all sections of the white-collar workforce below middle management were unionised and had gained formal recognition through three separate trade unions representing different occupational groups.

Overall, the studies showed increases in union membership as well as in the level of recognition amongst previously non-unionised groups of workers. The fact that this

and career development programmes for newly employed graduates. Where possible they should be given early opportunities for challenge and responsibility in their work, because, says the report. "If employers seek to recruit high calibre graduates they must be given appropriate work".

* *The Mobility of Young Graduates* by David Parsons and Rosemary Hutt. IMS Report No 26. £12.00 including postage (£8.00 to IMS subscribers and study participants). Institute of Manpower Studies, University of Sussex, Mantell Building, Falmer, Brighton BN1 9RF.

Correction

□ The article, "Shipbuilding, engineering and chemicals: earnings in June 1980", published in the October 1980 issue, included a small number of figures which require amendment following subsequent information. The industry affected is motor vehicle manufacturing.

The most significant changes are as follows:

Table 7 Motor vehicle manufacturing—Timeworkers, skilled, average weekly earnings should read: £113.63 and £109.30 and average hours actually worked should read 41.3.

Table 8 West Midland—Timeworkers, skilled, average weekly earnings should read: £108.25 and £104.96 and average hours actually worked should read 41.4.

Table 11 All engineering industries covered—Timeworkers, all other adult skilled grades, average weekly earnings should read £109.99 and £105.66 and average hours actually worked should read 42.0.

Firms with 500 or more employees—Timeworkers, all other adult skilled grades, average weekly earnings should read:

£114.22 and £110.32 and average hours actually worked should read, 41.4.

There are some consequential changes of a relatively minor nature to a few of the aggregated figures and these may be obtained on request from Statistics A4, Department of Employment, Orphanage Road, Watford WD1 1PJ (Watford 28500, ext 512).

Homeworkers

□ The first report* from the Department's programme of research on homeworking has now been published. It is estimated that between 200,000 and 400,000 people are homeworkers or outworkers in the sense that they work in or from their homes for an employer who supplies their work. The report presents the detailed results of interviews with 50 homeworkers who were doing a wide variety of both white-collar and blue-collar homework. It looks at the reasons for doing homework, the rates of pay and attitudes towards pay, the significance of homeworkers' earnings to the family budget, attitudes to intervention, and the reasons for homeworkers' reticence about their work. Although small scale, the study covers a larger number of homeworkers, and a wider variety of homeworking jobs, than most previous studies. The results thus provide a broader picture of the circumstances and attitudes of homeworkers than has so far been available.

Copies are available on request from Research Administration, Department of Employment, Almack House, 26 King Street, London SW1. (Tel: 01-214 6236).

* *Qualitative research among homeworkers*, by Arnold Cragg and Tim Dawson, Department of Employment Research Paper No 21, May 1981

Special exemption orders, March 1981

□ The Factories Act 1961 and related legislation restrict the hours which women and young people (aged under 18) may work in factories. Section 117 of the Factories Act 1961 enables the Health and Safety Executive, subject to certain conditions to grant exemptions from these restrictions for women and for young people aged 16 and 17, by making special exemption

orders in respect of employment in particular factories. Orders are valid for a maximum of one year, although exemptions may be continued by further orders granted in response to renewed applications. The number of women and young people covered by special exemption orders current on March 31, 1981, according to the type of exemption granted were:*

Type of exemption	Females (18 years and over)	Young people aged 18 and 17		All
		males	females	
Extended hours †	19,754	893	1,364	22,011
Double day shifts ‡	33,230	2,851	2,287	38,368
Long spells	11,124	432	1,142	12,698
Night shifts	59,461	2,452	614	62,527
Part time work §	10,865	170	71	11,106
Saturday afternoon work	4,201	165	168	4,534
Sunday work	51,451	1,173	1,643	54,267
Miscellaneous	6,828	387	317	7,532
All	196,914	8,523	7,606	213,043

* The numbers shown are those stated by employers in their applications. The actual numbers of workers employed on conditions permitted by the orders may, however, vary during the period of validity of the orders.

† "Extended hours" are those worked in excess of the limitations imposed by the Factories Act for daily hours of overtime.

‡ Includes 10,682 people employed on shift systems involving work on Sundays, or on Saturday afternoons, but not included under those headings.

§ Part-time work outside the hours of employment allowed by the Factories Act.

Erratum

□ It is regretted that due to a printer's error the following amendment should be made to the table on page 182 (April issue) of the article "Pensioners households: RPI weights' revision":

DURABLE HOUSEHOLD GOODS
Radio, television, etc 3, 6

Redundancy Fund

□ During the period January 1 to March 31, 1981, (inclusive) 197,190 employees (including 628 Govern-

ment staff) received statutory redundancy payments amounting to £204,699,000. Of this amount £113,027,000 (nett of rebate) was paid by employers and the balance of £91,672,000 was paid direct from the Redundancy Fund. The Fund is financed by contributions from employers in general. Analysis of the figures for all payments made during the quarter shows that industries in which the highest redundancies were recorded (figures to the nearest 100) are mechanical engineering (21,600), construction (20,000), metal manufacture (17,400), distributive trades (14,800), vehicles (14,000), electrical engineering (10,900), metal goods not elsewhere specified (10,500) and textiles (9,500).

LABOUR MARKET DATA

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 **HMSO BOOKS**

Summary

Evidence that the recession may be close to its low point continues to accumulate. The cso composite indices of both longer leading and shorter leading indicators suggest that the trough may have been reached in the first quarter of this year, while the index of coincident indicators, though still highly provisional, is consistent with this.

Indications from the latest cbi Industrial Trends Survey suggest that manufacturing output is likely to fall only slightly or level out in the next few months. The index of production for the three months to February fell more slowly than in the previous three months and in February itself was a little above the low January figure.

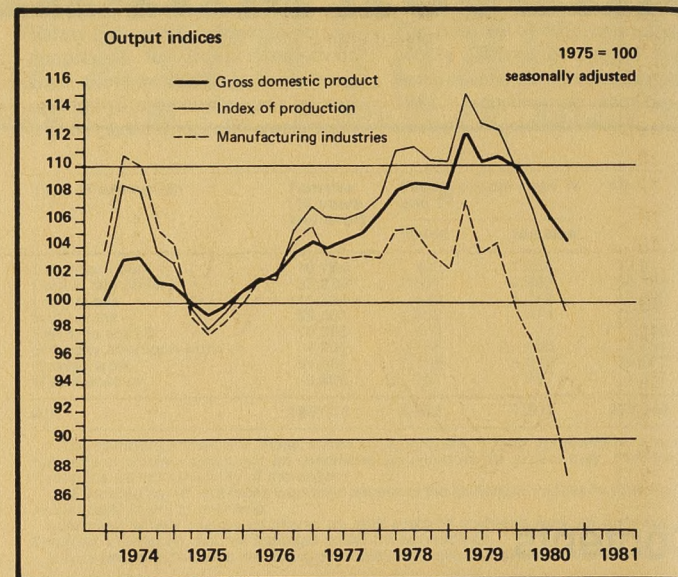
Consumer demand increased in the first quarter and housing starts improved from a very low level. The role of stockbuilding in the first quarter, however, is not yet known—it was a major depressive influence on demand during 1980, although the cbi survey suggests destocking may

soon be slowing down. The survey also indicates that manufacturing investment may fall substantially in the coming months, but business confidence has increased slightly, particularly with regard to export prospects.

Unemployment has been rising more slowly this year. The rate of fall in manufacturing employment in the first quarter, though still substantial, was markedly less than during the second half of last year. Just over half the respondents to the cbi survey expect to reduce further their workforce during the coming months. The numbers unemployed are likely also to be further swelled by the summer influx of school leavers onto the labour market.

Pay settlements in the current round continue to be for appreciably lower increases than in the previous round. Over the past year as a whole, the rise in average earnings has exceeded the rise in retail prices. This has led to consumer spending remaining relatively buoyant throughout last year and the start of this. The year on year increase in the Retail Prices Index declined in April to 12.0 per cent, compared with

Chart 2



12.6 per cent in March.

Compared with a year ago, the number of working days lost through industrial disputes remains at a fairly low level, although there has been some increase in recent months through the Civil Service dispute.

Economic background

The only guide so far available to the pattern of demand in the economy in the first quarter of 1981 relates to consumption. The volume of consumers' expenditure, according to the preliminary estimate, increased by 1.7 per cent between the fourth quarter of 1980 and the first quarter of this year. The level of consumer spending in the first quarter was 1.5 per cent above last year's average level, and partly reflects the unusually extended winter "sales" in the shops.

Housing starts are the only investment indicator available for the first quarter. In the three months to March, total starts (seasonally adjusted) were 25 per cent higher than in the final quarter of 1980, but were still 18 per cent lower than in the first quarter of last year.

Industrial production (seasonally adjusted) was 2 per cent lower in the three months to February than it was in the three months to November. The rate of decline has now slowed considerably—in the three months to November industrial output was 3½ per cent lower than in the previous three months. The decline in manufacturing output in the latest three months was 3 per cent, compared with 4½ per cent in the three months to November. However, it was still 14½ per cent lower than in the December to

Chart 1

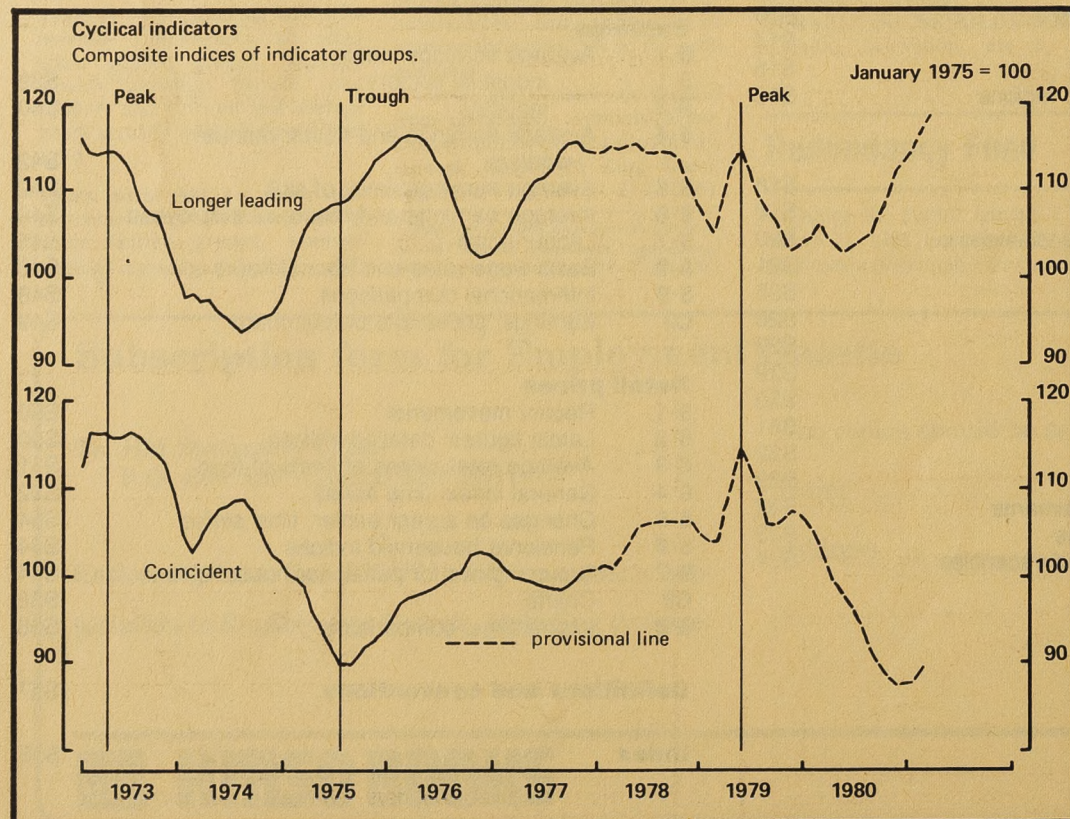
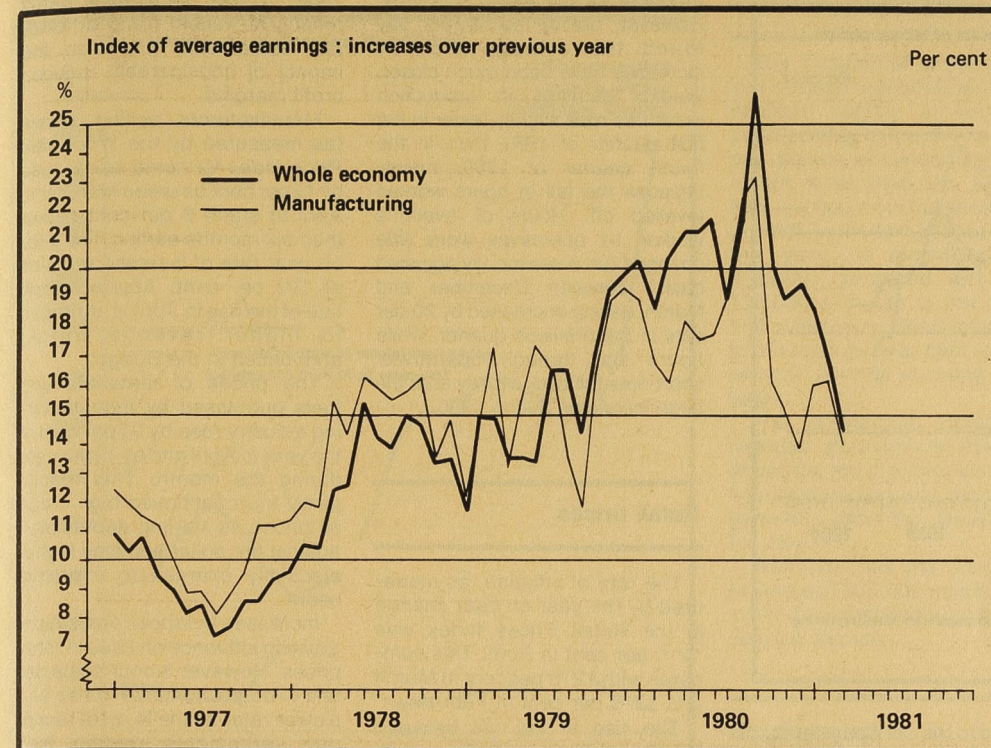


Chart 3



February period last year, when output was depressed by the steel strike.

The latest quarterly cbi Industrial Trends Survey suggests that in the next four months there will be either a levelling off or a small decline in manufacturing output. Business confidence has improved, particularly with regard to export prospects. However, replies indicated that investment both in buildings and in plant and machinery is likely to fall in 1981 and also in the first half of 1982. The survey suggests that the rapid destocking which has taken place over the past eight months should slow down in the next four months. 82 per cent of firms are still working below capacity. Nevertheless, most of the firms surveyed expect to reduce their employment over the next four months.

The cso's indices of longer leading and shorter leading indicators both continue to suggest that the trough of the current recession may have been reached in the first quarter of this year. The provisional index of coincident indicators, although based on only two of its seven components, rose in February, which is also consistent with a first quarter trough.

The money supply £M3 rose by 0.7 per cent in the month to mid-March, and preliminary figures suggest that it rose by a further 2 per cent in the month to mid-April. The latter figure is distorted by the effects of the civil service dispute on Government revenues.

The effective exchange rate for sterling was 98.9 on the Bank of England index (1975 = 100) at the end of April, just over 1 per

cent below the level at the end of March. The fall reflects the weakness of sterling against the dollar offsetting continued strength against major European currencies. The index is nearly 5 per cent up on a year earlier.

been more orderly, but also because the major European countries other than Britain experienced buoyant demand in the early part of 1980, thus delaying the onset of the recession.

Reflecting this, output in most European countries is now declining, while United States GNP grew at an annual rate of 6.5 per cent in the first quarter of 1981. In Germany, the recovery in new orders which had been seen in the first two months of the year was reversed in March, and industrial production fell sharply by 3.5 per cent. In France, where so far the decline in industrial production has been relatively small, there has recently been a sharp deterioration in business confidence.

According to a European Community survey published last month, the employment outlook in all the ten EC countries except Italy and the Netherlands has deteriorated.

The persistence of inflation remains a problem in most of the industrial countries. The average OECD inflation rate is still over 11 per cent, compared with 13 per cent in the first quarter of 1980. The recent strength of the dollar means that since oil is officially priced in dollars, the price of oil in domestic currency has been rising in many countries, adding to inflationary pressures.

Average earnings

The underlying increase in average earnings continues at about ¾ per cent per month, as it has since the beginning of the current pay round. Between February and March the index of average earnings for the whole economy rose by only ½ per cent, seasonally adjusted. However, this was temporarily depressed because annual

World prospects

The 1974-5 world recession involved simultaneous declines in the major industrial economies as the oil price increases occurred at a time when inventory holdings were high. The 1980-81 recession is less synchronised. This is partly because destocking has

Chart 3a

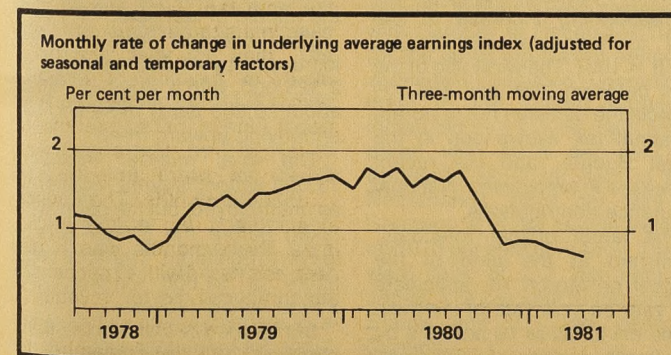
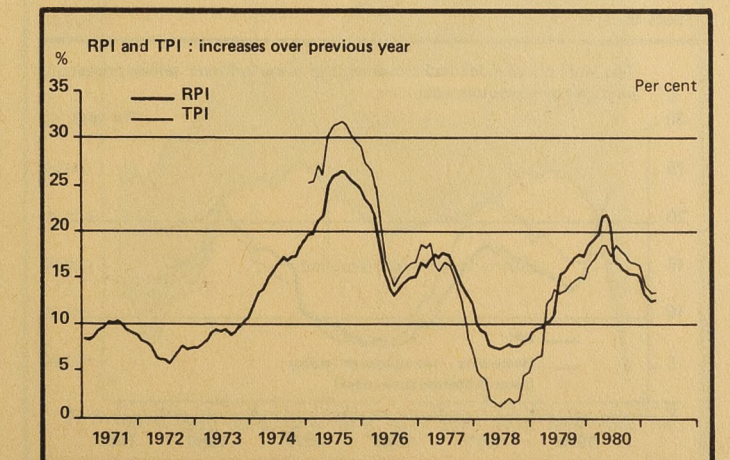


Chart 4



9 EMPLOYMENT

Selected countries: national definitions

	United Kingdom (1) (2)	Australia (2) (3) (4)	Austria (2) (5)	Belgium (1)	Canada (2)	Denmark	France	Germany (FR) (2)	Irish Republic (6)	Italy (2) (7)	Japan (2) (5)	Netherlands (8)	Norway (2) (5)	Spain (5) (9) (10)	Sweden (2)	Switzerland	United States (2)
Indices: 1975 = 100																	
CIVILIAN EMPLOYMENT Years																	
1970	99.1	91.8	101.0	97.8	85.3	99.3	98.3	105.5	100.8	98.0	97.5	100.7	..	98.0 R	94.9	103.5	92.7
1971	97.7	94.0	101.0	98.8	87.3	100.3	98.8	105.8	101.0	97.8	98.1	101.3	..	98.5 R	95.0	105.0	93.3
1972	97.7 R	95.5	101.7	98.6	89.9	101.0	99.3	105.4	100.4	96.2	98.1	100.4	96.6	98.8	95.1	105.7	96.4
1973	100.1	98.3	102.3	99.9	94.4	102.3	100.6	105.7	101.0	97.2	100.7	100.5	96.9	101.3	95.5	106.2	99.6
1974	100.5	100.4	102.3	101.4	98.3	101.0	101.3	103.6	101.8	99.4	100.3	100.6	97.2	101.8	97.5	105.6	101.4
1975	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1976	99.3	101.3	100.1	99.2	102.1	102.6	100.5	99.0	98.4	100.8	100.9	99.9	104.8	98.8	100.6	96.7	103.2
1977	99.6 R	102.3	101.6	99.0	103.9	103.5	101.1	98.8	98.6	101.8	102.3	100.2	106.9	98.0	100.9	96.9	106.8
1978	100.2 R	101.8	102.4	99.0	107.4	106.0	101.9 R	99.6	99.6	102.3	103.5	100.4	108.6	95.3	101.3	97.5	111.3
1979	100.9 R	103.4	103.7	..	111.7	..	102.0 R	100.9	..	103.5	104.9	..	109.7	93.3 R	102.9	..	114.3
1980	99.2	106.4	..	..	114.8	..	102.2	101.6	..	105.0	106.0	..	112.1	89.7	104.2	..	114.7
Quarters																	
1979 Q1	100.6	102.6	102.7	..	110.1 R	..	..	100.5 R	..	102.7 R	104.6	..	108.6 R	94.4	102.1 R	..	113.7
Q2	100.8	102.7	103.6	..	110.9 R	..	..	100.7	..	103.1 R	104.8	..	108.7 R	93.9	102.7 R	..	113.9 R
Q3	100.8 R	103.4	104.1	..	112.2 R	..	..	101.0 R	..	103.8	105.0 R	..	110.5	93.9 R	103.0 R	..	114.7
Q4	100.5 R	104.7	104.3	..	113.4	..	102.0	101.4	..	104.6 R	105.3	..	110.8 R	93.3	103.7	..	115.1 R
1980 Q1	99.9	105.2	104.7	..	114.1 R	..	..	101.7 R	..	104.2 R	105.7	..	112.0 R	92.1 R	104.1 R	..	115.3 R
Q2	99.1	106.0	104.8	..	114.2 R	..	..	101.6 R	..	104.6 R	105.8	..	111.5 R	90.9	104.7 R	..	114.5 R
Q3	97.7	106.9	103.1	..	114.8	..	..	101.6	..	105.3	106.3 R	..	112.0	90.5	104.5	..	114.5
Q4	96.1	107.4	..	..	115.9	..	..	101.3	..	105.8	106.3	..	113.1	89.7	103.8	..	114.7
CIVILIAN EMPLOYMENT																	
1975	24,596	5,867	2,943	3,748	9,284	2,332	20,708 R	24,798	1,037	19,594	52,230	4,552	1,707	12,550 R	4,062	3,017	84,783
1979	24,806	6,064	3,051	3,711*	10,369	2,473*	21,127 R	25,017	1,033*	20,287	54,790	4,569*	1,872	11,706	4,180	2,943*	96,945
1980	24,397	6,242	..	..	10,655	..	21,175	25,183	..	20,572	55,360	..	1,914	11,254	4,232	..	97,270
Civilian employment: proportions by sector																	
1980 Agriculture†	2.6	6.5	10.7**	3.2*	5.5	8.7*	9.0 R**	5.9	22.2*	14.2	10.4	6.2*	8.5	19.4**	5.6	7.6*	3.6
Industry††	38.0	31.0	40.5**	36.6*	28.5	30.3*	36.3 R**	44.9	30.9*	37.8	35.3	32.5*	29.7	36.4**	32.2	39.9*	30.6
Services	59.4	62.4	48.8**	60.2*	66.0	61.0*	54.7 R**	49.2	47.0*	48.0	54.2	61.3*	61.8	44.2**	62.2	52.5*	65.8
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing																	
1970	34.7	..	30.0	32.7	22.3	..	27.9	..	20.4	..	27.0	26.2	..	..	27.6	..	28.2
1971	34.0	..	29.7	32.3	21.8	..	28.1	..	20.4	..	27.0	25.7	..	..	27.3	..	25.4
1972	32.9	..	29.7	31.9	21.8	24.9	28.2	36.6	..	..	27.0	25.1	23.8	25.1	27.1	..	25.0
1973	32.3	..	..	31.8	22.0	24.7	28.4	36.4	20.7	..	27.4	24.7	23.5	25.6	27.5	..	25.6
1974	32.3	23.5	30.2	31.5	21.7	23.6	28.4	36.6	21.0	..	27.2	24.6	23.6	25.8	28.3	..	25.1
1975	30.9	21.6	30.1	30.1	20.2	22.7	27.9	35.8	20.3	..	25.8	23.9	24.1	26.7	28.0	..	23.6
1976	30.2	21.7	29.6	29.1	20.3	22.5	27.5	35.8	20.0	..	25.5	22.9	23.2	26.9	26.9	..	23.8
1977	30.3	21.3	29.8	28.1	19.6	21.6	27.2	35.7	20.5	27.6	25.1	22.3	22.4	26.9	25.9	..	23.7
1978	30.0	20.0	29.7	27.0	19.6	21.5	26.7	35.4	20.7	27.2	24.5	21.7	21.3	27.0	24.9	..	23.7

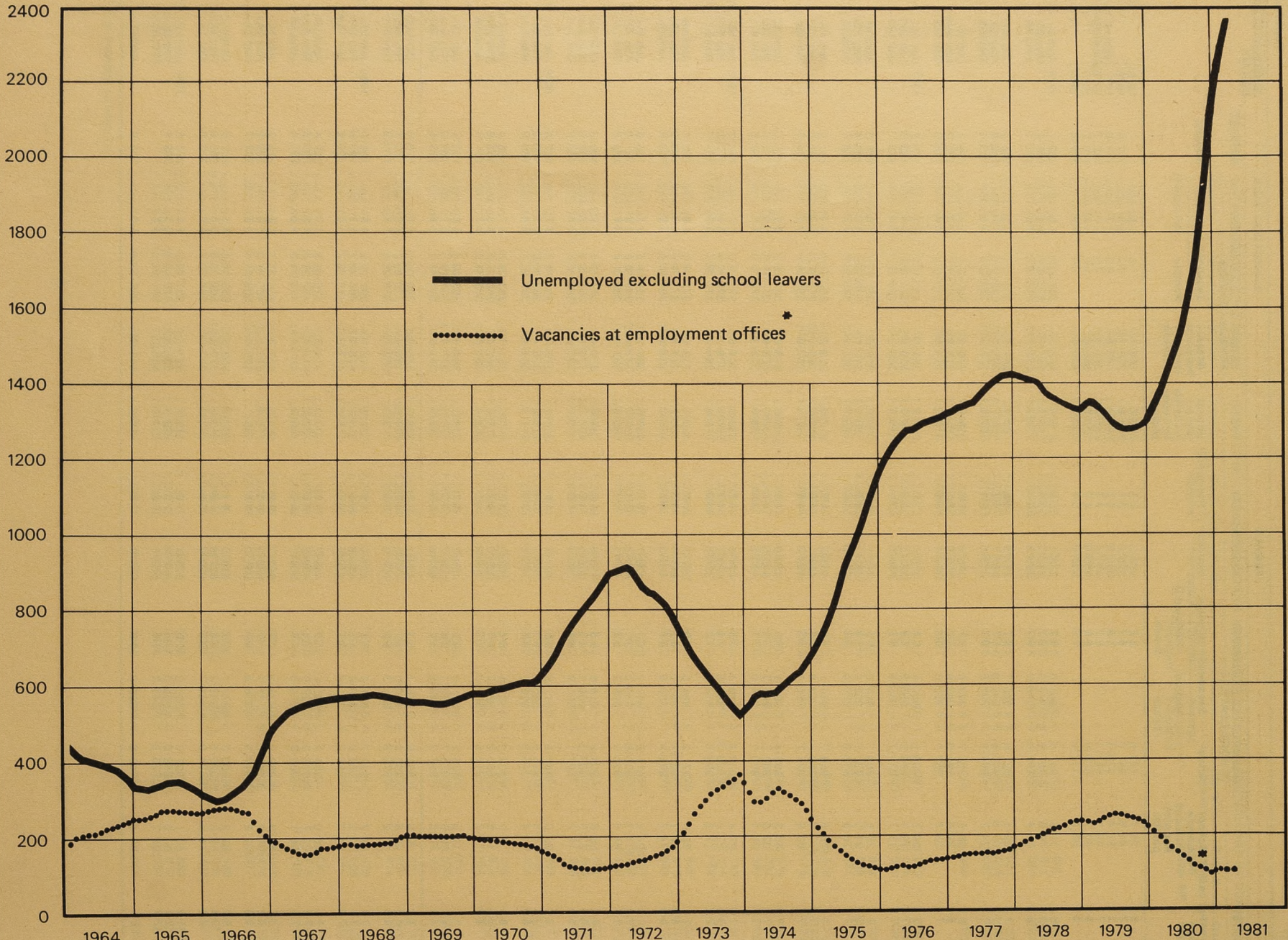
Source: OECD—Labour Force Statistics.
Eurostat—Employment and Unemployment 1972–1978.

- Notes: (1) Annual data relate to June.
(2) Quarterly figures seasonally adjusted.
(3) Annual data relate to August.
(4) Employment in manufacturing includes electricity, gas and water.
(5) Civilian employment figures include armed forces.

- (6) Annual figures relate to April.
(7) Employment in manufacturing includes mining and quarrying.
(8) Data in terms of man-years.
(9) Annual data relate to the 4th quarter.
(10) From 1976, figures in employment in manufacturing include mining and quarrying (about 0.8 per cent).
** 1978.
† 1979.
† Including hunting, forestry and fishing.
†† 'Industry' includes manufacturing, construction, mining and quarrying, electricity, gas and water.

THOUSAND

Three-month moving average: seasonally adjusted



*Vacancies at employment offices are only about a third of total vacancies

2.13 UNEMPLOYMENT Adult students: regions

	South East	Greater London*	East Anglia	South West	West Midlands	East Midlands	Yorkshire and Humber-side	North West	North	Wales	Scotland	Great Britain	Northern Ireland	United Kingdom
MALE AND FEMALE														
1980 April 10	12,780	4,267	1,766	4,167	4,185	3,615	4,706	5,989	2,304	3,435	5,482	48,429	—	48,429
May 8	451	317	2	—	94	46	14	221	—	2	295	1,125	—	1,125
June 12	1,007	417	88	183	577	475	589	1,008	538	179	5,898	10,542	2,167	12,709
July 10	29,073	9,987	3,139	8,253	13,295	9,159	13,578	20,377	8,505	10,390	15,226	130,995	7,345	138,340
Aug 14	33,472	12,128	3,419	9,484	14,774	9,946	14,289	22,390	8,702	9,930	16,006	142,412	6,741	149,153
Sep 11	34,032	12,502	3,528	9,910	15,026	10,280	14,757	22,849	9,370	10,946	17,478	148,176	7,817	155,993
Oct 9	8,443	3,822	779	1,457	4,548	2,028	2,995	4,968	2,360	2,065	8,090	37,733	4,346	42,079
Nov 13	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dec 11	1,293	436	240	229	105	268	355	139	155	44	95	2,923	2	2,925
1981 Jan 15	3,524	1,476	400	305	812	348	320	1,035	339	531	844	8,458	2	8,460
Feb 12	4	4	—	10	19	27	—	—	—	—	78	138	—	138
Mar 12	..	..	..	..	..	..	..	..	..	..	..	81	—	81
April 9	14,597	4,990	1,901	4,153	4,405	3,811	5,391	5,440	1,699	3,671	4,658	49,726	3	49,729

Note: Adult students seeking vocational employment are not included in the statistics of the unemployed.
* Included in South East.

2.14 Temporarily stopped: regions

	South East	Greater London*	East Anglia	South West	West Midlands	East Midlands	Yorkshire and Humber-side	North West	North	Wales	Scotland	Great Britain	Northern Ireland	United Kingdom
MALE AND FEMALE														
1980 April 10	2,452	846	1,307	1,056	2,427	1,335	3,042	2,434	2,068	2,947	3,342	22,410	1,127	23,537
May 8	1,570	686	259	662	1,065	530	676	1,523	651	364	1,518	8,818	647	9,465
June 12	1,225	635	151	527	1,717	431	1,013	1,553	1,078	292	1,555	9,542	710	10,252
July 10	1,284	531	236	336	3,075	628	1,028	3,961	409	349	2,225	13,531	716	14,247
Aug 14	1,376	647	217	587	2,660	408	632	1,304	429	247	1,984	9,844	672	10,516
Sep 11	1,597	584	245	747	5,148	934	1,260	1,401	768	298	1,438	13,836	707	14,543
Oct 9	2,134	859	318	946	5,361	708	1,779	1,514	2,965	703	2,135	18,563	856	19,419
Nov 13	4,712	951	434	1,065	2,794	916	2,407	1,468	1,062	512	1,847	17,217	884	18,101
Dec 11	2,989	1,091	409	1,364	2,932	1,303	2,005	1,858	1,202	665	1,799	16,526	807	17,333
1981 Jan 15	3,113	1,312	588	1,633	3,285	1,924	3,354	2,252	1,572	762	4,041	22,524	1,087	23,611
Feb 12	3,563	1,376	568	1,785	3,277	1,461	2,494	2,519	1,370	953	4,652	22,642	1,576	24,218
Mar 12	3,489	..	503	1,748	4,087	1,694	2,065	2,093	1,141	790	2,288	19,898	1,395	21,293
April 9	3,399	1,205	539	1,499	4,301	1,338	3,193	2,011	1,223	813	2,123	20,439	977	21,416

Note: Temporarily stopped workers are not included in the statistics of the unemployed.
* Included in South East.

2.16 Disabled people Non-claimants

GREAT BRITAIN		Disabled people				GREAT BRITAIN		Non-claimants to benefit seeking part-time work only*		
		Suitable for ordinary employment		Unlikely to obtain employment except under sheltered conditions*				Male and female	Male	Female
		Registered disabled	Unregistered disabled	Registered disabled	Unregistered disabled					
1980 Mar		52.8	75.5	7.9	3.7	1980 Mar	39.8	2.7	37.1	
April		53.2	77.9	7.9	3.8	April	40.2	2.7	37.5	
May		52.7	77.9	7.9	3.7	May	40.8	2.7	38.1	
June		52.6	79.8	7.7	3.8	June	40.1	2.7	37.4	
July		53.5	82.5	7.8	3.8	July	40.7	2.8	37.9	
Aug		55.2	85.2	7.8	3.8	Aug	38.9	2.6	36.3	
Sep		56.2	86.9	7.7	3.8	Sep	39.7	2.6	37.1	
Oct		57.3	88.0	7.7	4.2	Oct	41.8	2.8	39.0	
Nov		59.1	90.8	7.8	3.9	Nov	41.5	2.8	38.7	
Dec		60.9	93.2	7.8	3.8	Dec	39.5	2.7	36.8	
1981 Jan		62.5	96.5	7.8	3.9	1981 Jan	40.3	2.7	37.7	
Feb		63.7	98.1	7.8	3.9	Feb	41.7	2.7	39.0	
Mar		64.4	99.1	7.8	3.9	Mar	..	..	..

* Disabled people unlikely to obtain employment except under sheltered conditions are not included in the statistics of the unemployed.

* Seeking employment for less than 30 hours per week. Non-claimants to benefit seeking part-time work only are not included in the statistics of the unemployed.

UNEMPLOYMENT

Selected countries: national definitions

THOUSAND

	United Kingdom*†		Austra- lia*	Austria*	Bel- gium‡	Canada¶	Den- mark§	France*	Germany (FR)*	Greece*	Irish Republic‡	Italy||	Japan¶	Nether- lands*	Norway*	Spain*	Sweden¶	Switzer- land*	United States¶	
	Incl. school leavers	Excl. school leavers																		
NUMBERS UNEMPLOYED																				
Annual averages																				
1976	1,359 e	1,274 e	282	55	229	727	126	933	1,060	28	84	1,182	1,080	211	19.9	376	66	20.7	7,288	
1977	1,484	1,378	345	51	264	850	164	1,073	1,030	28	82	1,382	1,100	204	16.1	540	75	12.0	6,856	
1978	1,475	1,376	406	59	282	911	190	1,167	993	31	75	1,529	1,240	206	20.0	817	94	10.5	6,047	
1979	1,390	1,307	428**	57	294	838	159	1,350	876	32	66	1,653	1,170	210	24.1	1,037	88	10.3	5,963	
1980	1,795	1,668	..	53	322	867	180	1,451	900	37	74	1,751	1,140	248	22.3	1,277	86**	6.2	7,449	
Quarterly averages																				
1980 Q1	1,479	1,441	462	77	307	955	178	1,448	968	57	66	1,767	1,160	223	25.2	1,195	84	9.1	6,947	
Q2	1,564	1,467	..	39	297	909	157	1,336	791	26	68	1,712	1,110	210	17.6	1,243	..	5.7	7,485	
Q3	1,979	1,723	..	31	319	817	169	1,408	847	21	75	1,724	1,120	260	20.5	1,278	87	4.7	7,962	
Q4	2,157	2,039	..	66	364	785	217	1,610	991	44	85	1,821	1,173	299	25.7	1,393	91	5.5	7,400	
1981 Q1	2,456	2,366	..	91	377	952	..	1,668	1,273	..	..	1,938	..	344	31.9	..	101	..	8,352
Monthly																				
1980 Sep	2,040	1,832	..	34	327	765	181	1,519	823	22	78	1,785	1,090	269	20.4	1,313	92	4.6	7,464	
Oct	2,063	1,917	..	51	350	759	199	1,585	888	27	81	1,797	1,130	278	22.6	1,360	92	4.8	7,482	
Nov	2,163	2,052	..	66	365	787	217	1,613	968	47	86	1,810	1,210	297	24.4	1,402	96	5.5	7,486	
Dec	2,244	2,149	..	82	377	810	236	1,632	1,118	59	88	1,856	1,180	322	30.1	1,416	86	6.3	7,233	
1981 Jan	2,419	2,318	..	105	378	945	277	1,680	1,309	71	94	1,934	1,230	343	34.2	1,478	108	8.8	8,543	
Feb	2,463	2,373	..	99	377	928	265	1,668	1,300	68	..	1,949 R	1,350	347	31.3	1,562	106	6.5	8,425	
Mar	2,485	2,406	..	71	374	983	..	1,657	1,210	..	..	1,930 p	..	344	30.1	..	90	..	8,087
Apr	2,525	2,452	..	..	..	..	..	..	1,146	..	..	..	..	..	..	..	..	..	7,396
Percentage rate latest month																				
	10.4	..	..	2.5	13.6	8.5	10.1	8.8	4.9	4.3	13.1	8.8	2.4	8.1	1.6	11.9	2.1	0.2	7.0
NUMBERS UNEMPLOYED, SEASONALLY ADJUSTED																				
Quarterly averages																				
1980 Q1	1,374	..	..	52	295	853	148	1,395	802	42	62	..	1,030	212	20.3	1,182	75	..	6,499
Q2	1,498	..	..	49	308	886	161	1,457	863	33	68	..	1,110	227	20.6	1,249	..	..	7,652
Q3	1,699	..	..	51	332	873	182	1,458	929	32	78	..	1,180	256	23.5	1,302	82	..	7,921
Q4	2,020	..	..	58	353	862	211	1,478	1,003	41 e	87 e	..	1,257	297	24.6	1,399 e	97	..	7,897
1981 Q1	2,304	..	..	64 e	363 e	856	..	1,610	1,107 e	..	..	..	..	333 e	26.9	..	..	..	7,788
Monthly																				
1980 Sep	1,791	..	..	52	343	865	191	1,446	937	32	81	..	1,150	266	22.7	1,340	86	..	7,800
Oct	1,893	..	..	56	354	877	201	1,442	959	34	85	..	1,220	279	24.2	1,378	92	..	7,961
Nov	2,030	..	..	59	348	853	209	1,476	993	42	87	..	1,310	297	24.4	1,403	105	..	7,946
Dec	2,137	..	..	60	356	856	222	1,515	1,057	47	89	..	1,240	314	25.3	1,416 e	95	..	7,785
1981 Jan	2,228	..	..	63	353	856	228	1,562	1,078	51	89 e	..	1,150	321	27.4	1,470 e	86	..	7,847
Feb	2,304	..	..	61 R	362 R	845	233	1,606	1,091	53 R	..	..	1,190	331 R	26.2	1,550 e	106 R	..	7,754
Mar	2,381	..	..	62 e	371 e	867	..	1,663	1,151 e	..	..	..	..	347 e	27.1	..	95	..	7,764
Apr	2,452	..	..	..	..	..	..	..	1,555 e	..	..	..	..	..	..	..	..	..	7,746
Percentage rate latest month																				
	10.1	..	..	2.2 e	13.6 e	7.4	8.9	8.8	5.0 e	3.3 e	12.5 e	..	2.1	8.2 e	1.4	11.8 e	2.2	..	7.3

Notes: (1) It is stressed that the figures are not directly comparable owing to national differences in coverage, concepts of unemployment and methods of compilation (described in an article on pages 833-840 of the August 1980 issue of *Employment Gazette*). There are two main methods of collecting unemployment statistics:

(i) by counting registrations for employment at local offices;
(ii) by conducting a labour force survey from a sample number of households.
(2) Source: SOEC Statistical telegram for Italy, OECD Main Economic Indicators for remainder, except United Kingdom, supplemented by labour attaché reports. In some instances estimates of seasonally adjusted levels have been made from the latest unadjusted data.

* Numbers registered at employment offices. Rates are calculated as percentages of total employees.

† Fortnightly payment of benefit: from October 1979 seasonally adjusted figures have been adjusted by deducting the estimated increase arising from the introduction of fortnightly payment; see page 1151 of the November 1979 issue of *Employment Gazette*.

‡ Insured unemployed. Rates are calculated as percentages of total insured population.

¶ Labour force sample survey. Rates are calculated as percentages of total labour force.

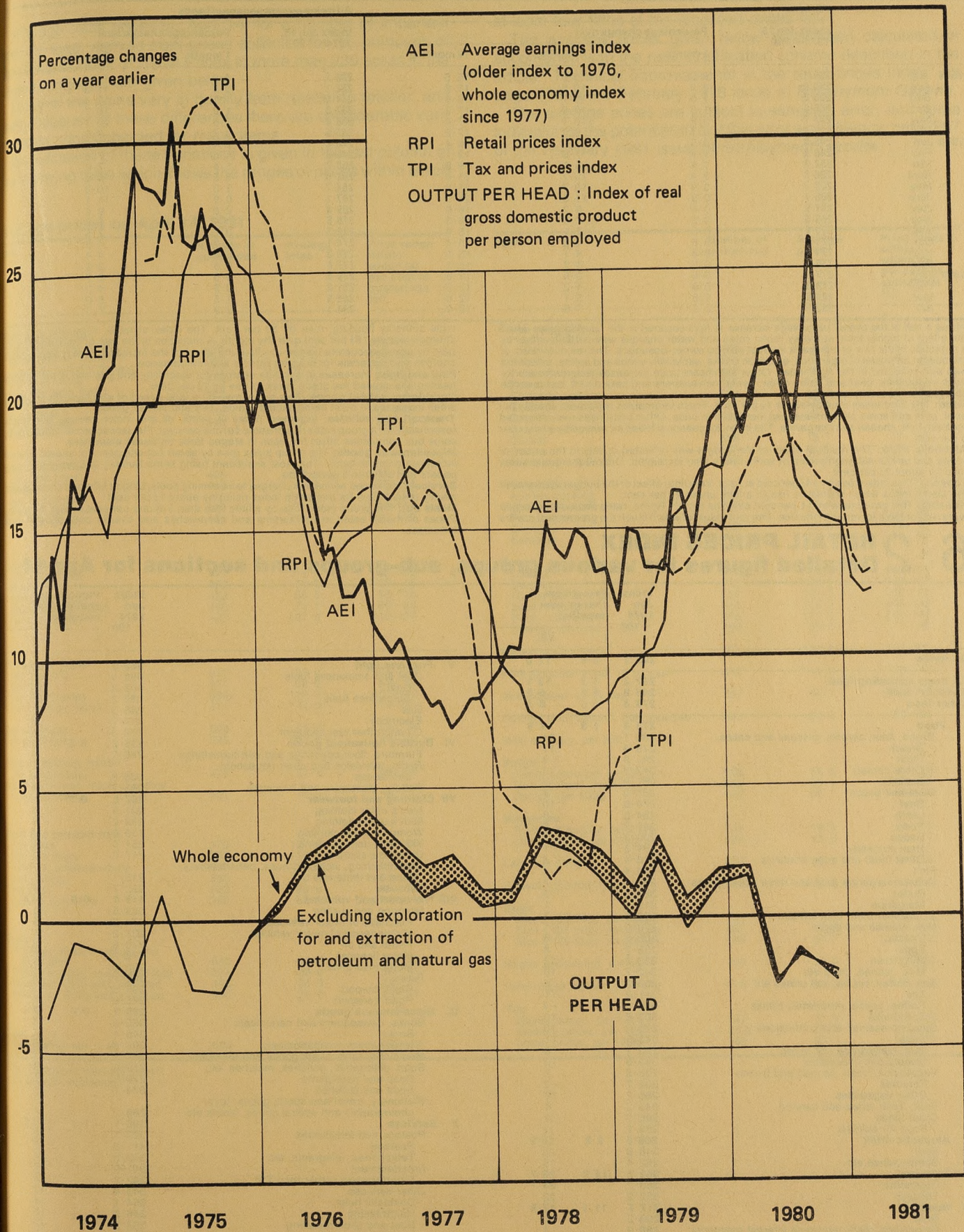
** Average of 11 months.

|| Registered unemployed published by SOEC. The rates are calculated as percentages of the civilian labour force.

§ Numbers registered at employment offices. From 1977 includes unemployed insured for loss of part-time work. From January 1979 includes an allowance for persons partially unemployed during the reference period. Rates are calculated as percentages of the total labour force.

EARNINGS C2

Earnings, prices, output per head



DEFINITIONS

The terms used in the tables are defined more fully in periodic articles in Employment Gazette relating to particular statistical series. The following are short general definitions.

ADULT STUDENTS

People aged 18 or over who are registered for temporary employment during a current vacation, at the end of which they intend to continue in full-time education. These people are not included in the unemployed.

BASIC WEEKLY WAGE RATES

Minimum entitlements of manual workers under national collective agreements and statutory wages orders. Minimum entitlements in this context means basic wage rates, standard rates, minimum guarantees or minimum earnings levels, as appropriate, together with any general supplement payable under the agreement or order.

CIVIL EMPLOYMENT

Employees in employment plus self-employed people.

DISABLED PEOPLE

Those eligible to register under the Disabled Persons (Employment) Acts 1944, and 1958; that is those who, because of injury, disease or congenital deformity, are substantially handicapped in obtaining or keeping employment of a kind which would otherwise be suited to their age, experience and qualifications. Registration is voluntary. The figures therefore relate to those who are registered and those who, though eligible to register, choose not to do so.

EARNINGS

Total gross remuneration which employees receive from their employers in the form of money. Income in kind and employers' contributions to national insurance and pension funds are excluded.

EMPLOYED LABOUR FORCE

Total in civil employment plus HM forces.

EMPLOYEES IN EMPLOYMENT

Civilians in the paid employment of employers (excluding home workers and private domestic servants).

FULL-TIME WORKERS

People normally working for more than 30 hours a week except where otherwise stated.

HM FORCES

Serving members of UK armed Forces and Women's Services, wherever stationed, including those on release leave.

INDEX OF PRODUCTION INDUSTRIES

SIC Orders II-XXI. Manufacturing industries plus mining and quarrying, construction, gas, electricity and water.

INDUSTRIAL DISPUTES

Statistics of stoppages of work due to industrial disputes in the United Kingdom relate only to disputes connected with terms and conditions of employment. Stoppages involving fewer than 10 workers or lasting less than one day are excluded, except where the aggregate of working days lost exceeded 100.

Workers involved and working days lost relate to persons both directly and indirectly involved (thrown out of work although not parties to the disputes) at the establishments where the disputes occurred. People laid off and working days lost elsewhere, owing for example to resulting shortages of supplies, are not included. There are difficulties in ensuring complete recording of stoppages, in particular those near the margins of the definitions; for example, short disputes lasting only a day or so. Any under-recording would particularly bear on those industries most affected by such stoppages; and would have much more effect on the total of stoppages than of working days lost.

Conventions The following standard symbols are used:

- ... not available
- nil or negligible (less than half the final digit shown)
- [] provisional
- break in series
- R revised

MANUAL WORKERS

Employees, other than administrative technical and clerical employees, in industries covered by earnings enquiries.

MANUFACTURING INDUSTRIES

SIC Orders III-XIX

NORMAL WEEKLY HOURS

Recognised weekly hours fixed in national collective agreements and statutory wages orders for manual workers.

OPERATIVES

Manual workers in manufacturing industries.

OVERTIME

Work outside regular hours.

PART-TIME WORKERS

People normally working for not more than 30 hours a week except where otherwise stated.

PENSIONER HOUSEHOLDS

Retail prices indices are compiled for one- and two-person pensioner households, defined as those in which at least three-quarters of total income is derived from national insurance retirement and similar pensions.

SEASONALLY ADJUSTED

Adjusted for normal seasonal variations.

SELF-EMPLOYED PEOPLE

Those working on their own account whether or not they have any employees.

SERVICE INDUSTRIES

SIC Orders XXII-XXVII.

SHORT-TIME WORKING

Arrangements made by an employer for working less than regular hours. Therefore, time lost through sickness, holidays, absenteeism and the direct effects of industrial disputes is not counted as short-time.

TEMPORARILY STOPPED

People who at the date of the unemployment count are suspended by their employers on the understanding that they will shortly resume work and are registered to claim benefit. These people are not included in the unemployment figures.

UNEMPLOYED

People registered for employment at a local employment office or careers service office on the day of the monthly count who on that day have no job and are capable of and available for work. (Certain severely disabled people, and adult students registered for vacation employment, are excluded.)

UNEMPLOYED PERCENTAGE RATE

The number of registered unemployed expressed as a percentage of the latest available mid-year estimate of all employees in employment, plus the unemployed at the same date.

UNEMPLOYED SCHOOL LEAVERS

Unemployed people under 18 years of age who have not entered employment since terminating full-time education.

VACANCY

A job notified by an employer to a local employment office or careers service office which is unfilled at the date of the monthly count.

WEEKLY HOURS WORKED

Actual hours worked during the reference week and hours not worked but paid for under guarantee agreements.

WORKING POPULATION

Employed labour force plus the registered unemployed.

Where figures have been rounded to the final digit, there may be an apparent slight discrepancy between the sum of the constituent items and the total as shown. Although figures may be given in unrounded form to facilitate the calculation of percentage changes, rates of change, etc. by users, this does not imply that the figures can be estimated to this degree of precision, and it must be recognised that they may be the subject of sampling and other errors.

Regularly published statistics

Employment and working population				Earnings and hours (cont.)			
Frequency	Latest issue	Table number or page	Frequency	Latest issue	Table number or page		
M	May 81:	1-1	M	May 81:	5-2		
Q	Apr 81:	1-4	M	May 81:	5-5		
M	May 81:	1-2	A	Mar 81:	115		
M	May 81:	1-3	A	Oct 80:	1089		
A	Dec 80:	1-10	M	May 81:	5-6		
Q	Mar 81:	1-7					
A	June 80:	636					
Q	Apr 81:	1-5					
A	Feb 81:	61					
A	Mar 81:	141					
A	Mar 81:	141					
M	May 81:	1-9					
A	Nov 80:	1161					
M	May 81:	228					
Q	May 81:	1-6					
A	Jan 81:	22					
A	July 80:	742					
M	May 81:	1-8					
M	May 81:	5-7					
M	May 81:	5-7					
M	May 81:	2-1					
M	May 81:	2-2					
M	May 81:	2-5					
M	May 81:	2-1					
Q	May 81:	2-2					
Q	May 81:	2-6					
Q	May 81:	2-6					
M	May 81:	2-7					
Q	Apr 81:	2-15					
M	May 81:	2-8					
M	May 81:	2-3					
M	May 81:	2-4					
Q	May 81:	2-12					
Q	May 81:	2-6					
Q	Mar 81:	2-10					
M	May 81:	2-9					
M	May 81:	2-11					
M	May 81:	2-19					
M	May 81:	2-13					
Q	Mar 81:	2-17					
M	May 81:	2-16					
M	May 81:	2-16					
M	May 81:	2-18					
M	May 81:	2-14					
M	May 81:	3-1					
M	May 81:	3-2					
Q	Mar 81:	3-3					
M	May 81:	3-4					
Q	May 81:	2-12					
M	May 81:	2-19					
M	May 81:	2-19					
Q	Apr 81:	34					
M	May 81:	5-1					
M	May 81:	5-3					

SPECIAL FEATURE

Review of statistical services

Summary of the recommendations and the proposed action taken on them as a result of the review of the Government Statistical Service. The review co-ordinated by Sir Derek Rayner examined the statistical services in the Department and the Manpower Services Commission.

A review of statistical services in the Department of Employment and the Manpower Services Commission was conducted in 1980 as part of the review of the Government Statistical Service co-ordinated by Sir Derek Rayner.

The purpose of the Review was to examine systematically all the statistical activities, bearing in mind the needs for data and the resources required to provide them. In considering the Review and its proposals, the objective has been to maintain the essential structure of statistics in this very important area, whilst not neglecting the achievement of economies.

A summary of the recommendations and the proposed action to be taken on them is provided by an Action Report which has been approved by the Secretary of State for Employment. It is now being published for information and comment from users.

The principal decisions are:

Census of Employment This will now normally be triennial but the possible need for a census in 1983, rather than in 1984, will be reviewed at the end of 1982. A number of operational improvements are being adopted.

Unemployment and vacancies The operations of Unemployment Benefit Offices are now computerised, allowing the unemployment figures to be mainly compiled from this source. If registration at Jobcentres becomes voluntary (one of the proposals in the report *Payment of Benefits to Unemployed People*), there will be marginal changes in the coverage, and some of the detailed analyses will be curtailed or discontinued. A note explaining in detail the changes involved appears in the April *Employment Gazette*.

Earnings, etc The monthly index of average earnings, the annual New Earnings Survey and the October survey of manual workers' earnings will be maintained. The continued publication of the Brown Book on Time Rates of Wages and Hours Worked (for which sales are limited) will need to depend on whether the costs of its publication can be recouped. The Wage Rates Index, the June survey of occupational earnings and the October survey of non-manual workers' earnings are to be discontinued.

Monthly and quarterly employment statistics These will be maintained, with a reduced sample size in non-quarter months but with extension of overtime and short-time questions to non-production industries.

Retail Prices Index This is to continue unchanged.

Labour Force Survey The need for this to be annual rather than biennial is to be examined.

The Action Report provides a general commentary on the response to the Review, followed by a summary of the main recommendations together with the proposed action on them and associated savings (Appendix A), and a similar summary of minor recommendations (Appendix B). The Review itself, which extends to about 270 pages, is available from the Department in a document which also contains the Action Report, price £12.50.

Action report

This Report, approved by the Secretary of State, sets out the action which will be taken on the Review of Statistical Services in the Department of Employment and Manpower Services Commission prepared in 1980 as part of the review of the Government Statistical Service co-ordinated by Sir Derek Rayner. The action falls primarily to the Department.

The Review recognises the important and widespread use of labour statistics. It records that "the Department's statistical services are varied and complex, covering most aspects of the labour market" and that "many of the current series are long standing, of great public interest and central to economic and social policy." The annual cost of these services in May 1979 is estimated at £15.4 million, and staff employed totalled about 1,430 man years and 425 man years of casual staff. By the time the Review began, in Spring 1980, economies already initiated had reduced the annual cost to an estimated £13½ million at 1979 prices; staff employed totalled 1,340 man years plus 275 man years of casual staff. The Review makes recommendations and other proposals which would save annually £4 million and 412 man years, plus 177 man years of casual staff, by 1984.*

The Review was directed to an assessment of each statistical activity, including the use to which the statistics were put, the benefits these provided, the costs both to the

* The costs and savings throughout are estimated on the basis of unemployment at 1979 levels; higher levels of unemployment would require additional staff but, under the new arrangements, the increased numbers would be substantially less than otherwise.

Government and those outside Government who contributed information and whether the work could be undertaken more efficiently.

The great majority of the Review's recommendations are being accepted. The savings are estimated at £3.7 million and nearly 380 man years plus 175 man years of casual staff. Savings at an annual rate of about £2.4 million and 330 man years plus 60 man years of casual staff should be accruing during 1982, the timing of the major part of the savings being dependent on the decisions to be taken on proposals in the report *Payment of Benefits to Unemployed People*. Most of the remaining savings will occur towards the end of 1983/4 in connection with the Census of Employment. Some of the recommendations are tentative and some of the changes proposed as yet untried; they will need to be carefully assessed. The costs and expected savings inevitably therefore contain an element of uncertainty. But the thrust and overall approach of the Review is accepted and every effort will be made to achieve the indicated level of savings.

The recommendations in the Review took into account action already in train to meet the manpower target set for the Civil Service as a whole in 1984. These measures were directed to total savings in annual costs of about £2.9 million and about 260 man years plus 155 man years of casual staff; the overlap of these with the Review amounts to about £1.2 million and about 170 man years plus five man years of casual staff, leaving further savings attributable to the Review's recommendations now being accepted of £2½ million and 210 man years plus 170 man years of casual staff.

The savings which it is estimated will arise from the proposals for unemployment statistics are £1.8 million and 300 man years. The remainder of the proposals accepted for the Department's statistics are estimated to yield savings of £1.9 million and nearly 80 man years plus 175 man

years of casual staff. Savings arising from the new system of unemployment statistics have also been subsumed in the Action Document on the report *Payment of Benefits to Unemployed People*.

Savings of a further 200 man years and £1.2 million would accrue for a period after the computerisation of the unemployment statistics if voluntary registration were introduced, when it would not be practicable, at least initially, for the Unemployment Benefit Offices to maintain the collection of occupational detail for claimants. These savings were not included either in the Review of Statistical Services or in the report *Payment of Benefits to Unemployed People*.

Also not included in the potential savings identified by the Review are those expected from the amalgamation of the Family Expenditure Survey (sponsored by the Department) and the National Food Survey. The Central Statistical Office is taking the lead in studying proposals for this amalgamation which, if agreed, could be implemented with associated savings from the beginning of 1982.

The Review noted the case for making the Labour Force Survey annual, rather than biennial as at present, suggesting that this might be justified if costs in other statistical and research areas could thereby be reduced. Annual surveys would fill gaps in information resulting from the acceptance of other recommendations, with only a small offset to the savings to be achieved. This is to be considered by a committee chaired by the Central Statistical Office.

For the future, it is proposed to maintain an effective system of costings, and to have annual reviews and close management control of statistical services, on the general lines recommended in the Review.

The principal recommendations of the Review are considered in detail in Appendix A. In each case the action to be taken is set out together with the realisable savings and the time scale for their achievement. The minor recommendations are similarly considered in Appendix B. ■

New Earnings Survey, 1980

Essential reading for all concerned with earnings, hours of work etc., in Great Britain. Published in six separate parts, price £7.90 each. To HM Stationery Office, PO Box 569, London SE1 9NH. Please find enclosed £48.78, a subscription including postage for all six parts of New Earnings Survey.

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Activity	Recommendations	Action	Savings						
Census of Employment	<p>Costs could be reduced by £1.4 million per annum, with a saving of 30 man years plus 157 man years of casual staff, and improvements made by:</p> <ul style="list-style-type: none"> (i) Using sampling methods (page 30). (ii) Reducing frequency from biennial to triennial, although decisions to hold the census more frequently should depend on the overall employment situation and prevailing circumstances (page 30). (iii) Reorganising the census operation, including increased centralisation and mechanisation of despatch and receipt of forms (page 32). (iv) Holding census in October rather than June (page 34). (v) Simplifying census inquiry forms (page 34). (vi) Considering combining census with short term employment survey if current computer programs have to be redesigned because of technical improvements (page 34). 	<p>All recommendations are accepted. Specifically:</p> <ul style="list-style-type: none"> (i) Sampling methods are to be tested in the 1981 census. (ii) The possible need for a census in 1983 (rather than in 1984) will be reviewed at the end of 1982. (iii) Centralisation and some mechanisation for despatch and receipt of forms to smaller employers (about 70 per cent of all employers) is being introduced for the 1981 census. (iv) Implemented for 1981 census. (v) Implemented for 1981 census. (vi) Under investigation; probable introduction for next census after 1981. 	<p>A saving of £0.7 million and 120 man years in casual staff will be achieved for the 1981 census. Annualised savings of £1.4 million should be achieved by 1984 with savings of 30 man years plus 157 man years of casual staff. Should a census prove necessary in 1983, rather than in 1984, the annual saving would be only reduced to £1.1 million.</p>						
Unemployment and vacancies statistics	<p>The following changes were estimated to provide savings of £1.8 million and 300 man years.</p> <ul style="list-style-type: none"> (i) Base general system of the unemployment statistics on Unemployment Benefit Offices (pages 88-90). (ii) Exclude non-claimants from the count, with only an annual estimate for a limited period (page 89). (iii) Base occupational and industry analyses on sample data (page 89). (iv) End separate occupational analysis of unemployment in the construction industry (page 95). (v) Counts of the unemployed of ethnic minorities and of the disabled should be continued to the extent possible (page 90). (vi) Nominal boundaries should be established to maintain statistics for labour market areas (page 90). 	<p>The main recommendation (i) is accepted. This amounts to a simplified development of computerisation plans (JUVOS) already in preparation, but now to be modified to take into account the proposals for voluntary registration contained in the report <i>Payment of Benefits to Unemployed People</i>. Implementation would depend on whether and when proposals for voluntary registration are implemented; if the proposals are approved the intention would be to implement in 1982. The changes must be made in co-ordination. The previous plans for computerisation could in any case be implemented, with somewhat smaller but nevertheless significant savings, in 1982/83. For the rest:</p> <ul style="list-style-type: none"> (ii) Accepted, but estimates necessary probably quarterly. (iii) Industry analyses would be discontinued. Sampling would not provide worthwhile occupational analyses and these could not be maintained by Unemployment Benefit Offices, at least initially. It would be necessary to review the effects for eg training policy, and possible remedy, in 1982/83. Occupational analyses of the unemployed who registered at Jobcentres would continue to be compiled. (iv) Accepted; with effect in 1981. (v) Accepted, although some reduction in coverage would need to be accepted in respect of the disabled; occasional surveys would assess the extent of disablement among all the unemployed. (vi) Objective accepted, the more convenient means would be by the use of part post codes. 	<p>Savings are estimated on the scale envisaged in the report. It is assumed that registration at Jobcentres falls to about 50 per cent after the introduction of voluntary registration; if registration were to fall less, estimated savings would be less. The savings would begin to accrue during 1982, the timing being dependent on the decisions to be taken on proposals in the Report <i>Payment of Benefits to Unemployed People</i>. Related savings are also subsumed in the Action Document on the latter Report. An additional saving of 200 man years would accrue at least initially whilst the load on Unemployment Benefit Offices made collection of occupational data impracticable. Should the proposals in the report <i>Payment of Benefits to Unemployed People</i> not be implemented the plans for JUVOS could be implemented in 1982/3 with savings estimated at £0.9 million and 180 man years. The costs and savings throughout are estimated on the basis of unemployment at 1979 levels; higher levels of unemployment would require additional staff but, under the new arrangements, the increased numbers would be substantially less than otherwise.</p>						
Earnings, etc	<p>The activity should be basically restricted to a single annual earnings survey (New Earnings Survey), the monthly index of average earnings and EC obligations on labour cost surveys. The estimated savings would be £540,000; 38½ man years plus 20 man years of casual staff.</p> <p>New Earnings Survey</p> <ul style="list-style-type: none"> (i) Use fewer resources in local offices for checking and follow up (pages 115-116). (ii) Produce occupational analyses in alternative years only (page 114). (iii) Produce tables automatically by computer (page 112). <p>Other earnings surveys</p> <ul style="list-style-type: none"> (iv) Discontinue June survey of occupational manual earnings in selected industries (page 145). (v) Discontinue October survey of non-manual earnings (page 140). (vi) Discontinue October survey of manual earnings, unless industry pays the full cost (page 130). (vii) Reduce size of sample in monthly earnings index (page 120). (viii) Reduce periodicity, coverage and scope of labour cost surveys (page 141). <p>Collective bargaining information</p> <ul style="list-style-type: none"> (ix) Cease the collection, analysis and publication of information from wage settlements, including the indices of basic wage rates and hours, the annual publication of <i>Time Rates of Wages and Hours of Work</i> and the corresponding monthly publication (page 151). 	<ul style="list-style-type: none"> (i) Accepted; to be introduced in the 1982 survey. (ii) Not accepted; it is regarded as essential to retain an annual source of occupational data. (iii) Accepted; work is in hand with the objective of introducing the change in 1982. (iv) Accepted; will be discontinued in 1981, subject to consultations with outside users. (v) Accepted; will be discontinued in 1981, subject to consultation with outside users. (vi) The recommendation for charging is not accepted; the survey relies on the voluntary co-operation of employers. It is the intention to retain the survey but significantly reduce the number of employers covered. (vii) The sample will be reviewed in 1981 to explore whether a smaller sample can be introduced for 1982. (viii) Accepted. The recommendation will be adopted in negotiations with the European Community now beginning. (ix) The basic wage rate index will be discontinued from 1982, subject to consultation with users. Consultations will be initiated with the purchasers of <i>Time Rates of Wages and Hours of Work</i> and other publications to test both their continued need and the likely response to higher charging. 	<p>The level of savings in the Review may be modified in the light of further studies. The proposed action should lead to savings of £310,000; 18½ man years plus 18 man years of casual staff. The pattern of savings aimed at would be (in man years):</p> <table border="1"> <tr> <td>1981/2</td> <td>9½</td> </tr> <tr> <td>1982/3</td> <td>3 plus 14 casuals</td> </tr> <tr> <td>1983/4</td> <td>6 plus 4 casuals</td> </tr> </table>	1981/2	9½	1982/3	3 plus 14 casuals	1983/4	6 plus 4 casuals
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1982/3	3 plus 14 casuals								
1983/4	6 plus 4 casuals								

* Page numbers given in the text refer to the Review conducted by the Study Officer.

Activity	Recommendations	Action	Savings
Monthly and quarterly employment statistics Compilation of employment statistics—monthly (production industries only) and quarterly (whole economy)—with national totals, detailed analyses and supplementary data on overtime, short-time, etc. for manufacturing industries. Estimated cost £450,000 and 40½ man years.	(i) Centralise operation and discontinue work on collection in the local Unemployment Benefit Offices (page 45). (ii) (Suggestion) combine monthly and quarterly surveys into a rotating sample spread evenly over the quarter (page 41). (iii) Information on overtime, short-time, etc. collected from manufacturing establishments should be extended to non-manufacturing industries (page 43). Net savings estimated at £200,000 and 28 man years, the bulk arising from (i).	(i) Accepted; work in hand to introduce centralisation from April 1982. (ii) Not accepted; rotating sample would give uncertain results, especially monthly. It is proposed to preserve monthly series; savings being made by reducing the sample by half in non-quarter months from January 1981. (iii) Accepted, but introduce in stages, concentrating first on overtime and short-time, in industries where significant. Consultations with industry will begin shortly with the intention of obtaining information on overtime and short-time from April 1982. Consultation on collection of other supplementary data deferred until 1982/83.	Total savings, of £160,000 and 22½ man years, to be achieved by April 1982. Of these, 8 man years achieved by January 1981. Negligible extra costs of compiling overtime and short-time information for non-manufacturing industries.
Retail Prices Index Collection of price quotations and compilation of the Retail Prices Index. Estimated annual cost £500,000 and 60 man years.	Extend computing arrangements for the compilation of the RPI subject to a formal feasibility study with estimated savings of up to 10 staff, £60,000 (page 165).	Design of new system planned for 1981/82, with trial and preparation likely in 1982/83, and parallel running and introduction in 1983/84.	Around 5 staff, when system operational in 1983/84, but studies, systems work and introduction of new system will require 1 to 2 additional staff until then.
Labour Force Survey Voluntary biennial survey of 100,000 households, in conjunction with European Community, to obtain a wide range of data on the total labour force, eg activity rates, unregistered unemployed. Gross cost about £500,000 (annual rate) to which the EC contribute between 20 and 30 per cent.	(i) The most cost effective solution should be sought within the EC legal requirements (page 49). (ii) Suggest consider annual survey if as result other costs of statistical or research effort could be reduced to provide net saving (page 50).	Both recommendations are accepted and are to be considered by an inter-departmental committee under Central Statistical Office chairmanship, to report by end 1981. Annual survey could be introduced in 1984, after next biennial survey in 1983, but planning needs to begin in 1982 to affect 1983 design.	Gross extra costs of making survey annual estimated at £300,000 (annual rate) and possibly less depending on design. SOEC would contribute a share if the possibility of their holding an annual survey from 1984 materialises. Other contributions to the cost could come from savings on other Government surveys, eg on housing, special ad hoc surveys, and on the employment and unemployment statistics.
New entrants to employment survey Annual survey to provide information on first jobs of school leavers, including training they receive and relationship to academic qualifications. Estimated cost to the Department 1 man year and £10,000.	(i) The need for the survey should be continually reviewed in the light of changing policy requirements (page 54). (ii) Consider whether, suitably modified, it could also meet the demands for the annual school leavers survey by the Department of Education and Science (DES) which is more costly and may overlap (page 54).	Both recommendations are accepted. The need for the survey will be reviewed annually. DES are preparing a report, by the end of 1981, on their school leavers survey, in the preparation of which DES and DE will jointly explore the scope for meeting their needs by a single survey.	Will depend on outcome of reviews in 1981.
Management information, costs and control of statistical activities	(i) Introduce a comprehensive system of costing according to actual staff time involved in each survey or block of statistical work and showing identifiable common services. This would include formal annual estimates of staff time in DE and MSC local offices spent on DE statistics. (pages 183, 184, 187, 197). (ii) Submit annual report to Ministers and senior officials on all issues and proposed developments in statistical work including details of costs for each survey and changes in uses of data. (page 194). (iii) New Statistical Series Committee to be responsible for reviewing all established surveys and proposals for changes in data collection. (page 193). (iv) All work not connected with established surveys to be regarded as research and costs outside Statistics Division notionally borne on the external research budget. (page 194).	(i) A systematic costing system drawing on the pointers in the Review is being established forthwith. The level of detail and precision of the costings will need to be manageable and realistic, including best estimates of staff time in local offices. (ii) Accepted. Annual reviews would concentrate on changes in statistical activity with justification and costings. Full detailed costings would be reviewed every three to five years. The first annual report will be made in April 1982. (iii) Not accepted; sufficient control will be provided by the annual review. The existing Statistical Policy Committee will nevertheless continue for discussion of statistical issues across the Department and across the Group where required. (iv) Accepted that work not connected with established surveys should be costed separately as part of the procedure for monitoring costs and uses, but not that it should be regarded as research.	These cannot be quantified. There will be some off-setting staff costs equivalent to about one extra staff unit.
Management and organisation	(i) Move some statistical sections (mainly RPI and earnings) completely to Watford to work more closely with data collection (page 202). (ii) Reorganise according to common customers and methods of data collection (page 203).	(i) Accept the aim of greater statistician involvement with, and responsibility for, efficient data collection; to be achieved by more frequent and longer visits by statisticians to Watford, rather than moving statisticians with loss of day to day contact with customers and senior management in central London. Already implemented. (ii) Not accepted. The Review recognised a number of drawbacks to this proposal, and in particular there is the clear need for statisticians involved in advice, analysis and dissemination of statistics to be as familiar as possible with and control the data collection systems. The present organisation ensures this, and has a clear relationship to customers.	

Activity	Recommendations/suggestions	Action	Savings
Briefing and publications	Cease production of <i>Key Labour Statistics</i> , and the publication <i>Annual Yearbook of Labour Statistics</i> (page 245). Estimated savings, about 1½ staff units and £14,000.	Accepted, and implemented.	Approximately 1½ staff units and £14,000.

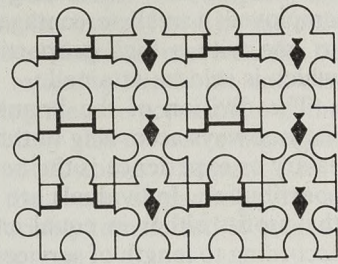
Appendix B: Minor recommendations*

Activity	Recommendations	Action	Savings
Earnings, etc	New Earnings Survey (i) Review basis of sample annually (page 109). (ii) Withdraw from other DE surveys any small (under 50 employees) firms which can point to a continuing burden in NES (page 109). (iii) Consider a system of direct charging for tables organised within the Department (as an alternative to existing publication methods) (page 113). (iv) Extend procedure for firms identifying their sample employees to all with more than 500 employees (page 115). (v) Improve form design (page 111). (vi) Consider later survey date (page 112). (vii) Review current categorisation by occupation to reduce effort and make more valuable to users (page 114). (viii) Re-examine role of local office when PAYE collection is computerised or other changes occur (page 114). Other earnings and wage rate information (ix) Use the New Earnings Survey rather than the October surveys as the base for reporting to the European Community on six-monthly earnings and other estimates of changes during the year linked to the index of average earnings (pages 127, 131, 140). (x) Consider mounting ad hoc surveys in response to any specific policy need at present potentially capable of being met by the October manual survey (page 131). (xi) DE Group local offices should cease attempting to give definitive answers to queries about voluntary agreed minimum wage rates (page 151). (xii) Information about collective agreements should be concentrated in Industrial Relations Division which should also be responsible for the information needs in this area for the DE Group (page 151).	(i) Accepted. (ii) Accepted, subject to further examination during 1981. (iii) Accepted; to be incorporated in the review of publication procedures already under way. (iv) Accepted; to be implemented in 1982, although using a higher figure initially. (v) Accepted. (vi) Accepted, although not before 1983 survey. (vii) Accepted. (viii) Accepted. (ix) Accepted in respect of non-manual earnings. The manual earnings October survey is being retained. (x) The October survey is being retained. (xi) Under discussion with MSC and ACAS. (xii) Information to be concentrated in Statistics Division to avoid overlap.	The Review does not quantify any changes in costs arising from these recommendations. (vii) could reduce costs in 1982. (i) would probably increase costs if the sample were changed. Longer term cost benefits should flow from other items.
Industrial disputes statistics	(i) Reduce monthly publication of data to six-monthly (page 156). (ii) Consideration be given to raising threshold of coverage below which disputes are excluded (page 157). (iii) Simplify form and reduce number of copies of forms prepared; charge other Departments for them (page 157). Savings estimated at 2 man years and £12,000.	(i) Not accepted, on grounds of wide public interest. (ii) Accepted; to be examined in 1981. (iii) Forms will be simplified and copies reduced in 1981. Consideration being given to the possibility of charging.	Reduction of one man year already implemented. Further savings will depend on the outcome of reviews under (ii) and (iii).
Monthly and quarterly employment statistics	(i) The activity question on L Surveys should at least be brought into line with the activity in census of employment and preferably dropped altogether even on an annual basis (page 43). (ii) Information on engagements and part-time employees to be obtained annually instead of quarterly (page 44). (iii) Need for question on apprentices to be reviewed in the light of MSC's information needs (page 44). (iv) Questions on overtime and short-time should be dropped from manufacturers' returns and included on monthly earnings form (page 44). (v) That "total" column be dropped because information can be obtained from separate information on males and females (page 46).	(i) Accepted and action taken. Question to be asked only when needed. (ii) Accepted. Will implement when work is centralised in April 1982. (iii) Accepted. Will review by end 1981. (iv) Not accepted. The monthly employment returns are being retained. (v) Not accepted. The inclusion of a total helps accuracy.	Small savings from implementation of (i), (ii) and (iii) above not separately identifiable.

* Page numbers given in the text refer to the Review conducted by the Study Officer.

Activity	Recommendations/suggestions	Action	Savings
Costings and management	<ul style="list-style-type: none"> (i) Retrench posts unfilled for 3 months without an earmarked successor (page 183). (ii) Make formal allocations of responsibility for returns required by DE or MSC with agreed proportions where appropriate (page 187). 	<ul style="list-style-type: none"> (i) Accepted, subject to consideration of individual cases. (ii) Accepted: to be reviewed in 1981 as to practicability. 	Small. Not possible to assess in advance.
Computerisation and management	<ul style="list-style-type: none"> (i) Shared costs of hardware and software between different users to be separately identified rather than arbitrarily allocated to individual surveys. Breakdown of computer costs between new work and continuing systems maintenance where possible (pages 188 and 189). (ii) Computer costings on type-written proforma to specify responsible branch (page 188). (iii) Give special attention to areas of potential cost savings in statistical computing (page 200). 	<ul style="list-style-type: none"> (i) Accepted, subject to examination of practical implications in 1981. (ii) Accepted. (iii) Accepted. 	Small. Not possible to assess in advance.
Parliamentary questions	<ul style="list-style-type: none"> (i) Keep senior management time spend on Parliamentary questions to a minimum (page 247). (ii) Refer MPs, when appropriate, to publications available in the House of Commons Library (page 247). 	<ul style="list-style-type: none"> (i) Accepted: already followed. (ii) Accepted, subject to Ministers' judgement in individual cases. 	Small. Not possible to assess in advance.
Charging	<ul style="list-style-type: none"> (i) Charge for statistical services not carried out for own purposes between DE and agencies (page 189). (ii) Include the direct costs of publications in their price (page 247). (iii) Charge full costs to non-government users when the information is either available by other means or is not needed by government in the same form (page 248). (iv) Reduce costs of answering ad hoc enquiries and research (page 248). (v) Charge non-DE users for the full software development and related costs of special analyses (page 249). 	Accepted in principle; detailed application subject to investigation and consultation in 1981.	Not possible to assess in advance.
Manpower Services Commission	<ul style="list-style-type: none"> (i) Would recommend stopping the quarterly report on the labour market which overlaps other publications, but value is attached to a specifically MSC view reflecting the Commissioners' interest. It is one of the prices of a hived off agency (page 253). (ii) Need to reassess frequency of report on skill shortage occupations in view of the increase in unemployment (page 253). (iii) An assessment is needed of whether to achieve the necessary outputs, too much management information was assembled, whether attempts to replicate a business organisation involved additional costs which were not justified by a more efficient use of resources. This study could not hope to pursue that line (page 260). 	<ul style="list-style-type: none"> (i) Accepted. The MSC strongly confirms the value of the Labour Market Quarterly Report both to the Commissioners and to the Operating Divisions. The Report, which covers wider territory than the Gazette Commentary, will therefore be maintained. (ii) Accepted. Reassessment in progress and frequency will be reduced in 1981. (iii) Accepted in principle, though Review recognises this goes somewhat beyond its remit. An assessment has recently been completed for TOPS. An assessment will also form part of the current Review of the Structure of the TSD Head Office. 	No savings were proposed in the Review.

A stake in the firm



Employee financial involvement in Britain

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This article is the fourth in the series dealing with developments in employee involvement, it reviews the types, extent, aims and implications of the financial involvement schemes operating in the UK. Another article in the series will look at practice in other countries.

Financial participation schemes have a long history in Britain, and at the extreme may be traced back to the earliest operation of produce-sharing in agriculture, fishing and mining. The first case for which detailed records are available was the scheme instituted on Lord Wallscott's farms in Galway during 1829. By the end of the nineteenth century about 100 profit-sharing schemes are known to have been started. Developments in financial participation have thus reflected a variety of influences extending over a long period. However, there is at present a shortage of information on such matters as the overall extent of employee financial involvement in Britain.

Employee financial involvement or participation, covers any means by which employees can share in the profits and in some cases in the ownership of the company in which they are employed¹. It thus covers the various forms of profit sharing including both cash and share-based schemes as well as employee savings schemes.

The benefits accruing to employees under financial involvement schemes are supposed to be distinct from normal wage and salary payments and from conventional individually or work group assessed bonus and incentive arrangements. The distinctive features of financial involvement schemes include their company-wide or plant-wide coverage, with no attempt made to identify each individual employee's performance, and the periodic and retrospective character of the rewards, for example the allocation of a proportion of total profits to employees at the end of the company's financial year.

The financial involvement schemes in Britain may be grouped under five broad headings, with some enterprises operating several types of scheme.

Cash-based profit sharing

Such schemes involve cash being distributed from company profits to pre-specified categories of employees. A whole range of variations exist.

The process of *bonus determination* can be approached in several ways. It may be a fixed percentage of trading profits before tax or of net profits after tax; a proportion of

profits above a stated threshold; or it may be related to dividends paid on share capital; or the amount may be determined each year on an arbitrary or discretionary basis. Some information on the prevalence of the various methods can be gathered from the various studies produced by Incomes Data Services (IDS) and the British Institute of Management (BIM) during the late 1970s. The 1978 BIM survey found that in 80 per cent of the companies with schemes the bonus was either a fixed percentage of profits (varying on a range from 2.8 per cent to 40 per cent with a median of around 10 per cent); at management's discretion; or on a sliding scale with the bonus increasing in proportion to profits. In addition a profit threshold was found to operate before bonus payments were made in a third of the companies surveyed². The smaller IDS studies were generally consistent with these findings³.

Recent evidence

The most recent evidence is that derived from the survey undertaken early in 1980 on behalf of the Industrial Participation Association (IPA), but this does not relate only to cash-based schemes. Of the 137 companies surveyed with either cash- or share-based profit sharing bonus schemes, some 55 per cent used a known and published formula related to profits to determine the amount of the bonus. In another 28 per cent of companies the bonus is determined by the board of directors on a discretionary basis⁴.

Most studies have reported that bonuses were generally distributed annually, although some attempts have been made to link the bonus more closely to daily activity by paying out on a more regular basis. In the 1976 BIM survey approximately 20 per cent of those with schemes distributed more frequently than every six months⁵. The 1980 IPA survey found that 70 per cent of companies with cash- or share-based profit sharing schemes made distributions annually, 23 per cent made distributions twice yearly, and only seven per cent made more frequent distributions.

The choice of formula has implications for employee responsiveness. It has been argued that the pre-tax profit

figure is most easily understood and will be directly and obviously related to the individual firm's economic performance. It has also been argued that where a firm is subject to widely fluctuating profits a formula which gives employees a small percentage of all profits may be superior to one with a high proportion above a given threshold which is seldom attained.

The division of the bonus can also be carried out in various ways according to the company's view of whether salary or experience is the best measure of an individual's contribution. Individuals are thus allocated their share of the profits either in equal amounts; according to salary; according to length of service; or some combination of the salary level and length of service. For example, individual bonuses may be proportionate to salary with a multiplier for length of service.

The 1980 IPA survey (covering both cash- and share-based schemes) showed that in nearly 90 per cent of these schemes the profits are divided among participants in proportion to salary, although in one-fifth of these cases some allowance is made for service length. This basically confirms the findings of earlier researchers. The 1978 BIM survey found that the most prevalent practice was to divide up the bonus in proportion to salary. This was the method chosen by a third of the companies investigated. A quarter of the companies used a combination of both salary and service criteria while only three per cent allocated an equal share to each individual. Few used length of service by itself as a criterion for divisions. The 1977 IDS study found that few schemes distributed the profits in equal amounts. However, in that study over half the companies were found to use length of service either as the sole criterion or by combining it with salary levels.

Eligibility

Another question is that of eligibility, namely should a scheme include all employees or should it exclude certain specified groups.

The 1976 BIM survey found that some form of restriction was applied in 83 per cent of the establishments with cash-based profit-sharing schemes, with the completely unrestricted schemes tending to be the most recent. In terms of employee coverage 50 per cent of the establishments included less than a quarter of their employees within their schemes. This compares with 20 per cent of establishments who included over three-quarters of their employees in schemes. Where there was a length of service criterion the usual practice was for a qualifying period of service of around 12 months. This still left room for wide variation.

The 1980 IPA results showed that with the cash schemes the most common service qualification was simply that the individual had been in the company's employment throughout the period on which the particular bonus payment was based and was still in its employment when the payment was actually made.

One version of cash-based profit-sharing occurs where the profit share is placed in a trust fund rather than distributed immediately. In such deferred payment schemes the trust fund, which acts on behalf of the employees, may then invest in either the company or elsewhere. The share is usually held for a period of three to five years before being released to employees. More recently some of these

schemes have been linked to the provision of pension benefits, and in these cases the benefits are not available for distribution until employees have reached retirement age. Such schemes are not prevalent in the United Kingdom, although they are far more popular in the United States.

Plant- and company-wide incentive schemes

These arrangements are similar to cash-based profit-sharing in that a collective bonus arising from improved performance is distributed at the end of the relevant period. However, the bonus is determined largely by the overall performance of the labour force within the plant or company. Thus these schemes directly reflect the performance of the labour force as well as the performance of the company or plant as a whole. There are two main variants of this type of scheme, the "Rucker" plan and the "Scanlon" plan.

The Rucker plan was developed during the 1930s by the American management consultant, Allan W. Rucker. It was based on research which showed the existence of a constant ratio between total payroll cost and value added (namely the difference between the sales value of the output and the total cost of all the materials used in the production process). The ratio in any one year is then brought into alignment with this historical ratio by means of the level of bonus payments. Employees themselves can attempt to lower the payroll cost by increasing productivity which in turn will lower the ratio and increase the level of bonus payments. Unlike other incentive schemes, however, productivity can increase but there may be no increase in bonus. This would occur if, for instance, raw material costs rose to a greater extent than productivity.

The format of the Scanlon scheme, named after Joseph Scanlon and also developed in the 1930s, is very similar. In this case the ratio used is total payroll cost to "total end product value" where the latter may be measured by cash sales or physical output measured in units or by weight. The essential difference is that the "total end product value" includes the cost of raw material supplies and other bought-in goods and services⁶.

Neither scheme has been used to a great extent in Britain, and both seem to be most suited to manufacturing industry. The 1976 BIM survey revealed that only one per cent of those establishments operating an individual or collective incentive scheme were using a plant-wide Rucker or Scanlon plan. There may, however, have been an increase in their popularity in recent years. Thus the 1980 IPA study found that of the 137 companies operating a profit sharing plan 10 per cent used some form of added value criteria of the Rucker type and a further three per cent used productivity schemes of the Scanlon type to assess the total value of the profit related bonus⁷.

Share-based profit sharing

The distribution of shares to a company's employees can take several forms. The simplest form of scheme is that in which shares are issued as a profit bonus. Such immediate distribution of shares to a pre-specified number of employees may in practice be little different to cash-based

profit sharing if employees choose to sell their shares shortly after their allocation.

Where shares are retained by employees other benefits may accrue over time. An employee will still gain, as he will receive dividends and there is the possibility of capital appreciation on his holdings. However, in addition the shares will confer on him a degree of ownership in the company. The employees may therefore identify more clearly with the company, thereby increasing the financial benefits for both present shareholders and themselves. Employees would also be in the position of shareholders and receive reports and company information. They would be able to attend shareholders' meetings, raise questions, and exercise their votes like any other ordinary shareholders.

The decision as to whether or not shares should be kept is not simply at the individual discretion of each employee. The company can seek to influence the result by their own choice of which type of shares to issue and the conditions on which they are issued.

Companies may stipulate that the shares they have issued shall not be freely marketable. This stipulation may operate for a specified number of years or until the employee retires or leaves the company. By this means the employer may feel that he is assured of the employee's long-term participation in ownership with the consequent potential for future company prosperity. This would be at the cost of any initial impact which the scheme would otherwise have. Alternatively, however, it can be argued that if employees are to be expected to identify with the company in a manner similar to shareholders then they should enjoy the same rights including the right to dispose of shares when they wish. Nor need the fact that shares are unrestricted mean that they will inevitably be sold at the first opportunity. Evidence on the sale of shares by employees is limited, but it suggests that a significant proportion of shares may be retained⁸.

Inducement

Some companies have sought to provide an inducement for employees to retain the share bonus, in addition to the receipt of dividends. One method is to weight individual bonuses in relation to previous bonuses received and retained as shares. In at least one large scheme an individual's allocation is increased by 25 per cent if all his shares issued the previous year, are retained.

Some schemes involve the distribution of notional shares rather than ordinary voting shares. This type of share entitles the employee to receive dividends but it has no capital value, being merely a token or record for the holder. An advantage of such shares is that they provide unquoted companies with a means of issuing, shares, without having the problems of valuation both at the time of issue and disposal. In effect, however, such a scheme is very similar to one which distributes the total profit bonus in cash in proportion to the total dividends paid out. The latter scheme is much simpler moreover since it does not require the intermediary of notional shareholding.

The issuing of shares as a profit bonus has usually required the setting up of an employee shareholding trust to act as an intermediary between the employees and the

company. The normal process is for the company to disburse to the trust the cash value of the bonus for each employee. The requisite shares are then purchased by the trust from the company. For an unquoted company the trust provides an additional facility in that it will be the only means by which the employees' shares can eventually be repurchased. In addition to retaining the funds and distributing dividends (or allowing them to accumulate in the employee's account) the trust may also derive voting rights from the shares held. This is not customary, however, as in order to try and maximise the sense of participating in ownership the shares are invariably transferred as soon as possible into the employee's name.

In trust

In deferred share trusts shares are held in trust on behalf of the employees for a period. It is only at the end of this period that shares are vested in the individual employee's name. This is the main distinguishing feature of these schemes and it carries the corollary that during the vesting period it will be the trustees who will hold the shares and the employees will not receive dividends directly.

Such schemes enjoy certain advantages, for example they introduce an indirect length of service reward since employees leaving the company (other than on compassionate grounds) before the end of the vesting period may have their shares transferred to the remaining participants. Such advantages led a number of companies to introduce such schemes from 1976 onwards, although between 1974 and 1978 the effective tax on such schemes was high.

However, new profit sharing schemes which satisfied certain conditions received special tax advantages under the 1978 and 1980 Finance Acts.

The 1978 Act offered approved schemes certain tax advantages from April 1979. Profits shared under such schemes would be free of corporation tax. In general an employee had to hold his shares for a "retention period" of five years. Thereafter in the event of sale a PAYE income tax charge was levied on a proportion of the original value of the shares (or the current market price if this was less). The percentage of the original value or sales proceeds (if smaller) on which PAYE was chargeable declined as the period for which the shares had been held increased. Thus if shares were sold after having been held for five to seven years PAYE was levied on 50 per cent of their value, whereas shares held for 10 years or more could be sold without incurring any income tax liability. Capital gains tax could also be levied if proceeds from the disposal of shares exceeded the market value at the date of appropriation, but this only occurred if the individual's total net gains exceeded £1,000.

Conditions

In order to qualify for approval by the Inland Revenue, schemes had to meet certain conditions. The scheme had to be open on similar terms to all full-time employees with at least five years' service, although the company could, if it wished, allow other employees to join. A trust had to be formed to administer the scheme, hold shares during the "retention period" and pay out dividends. Shares issued had to be part of the company's ordinary share capital and

employees who participated in the scheme had to be treated in the same way as other shareholders. The maximum value of shares allocated to any individual under the scheme could not exceed £500 in any tax year.

The survey undertaken in 1980 by management consultants, Copeman Paterson, gives some valuable insights into the early operation of these provisions in 42 companies operating 1978-type approved schemes⁹.

The results show that, when asked about the advantages of a share-based scheme rather than one based only on cash distribution, 74 per cent of the companies mentioned the tax advantages to their employees and 43 per cent mentioned cash flow advantages for the company. Some 64 per cent of these companies did not have cash elements in their profit-sharing plans, the remainder presumably feeling obliged to continue with a cash option after the introduction of the new share-based scheme.

Almost all the companies operated wholly non-contributory schemes and two-thirds of them allowed part-time employees to participate. Some 57 per cent of companies set a minimum service qualification of between one and three years for admission to their scheme. In 76 per cent of the schemes an individual's share in the overall total to be distributed was proportional to salary, while in a further 15 per cent it was determined on the basis of both salary and length of service.

Profits

Almost 50 per cent of the companies used a fixed or variable percentage of total profits as the means of deciding how much to distribute to their employees. In 31 per cent the amount was set at the discretion of senior management. In seven per cent of the companies (three cases) a Rucker-type ratio of value added to total payroll was employed, but no Scanlon plan methods were discovered. The sample was almost equally divided between those companies which set a minimum profit figure or rate of return on capital before bringing their profit sharing scheme into operation and those that did not.

When the origins of the shares distributed to employees was considered, some 36 per cent of the companies surveyed made use of new issue shares only, while another 38 per cent of companies used mainly new issue shares. Purchased shares alone were used by 21 per cent of the companies¹⁰.

In general a deferred share distribution scheme faces inherent problems. During the period when shares are retained by the trust, the employees concerned may not regard themselves as shareholders. However, this criticism cannot be levelled against Finance Act 1978 type schemes. Under these schemes, as soon as shares are appropriated to employees, although they are still held by the trustees, they have the same rights to dividends and bonus issues as other ordinary shares. Moreover, the company is allowed to make its own arrangements about voting rights, and the norm is for employees to be given the voting rights attached to their shares immediately upon appropriation.

The changes to the 1978 provisions introduced in the 1980 Finance Act were intended to encourage employee share ownership by making the income tax reliefs more generous. Under the 1980 Act the maximum value of shares which may be allocated to an individual in any tax year was raised from £500 to £1,000. The "retention

period" was cut from five to two years and the scale at which income tax liability was calculated was revised so that shares could be sold tax free after seven rather than 10 years. The limit above which individuals were liable to Capital Gains Tax was also raised from £1,000 to £3,000.

The type of trust established under deferred share distribution schemes merely provide a mechanism for transferring shares to individual employees. However, employee shareholding trusts may also be set up to hold shares in their own right on a permanent basis. Such trusts tend to originate not from a company's financial participation policy as such but rather from gifts by individual shareholders or the owner, these usually being supplemented by the purchase of additional shares from the trust's dividend income or subsequent grants from the company.

Wide spectrum

Such trusts' aims cover a wide spectrum. In addition to distributing dividends to employees as cash bonuses, money may be provided for charities and pensions. The extent to which non-employees may come within the scope of a trust's activities depends on the provisions incorporated in the trust deed.

In such schemes where the trust permanently holds shares and there is no provision for transferring ownership to employees, motivational links between employee performance and financial participation seem likely to be weakened. This may explain why such trusts are relatively little used. The IDS survey undertaken at the end of 1977 reported only four. The 1980 IPA survey found eight companies in which employee shareholding trusts held amounts varying from three to 24 per cent of the relevant company's ordinary shares¹¹.

There are some similarities between common ownership schemes and permanent shareholding trusts. However, such common ownership schemes are excluded from this paper on the grounds that they are more appropriately considered in the article devoted to worker co-operatives which will appear later in this series.

Executive share option/incentive schemes

Under executive share option schemes a small down payment (normally one penny per share) is required. The maximum option available under "City" guidelines is either four times the executive's annual salary or £100,000, whichever is the smaller. Shares are usually offered at a 10-20 per cent discount and the participant is provided with the bridging loan to complete the purchase if he decides to exercise the option, this loan is of course repaid once the shares are sold. It is usually a condition that the option cannot be exercised in less than three years and for the executive to be allowed a period of five to seven years in which to exercise his option. Apart from the period between 1972 and 1974 such schemes have not enjoyed special tax advantages, but the reductions in personal taxation rates since 1979 have rendered such schemes relatively attractive for highly paid senior staff.

Executive share incentive schemes differ in that shares are purchased at the outset, and the executive thus receives the attendant benefits during the whole of a scheme's operation. Companies have often introduced stop-loss provisions by which shares are repurchased or executives are

released from their obligations if stock market conditions become adverse.

The 1978 BIM survey found that 28 per cent of the companies questioned had executive share option/incentive schemes, with the vast majority being share option schemes. Most companies limit the proportion of stock to be used to five per cent and relate the amount of shares available to each participant to job grade and/or salary.

The 1980 IPA study revealed 59 companies which had executive share option schemes. In 42 of these detailed information was obtained. This showed that in this group of companies as a whole over 2,800 executives held options over shares at the time of the survey and that the overall average value of shares under option to each individual executive was some £12,500¹².

Savings related share schemes

A few companies operate share purchase schemes open to all their employees outside the scope of the SAYE share option scheme discussed later. These schemes have few common features.

Under some share purchase plans a company may invite employees to purchase shares from a trust, which as part of the scheme has previously bought shares using company finance. The employee will then repay the trust, which holds the shares in the meantime, over a period of generally two to three years by regular salary deduction. During this period the individual may enjoy voting and/or dividend rights depending on the particular scheme. There are normally no tax advantages in such schemes, so that, for example, any low-interest loans provided by the company to its employees for such purposes would attract Schedule E liability on the implicit employee benefit.

Some three per cent of the companies covered by the 1978 BIM survey operated employee share purchase schemes. The IPA survey found 18 companies with a total workforce of 74,000 operating such schemes. In these companies as a whole over 6,500 employees were participating in the share purchase schemes, with participation rates in particular companies ranging from one to 65 per cent of employees and averaging nine per cent of employees in the group as a whole¹³.

Other savings schemes may offer the opportunity for employees to become shareholders in their company on advantageous terms. Under the 1973 Finance Act provisions were introduced which were intended to provide for all employees the sort of benefits executives had often enjoyed under share option schemes. A year later the tax advantages were removed, but similar provisions were introduced in the 1980 Finance Act. Before employees can qualify for tax reliefs, schemes must be approved by the Inland Revenue.

Important conditions

The most important conditions for Inland Revenue approval of Save as You Earn (SAYE) share option schemes are that shares must be paid for from the proceeds of a special SAYE contract with the Department of National Savings or a building society; that the scheme must be open to all employees with at least five years service (it may be extended to other employees if the company desires); and

that the shares concerned must be part of ordinary share capital.

Under a Save As You Earn linked share option scheme an employee is granted an option to buy shares in his company, exercisable five or seven years ahead; at the same time he enters into a SAYE contract. When the contract matures the employee uses the proceeds (savings plus tax free terminal bonus) to exercise the option.

Employees do not have to make use of their option to buy the shares. Whether they do or not will usually depend on whether the price of the shares at the time their savings contract matures is more or less than the special price at which they have the right to buy them. The special share price may be as low as 90 per cent of the value of the shares at the time employees join the scheme. If they do not make use of the option they receive the proceeds of the SAYE contract in the usual way.

Employees who participate in approved schemes are relieved of the income tax liability normally arising on the receipt of the options and on any increase in value of the shares between the date of the option being granted and the date on which it is exercised. The total monthly SAYE contributions of the employee must not exceed £50 for the purpose of tax relief.

According to the 1978 BIM survey 13 per cent of companies with financial participation operated an employees share-option/incentive scheme. Of the 187 companies with some form of employee financial participation documented in the 1980 IPA study, 31 concerns employing just over 600,000 employees had SAYE share option schemes. These are not new SAYE schemes approved under the provisions of the Finance Act 1980 and so do not attract any income tax reliefs. The percentage of eligible employees participating in individual companies ranged from one per cent to 84 per cent. The overall total of over 53,000 employees participating in the 31 companies represented 18 per cent of their aggregate workforce. The average savings contract in these schemes was £12 per month¹⁴. There appears to have been an increase in the popularity of such schemes recently.

Extent of financial involvement schemes

Although there is no really reliable estimate of their overall coverage, it is safe to conclude that employee financial involvement schemes in Britain are not at present particularly widespread. Most of the research work in this field is based on data gathered from a very small proportion of the total population of companies. Thus none of the available studies represents a statistically valid picture of the overall situation, and all results must be treated with caution.

Surveys conducted by the BIM in the late 1970s suggested that between 20 and 40 per cent of their member companies have schemes of the type that have been considered in this paper. However, the membership of the BIM includes a relatively high proportion of large companies with specialist personnel departments. In any case a large proportion of the schemes that were reported to BIM were of the executive share option/incentive type covering only relatively small numbers of senior staff.

The largest and most up-to-date overall picture of the situation is given in the 1980 IPA survey, many of the detailed results of which have already been discussed. As

the report itself notes, the sample is probably biased by virtue of the fact that corporate members of the Industrial Participation Association automatically received a questionnaire and were presumably more likely to reply.

In terms of overall extent, of the 330 companies (employing 2.7 million employees) which replied to the IPA questionnaire, some 187 companies (with 1.5 million employees) in total indicated that they had some form of employee financial participation and in many cases individual companies had several different types of scheme. Profit sharing schemes were in use in 137 of these companies, of which 81 (representing 59 per cent of all those with profit sharing) operated only a cash-based scheme and 37 companies (27 per cent of those with profit sharing) had only a share-based bonus scheme. The remaining companies had schemes which allowed employees to opt either for cash payments or for shares, or operated separate cash- and share-based schemes simultaneously.

Share options

As already noted 59 companies (32 per cent of all those with financial involvement schemes) with almost 720,000 employees had executive share option schemes, and 31 companies with over 600,000 employees operated SAYE share option schemes. Other forms of financial involvement were less common.

It is difficult at present to make an accurate estimate of the overall proportion of employees covered by financial involvement schemes of some sort. However, the available information suggests that such schemes are mainly concentrated in the white-collar retailing, commercial and financial sectors, while manufacturing industry is relatively under-represented¹⁵.

It seems that the recent increase in interest represents an acceleration in a general upward trend beginning in the early 1970s, rather than a more radical change. A BIM survey undertaken in 1976 reported that half the cash-based profit sharing schemes revealed were less than five years old. However, before 1977 only 10 companies with over 10,000 employees had financial participation schemes. Of these seven had cash or share-based schemes, two had share option/share purchase plans and one had a common ownership scheme¹⁶. Since then there has been a notable upsurge in the number of schemes, both because of companies introducing schemes for the first time and other companies introducing additional deferred share schemes to take advantage of the 1978 and 1980 Finance Act provisions.

In August 1980, almost 18 months after the relevant provisions of the 1978 Finance Act came into operation, 129 schemes were in operation covering in all 116 companies, all but 11 of which were listed on the Stock Exchange, while another 130 schemes were awaiting approval by the Inland Revenue¹⁷. By May 1981 a total of over 340 profit sharing scheme applications had been received and over 220 of these schemes approved. Some 98 SAYE share option scheme applications had also been received, of which 27 have been approved.

There are at least two major factors which may potentially influence the introduction and expansion of financial involvement schemes.

At least one commentator has argued that the overall economic climate influences the popularity of financial

involvement schemes, particularly in the case of cash-based schemes¹⁸. Clearly firms will be more inclined to introduce or extend financial participation arrangements in a period of rising profits and share values, when they anticipate being able to provide a regular profit related bonus for their employees. However, the apparent upswing of interest in financial involvement schemes in the early 1970s (reported in the BIM's 1976 survey) and again within the last few years appears to challenge such arguments, although 10 per cent of the 42 respondents to the 1980 CP survey reported that their schemes had faced problems due to the absence of profits or profits being less than the required minimum¹⁹.

There has been no clear recent statement on the question of trade union policy towards financial participation. However, in 1973 the TUC expressed its opposition in principle to company-based schemes. This presumably reflects the arguments that these could undermine collective bargaining and result in a "double risk" when an employee invests his capital with his employer²⁰. However, in practice certain unions have been prepared to accept such schemes where they are negotiated. Much clearly depends on the merits of the scheme being introduced and the industrial relations climate in the firm concerned. Only one out of the 42 companies covered by the 1980 CP survey had encountered objections from unions or employees²¹.

Aims of financial participation

The extension of employee shareholding is seen as a valuable means to achieve diffusion of the benefits of ownership of property and capital more widely throughout society. Various schemes have therefore been proposed or established to enable the employees to acquire shareholdings in enterprises which previously were wholly or partly publicly owned.

At the enterprise level a variety of aims have been associated with schemes for promoting greater financial involvement.

There is clearly a belief that such schemes are justified in terms of equity or social justice. The general conclusion of the various Incomes Data Services (IDS, 1977 and 1979) studies on this subject was that the only common element found among all the companies investigated was the existence of moral arguments that employees ought to share, to some degree, in the current and future wealth of the company. In the 1978 BIM survey some 31 per cent of enterprises with cash-based profit sharing schemes stated that the main reason for their introduction was that employees had a right to share in the wealth of the company.

The information available from another survey (BIM, 1976) suggests that in over a half of those companies with cash-based schemes a main motive was to identify employees more clearly with the business. This was also the primary reason given for implementing a share-based scheme by respondents to a more recent survey (Copeman, 1981), with almost 80 per cent of respondents mentioning this aim. A number of commentators have argued that the intention is to create a feeling of community of interest in the heart of the enterprise, and a spirit of co-operation in the pursuit of common interests. The schemes are therefore intended to parallel the "human relations" policies of personnel management as exemplified by job enrichment and consultative procedures. No direct effect on output may be forthcoming but if the views of employees and manage-

ment/shareholders are united, or at least the gap between them reduced, then there may be a plethora of beneficial effects such as reduced labour turnover.

Certain types of financial involvement schemes appear more likely to be chosen where increased employee identification is a major aim. Share-based and savings related schemes are sometimes held to offer greater opportunities for employee identification.

Additional incentive

Another aim attributed to employers by commentators is the desire to provide an additional incentive for employees. In this respect it constitutes a long-term collective form of incentive scheme in which it is hoped, for example, that the guarantee of a share in the company's profits will motivate an employee to do all he can to make these profits as large as possible. As an incentive system financial participation can be seen as having a number of attributes not available to most other schemes. It is flexible in that it may motivate different types of activity within a plant. Thus, for example, improved profitability could require employees to maximise output in one section but to maximise quality in another. It may also prove to be less of a source of friction between work groups than individual incentive systems. Moreover it can be used to motivate employees in situations where there is no quantifiable relationship between output and effort such as in service industries or white-collar occupations.

Evidence from the BIM survey indicated the importance of the incentive argument in the decision to establish schemes of financial participation. Some 46 per cent of companies stated that one reason why cash-based profit sharing was introduced was to provide an incentive for employees to work harder and/or more efficiently. In the 1980 Copeman Paterson survey 30 per cent of respondents mentioned this motive. About 20 per cent of respondents to that survey mentioned the desire to attract/retain employees as one reason for establishing their share-based scheme.

Suitability

Some financial participation schemes seem more suitable for use as an incentive than others do. Cash-based schemes may be seen as preferable to those based on shares or savings related schemes. However, it is interesting to note that in one BIM survey five out of 15 companies with SAYE share option plans said that one reason for their introduction was to improve employee incentives (BIM, 1978).

A subsidiary reason attributed to employers by some commentators is the introduction of financial involvement schemes for defensive or deterrent reasons.

Thus in the early development of financial participation during the second half of the nineteenth century, in order to try and deter employees from organising into a trade union, employers set the prospective benefits accruing from profit sharing schemes against those that could result from trade unionism. Before 1920 some 10 such schemes are known to have existed, but all were subsequently abandoned and replaced by union recognition²². A few present day schemes incorporate clauses which are designed to discourage participation in certain types of activities, such as unofficial industrial action or labour turnover.

Cost and benefits of financial involvement

Very little information is available on the impact and effects of financial participation schemes in the UK. On the evidence available for certain major companies during the late 1970s, it appears that both cash-based and share-based schemes open to all employees produced payments of £100 to £200 per annum for staff with average earnings, the sums involved typically being around five per cent of annual salary. The 1980 IPA survey found that for the 137 companies with profit sharing schemes the average bonus in a typical year was six per cent of total remuneration.

There is little information too on the effects of employee financial involvement on companies. Until recently experience of such schemes in the UK was relatively limited, and it is too soon to make any proper assessment of the schemes set up following the 1978 and 1980 Finance Acts. However, of the 42 companies with 1978 Finance Act approved schemes surveyed by Copeman Paterson some 26 per cent rated their scheme as "very successful" in meeting its objectives, and a further 48 per cent felt their scheme was "fairly successful."²³

The only systematic attempts at research and evaluation seem to be those produced in the US. The results of these American evaluation studies of the impact of financial participation schemes have on the whole been positive, although these exercises have often been limited to collecting information on managers' subjective assessments of employee motivation and company performance²⁴.

So far as companies themselves are concerned, employee financial involvement schemes clearly have cost implications. Total wage and salary bills will of course increase in line with additional cash payments to employees or the cost of purchasing shares on their behalf. Furthermore, the schemes themselves must be administered. The 1980 Copeman Paterson survey indicates that exactly half the 42 companies sampled administered their schemes solely within the company, so that the true cost of administration may be difficult to assess. However, of the 25 companies for which information is available from the survey all but three estimated the running costs per employee at not more than £6 per annum²⁵.

Scope for expansion

Financial involvement or participation schemes intended to allow employees to share in the profits and/or ownership of the enterprise in which they work are certainly not new in Britain. Early schemes can be traced back well into the nineteenth century.

A wide variety of schemes are in use, and the five major categories have been identified and discussed in some detail. Cash-based and share-based profit sharing plans are in that order the most common of the schemes covering all employees, with company-wide incentive schemes covering only a relatively small group of concerns. Executive share incentive schemes are fairly widespread but are limited to only a small group of each company's employees.

Such schemes have been introduced by companies for a number of reasons. In addition to the desire to improve incentives for employees and encourage them to identify with the enterprise, moral considerations such as the belief that employees have a right to share in the profits to which they contribute appear to be significant. Certain schemes also include elements intended to deter certain types of action such as voluntary labour turnover.

The overall extent of financial involvement schemes in the UK cannot be assessed accurately. However, there appears to have been an upsurge of interest in certain types of financial involvement schemes in recent years. This no doubt reflects the taxation concessions provided for approved deferred share trust schemes under the 1978 and 1980 Finance Acts, and also the concessions allowed on approved SAYE linked share option schemes since the 1980 Finance Act. It is too soon to assess the eventual impact of these changes. However, there is scope for a very considerable expansion in employee financial participation arrangements.

Notes

- 1 Standard definitions of profit sharing are given in Metzger, 1975, p 2 and Ministry of Labour, 1920, p 3.
- 2 Reilly, 1978. The survey was initially based on 622 replies from 1,500 randomly selected BIM member companies with the deliberate exclusion of non-commercial or non-industrial establishments. Subsequent investigation by the particular type of scheme was based on 196 additional replies and 13 interviews from the 622 originally received.
- 3 IDS, 1977 and 1979. Both these reports were based on data gathered from approximately 50 companies.
- 4 Bell, 1980, p 6. In addition to the survey results covering 330 companies this volume gives details of the financial participation schemes operated in 60 UK companies.
- 5 Lloyd, 1976. This survey was based on the replies from 245 establishments of BIM member companies. The establishments selected varied by size, ownership and industry.
- 6 Bell, 1976-77, pp 22-27 considers the implications for Rucker plans, Scanlon plans and profit sharing of changes in efficiency and/or the price of labour and raw material costs.
- 7 Bell, 1980, p 37.
- 8 Latta, 1979, p 136.
- 9 Copeman, 1981. The survey covering 42 Stock Exchange listed companies was undertaken in August 1980.
- 10 Copeman, 1981, pp 18-26.
- 11 Bell, 1980, p 42.
- 12 Bell, 1980, p 40.
- 13 Bell, 1980, p 41.
- 14 Bell, 1980, p 39.
- 15 For example Copeman, 1981, pp 16-17, notes that in August 1980 52 per cent of the 105 Stock Exchange listed companies operating a 1978 style deferred share scheme were

in the service sector, with three-fifths of these being in financial services.

- 16 Latta, 1979, pp 128-129.
- 17 Copeman, 1981, p 2.
- 18 Marriot, 1968, p 75.
- 19 Copeman, 1981, p 29.
- 20 For a review of these arguments see White, 1980, p 160.
- 21 Copeman, 1981, p 29.
- 22 See Wallace, 1959.
- 23 Copeman, 1981, p 28.
- 24 For a recent example see Conte and Tanenbaum, 1978.
- 25 Copeman, 1981, pp 27-28.

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SPECIAL FEATURE

Equal pay and sex discrimination

This annual article gives the outcome of applications to industrial tribunals under the Equal Pay and Sex Discrimination Acts. The information contained covers cases completed during the period January 1, 1980, to December 31, 1980.

Information is now available on the outcome of applications to industrial tribunals under the Equal Pay Act 1970 and the employment provisions of the Sex Discrimination Act 1975, covering cases completed during the period from January 1, 1980, to December 31, 1980. Information on cases completed in 1976, 1977, 1978 and 1979 was published in the May 1977, April 1978, April 1979 and April 1980 issues of *Employment Gazette* respectively.

Under both Acts there is provision for conciliation. A copy of each application is sent to a conciliation officer of the Advisory, Conciliation and Arbitration Service (ACAS). The conciliation officer has a duty to try to promote a settlement of a complaint without the need for a tribunal hearing.

At the conclusion of each case, that is after it has been determined at a tribunal hearing or settled by agreement without recourse to a tribunal hearing or withdrawn for other reasons, statistical returns are completed by ACAS. Cases which involve complaints brought under both Acts are included in the statistics for each Act.

Equal Pay Act 1970

The purpose of the Equal Pay Act is to eliminate discrimination between men and women in their pay and other terms of employment (for example overtime, bonus, piece-work payments) when they are in the same employ-

Table 1 Applicants analysed by age and sex

	Male	Female	All	Per cent
Under 18	—	1	1	1.1
18-24	1	12	13	14.3
25-34	7	14	21	23.1
35-44	11	11	22	24.2
45-54	8	11	19	20.9
55-60	4	3	7	7.7
Over 60	—	—	—	0.0
Not known	3	5	8	8.8
All	34	57	91	100.0

Table 2 Applicants analysed by region and sex

	Male	Female	All	Per cent
South Eastern	1	8	9	9.9
South Western	1	9	10	11.0
Midlands	23	8	31	34.1
Yorks and Humberside	3	7	10	11.0
North Western	—	17	17	18.7
Northern	1	5	6	6.6
Wales	1	1	2	2.2
Scotland	4	2	6	6.6
All	34	57	91	100.0

Table 3 Applicants analysed by occupational group* and sex

	Male	Female	All	Per cent
Managerial occupations (general management)	—	—	—	0.0
Professional and related occupations supporting management and administration	1	1	2	2.2
Professional and related occupations in education, welfare and health	22	2	24	26.4
Literary, artistic and sports occupations	—	2	2	2.2
Professional and related occupations in science, engineering, technology and similar fields	—	4	4	4.4
Managerial occupations (excluding general management)	—	2	2	2.2
Clerical and related occupations	—	9	9	9.9
Selling occupations	—	4	4	4.4
Security and protective service occupations	6	—	6	6.6
Catering, cleaning, hair-dressing and other personal service occupations	1	—	1	1.1
Farming, fishing and related occupations	—	2	2	2.2
Materials processing occupations (excluding metal)	—	4	4	4.4
Making and repairing occupations (excluding metal and electrical)	2	4	6	6.6
Processing, making, repairing and related occupations (metal and electrical)	1	7	8	8.8
Painting, repetitive assembling, product inspecting, packaging and related occupations	—	11	11	12.1
Construction, mining and related occupations not elsewhere classified	—	—	—	0.0
Transport operating, materials moving and storing and related occupations	—	3	3	3.3
Miscellaneous occupations	1	3	3	3.3
All	34	57	91	100.0

* The occupations of the applicants have been analysed by the 18 major groups of the Department of Employment's Occupational Classification (CODOT).

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Caxton House Tothill Street London SW1H 9NA 01-213 7483

Table 6 Applications analysed by size of firm

Number of employees	All
Under 20	21
20-49	13
50-99	11
100-249	15
250-449	7
500-999	9
1,000 and over	63
Not known	40
All	179

Table 7 Analysis by industry of respondent and by sex of applicant*

	Male	Female	All
Agriculture, forestry, fishing	—	2	2
Mining and quarrying	—	—	—
Food, drink, tobacco	6	6	12
Coal and petroleum products	—	—	—
Chemicals	—	3	3
Metal manufacture	10	3	13
Mechanical engineering	1	6	7
Instrument engineering	1	—	1
Electrical engineering	—	1	1
Shipbuilding and marine engineering	—	1	1
Vehicles	—	2	2
Metal goods not elsewhere specified	3	6	9
Textiles	1	6	7
Leather, leather goods and fur	—	—	—
Clothing and footwear	2	5	7
Bricks, pottery, glass, cement etc	—	—	—
Timber, furniture etc	—	2	2
Paper, printing and publishing	—	6	6
Other manufacturing industries	8	4	12
Construction	1	3	4
Gas, electricity, water	—	—	—
Transport and communication	2	7	9
Distributive trades	9	15	24
Insurance banking and finance	1	—	1
Professional and scientific services	4	9	13
Miscellaneous services	7	20	27
Public administration and defence	6	11	17
All	62	118	180

* Analysed by the Industry Orders of the Standard Industrial Classification 1968.

victimisation of a person who, for example, has asserted his or her rights under the Act or the Equal Pay Act.

The coverage of the employment provisions includes discrimination by employers, by employment agencies, by certain vocational training bodies, by trade unions and employers' associations and by bodies granting licences or other qualifications which facilitate the carrying on of a particular trade or occupation.

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Table 8 Outcome of applications

	Male	Female	All
Cases cleared without a tribunal hearing			
Conciliated settlements	13	33	46
Withdrawn by applicant			
Private settlement	4	4	8
Reasons not known*	26	31	57
Tribunal decisions†			
Order declaring rights	—	2	2
Awards of compensation	4	2	6
Recommended course of action	1	6	7
Dismissal	14	41	55
All	62	119	181

* These will include cases where the parties reached a private settlement but ACAS were not informed and cases where the applicant found the complaint to be out of scope.
† Some applications upheld include more than one remedy.

Table 9 Compensation

	Agreed at conciliation	Awarded by tribunal
£1-£49	3	—
£50-£99	9	2
£100-£149	5	1
£150-£199	5	—
£200-£299	8	—
£300-£399	4	1
£400-£499	1	—
£500-£749	3	1
£750-£999	1	—
£1,000 and over	2	1
All	41	6

Details of applications

Over the period January to December 1980 action was completed in respect of 180 applications to industrial tribunals (compared with 243 in 1976, 229 in 1977, 171 in 1978 and 178 in 1979) in relation to complaints arising under the employment provisions of the Sex Discrimination Act.

The tables analyse the types of discrimination involved, some characteristics of the applicants and respondents, the area of complaints and the outcome of the applications.

Direct sex discrimination continued to be the main reason for complaint in the cases completed. Thirty-four per cent of the applicants were male. Sixty-one per cent of the applications were cleared without the need for a tribunal hearing (table 8).

SPECIAL FEATURE

Redundancy and re-employment

by Colin Carmichael and Lois Cook

Manpower Intelligence and Planning Division, Manpower Services Commission

This article looks at a study of a major redundancy, which took as its emphasis the redundant individual's search for work, and the result of the search in terms of unemployment duration and the characteristics of any job obtained. It considers the general evidence on levels of re-employment, the effect that labour market conditions and personal characteristics have, the secondary effects of redundancy and the role played by the MSC.

In the current recession many firms have been faced with a decline in the demand for the goods and services which they produce. They have had to take action to cope with the consequent reduction in their demand for labour. The measures adopted have included a reduction in overtime working, a suspension of recruitment, and the introduction of short time working. Where the reduction in the demand for labour has been seen as both substantial and long-term, then many firms have declared redundancies. In 1980 the number of people receiving statutory redundancy payments was a record 490,000¹. This represented an increase of 45 per cent on the previous peak of redundancy payments, in 1975.

The MSC has recently completed a study of a major redundancy, which took as its emphasis the redundant individual's search for work, and the result of this search in terms of unemployment duration and the characteristics of any job obtained². This was similar to a number of other studies of redundancy conducted in the past³. The firm looked at was the Firestone Tyre and Rubber Company. It stopped production at its plant at Brentford, West London, in February 1980 with the loss of 1,340 jobs. The main reason given for the closure was continuing losses, due to a declining demand for cross-ply tyres. This was one of a series of closures and contractions which had taken place in the British tyre industry since 1979. The subsequent experience of the redundant workers was examined by way of a postal survey, which achieved a 55 per cent response rate, and MSC and company records. The rest of this paper draws out the main conclusions of the study as they related to re-employment. First, it looks at general evidence on levels of re-employment. Second, it looks at the effect that local labour market conditions and personal characteristics have on re-employment. Third, it considers the secondary effects of redundancy. Finally, the paper considers the role played by the MSC in helping people to find new jobs.

Extent of re-employment

The Firestone redundancy was an example of a major closure, where a large number of workers were simultaneously released onto the labour market. Most redundancies involve fewer than fifty people, and cases such as the Firestone closure are typical of only a small proportion of redundancies. However, it is these cases which are of the greatest concern because they will create the most serious

problems of labour market adjustment, especially where the redundancy is large in relation to total job opportunities available in the local labour market.

Re-absorbed

Studies of major redundancies have generally shown that the majority of the workers affected are re-absorbed into the labour market within a year. In the Firestone case 73 per cent of the redundant workers were in new employment seven to eight months afterwards, and 76 per cent had worked at some time since their redundancy. This was a high level of re-employment in comparison with a number of recent studies of major redundancies. These have produced similar proportions, but over longer time periods. For example, a study of a redundancy at an oil platform construction yard in Scotland showed that 78 per cent of the redundant workers had worked during the eleven to twelve months following the redundancy⁴. In redundancies at two car assembly plants, 70 per cent found work inside ten to thirteen months in one case (Chrysler, Linwood) and 66 per cent found work in five to ten months in the other case (Chrysler, Maidstone)⁵. At the other end of the scale, a study of workers made redundant from a shipyard on Tyneside (Swan Hunter) found that in the year after the redundancy only 22 per cent of the workers had found a new job⁶. This was the lowest rate of re-employment in any study of redundancy.

Whilst these cases are difficult to compare precisely, they do suggest that re-employment after the Firestone redundancy was higher than usual. They also give an indication of the general pattern of re-employment. Normally the cumulative proportion of redundant workers moving into new jobs increases every month, with each monthly increase getting smaller. The result is that for many redundant individuals periods out of work are short. In the Firestone case over a third of the people who had been in only one job since their redundancy started in their new job within one week; almost 60 per cent of this group had less than one month without a job. However, redundancy can also result in prolonged unemployment for some people. Some 16 per cent of the Firestone respondents had been continuously unemployed since losing their job (this figure excludes the sick, retired and those in training). Long periods of unemployment will result in the loss of income, and in deteriorating psychological and social well-being⁷.

Influences on re-employment

The Firestone redundancy study showed that the most important influences on the speed and level of re-employment are the personal characteristics of the redundant workers, and the conditions in the local labour market concerned. This confirmed the findings of previous studies.

The workers made redundant by Firestone were typically older and from semi or unskilled occupations—53 per cent were aged 50 or over and 68 per cent were previously in non-craft manual jobs. Age and skill had important effects on re-employment with higher proportions of those aged 25-44 and in craft occupations being in work at the survey date. Also, these groups generally had shorter periods out of work after their redundancy. The chance of a person being in work was also increased if they had considerable periods of service, or had been in a high paying job, with Firestone.

Long service is a measure of stability, which is attractive to potential employers. A formerly high pay level provides an incentive to find work to maintain living standards, even if the new work is less well paid. The group of people who had been continuously unemployed conformed to this pattern, and in particular they were generally older than average and had previously been employed in semi or unskilled occupations.

The importance of local labour market conditions in affecting the rate of re-employment of redundant workers can be illustrated by a comparison between two tyre factory closures. As well as closing their Brentford plant in early 1980, Firestone also closed their Wrexham plant. This took place in October 1980 and involved the loss of 580 jobs. Within the first seven weeks of the Brentford redundancy some 50 per cent of the workers had found a job. By comparison the Wrexham figures was no higher than 36 per cent and was probably lower⁸. The difference between these two could not be accounted for by personal characteristics. The two factories were fairly similar in their occupation structure, and if anything, the Wrexham re-employment rate should have been the highest because the labour force was slightly younger. The main difference between the two situations was in local labour market conditions. Using a simple proxy for these conditions, the rate of unemployment in Brentford in February 1980 was 3.6 per cent when the GB rate was 6.0 per cent. The rate of unemployment in Wrexham in October 1980 was 14.9 per cent when the GB rate was 8.4 per cent.

Early start

Redundancies also tend to take place in periods of worsening economic conditions. Therefore an early start to job search can make a very important contribution to a person's chance of finding another job. In the Firestone Brentford case, the number of unfilled vacancies fell from 4,500 before the redundancy to 2,200 eight months later, although the local labour market remained more buoyant than the national labour market. In this redundancy the timing of the start of job search had the greatest effect on a person's chance of being in work at the survey—for instance, 83 per cent of those who started looking before leaving were in work at the survey, compared to 64 per cent of those who started looking after leaving. For those people who remained continuously unemployed a late start to job

search was also an important influence. This finding has been confirmed in other studies. In a study of redundant engineering workers in the West Midlands, MacKay and Reid found that looking for a job before their redundancy reduced a man's expected duration of unemployment by about eight weeks⁹. The MSC has a role to play in encouraging early job search, and this is discussed in a later section.

When personal characteristics and local labour market conditions are both adverse this can have an extremely serious effect on levels of re-employment. The best example of this is the previously quoted Swan Hunter redundancy. In this case the Shipbuilding Redundancy Payments Scheme had encouraged older, longer service, workers to volunteer for redundancy. They were entering a local labour market which had experienced a sustained decline in manufacturing employment and whose rate of unemployment was substantially higher than the national rate. Together these factors made a major contribution to the very low rate of re-employment which resulted. However, the Firestone example showed that even when personal characteristics are adverse, as long as local economic conditions are favourable a high proportion of the redundant workers will be able to find alternative work.

Varied experience of redundant workers

It has already been shown that whilst for many redundant workers another job is soon found, there are other groups who are unable to find a job at all. This variety of experience is also reflected in the kind of jobs people are able to secure.

In the Firestone case, people had generally taken jobs for positive reasons. Once in jobs, the majority of individuals (almost 60 per cent) perceived that overall, the job they were holding at the time of the survey was better or much better than their previous job at Firestone. The most improved aspect of these jobs was working conditions, whilst the worst aspect was pay. This was a reflection of the generally unpleasant working conditions, and higher than average earnings, for manual workers in the tyre industry. Even though a half of those people in jobs were not using their previous skills in their new job, they felt that their new job was an improvement. This was despite the loss of earnings (67 per cent were earning less in their new job) and the possible loss of seniority. Small losses of earnings were generally compensated by improvements in other aspects of the new job, such as improved working conditions, more convenient hours, or an easier journey to work. However, there was a group of people whose new jobs were much worse than their previous job at Firestone, having very low earnings and being poorly thought of in terms of non-financial aspects.

Therefore the differential impact of redundancy creates at least three distinct groups of redundant workers. First, those who find new jobs, often very quickly, and perceive these jobs to be a substantial improvement on their old ones. Second, those who find jobs, but which are either no improvement on their previous ones or are much worse. Third, those people who are unable to find a job following their redundancy. This last group will include a number of people who withdraw from the labour market. The relative size of these groups will vary between redundancies, depending on local economic conditions and the characteristics of the employees. The majority of those made

redundant as a result of the Firestone closure were in the first group. In contrast most of those who lost their job at Swan Hunter were to be found in the last group.

Displacement

Redundancy also results in important secondary effects. Suppliers, locally and in other areas, may be affected by the closure or contraction of a major customer. This in turn may result in further redundancies. Another effect, working within a local labour market, is displacement. Several recent redundancy studies have explicitly examined this¹⁰. Displacement occurs when redundant workers "fill vacancies which would otherwise have been filled by those already unemployed or changing jobs"¹¹. Where redundant workers have the skill or experience to fill vacancies which could not have been filled from the available labour supply non-displacement is said to have occurred. Where a high level of displacement follows a redundancy the expected effects for other job seekers would be an increase in the duration of unemployment, or a longer period spent looking for a job, and a narrower selection of jobs from which to choose. While the Firestone study did not attempt to produce a precise estimate of the extent of displacement, a simple assessment was made of its likely effect. It was concluded that displacement had been high. Most Firestone leavers were non-craft workers, but were relatively attractive to employers because of their stable employment records and experience of shift working. However, most of the vacancies they filled could probably have otherwise been filled from the unemployment register or from other job seekers.

One of the studies specifically designed to measure the level of displacement following job loss looked at two redundancies in Dundee¹². In this case a very high level of displacement was found, and it was estimated that in only five per cent of cases would employers not have been able to fill their vacancies without the redundant workers. The effect of this was to increase the expected unemployment duration of those already unemployed, on average, by 11 weeks. Displacement was also shown to be high among the successful job finders made redundant from Swan Hunter. In general, at a time of recession redundant workers would be expected to displace other job-seekers, although in some cases they would provide a candidate of higher than average quality. Only when there are substantial hard to fill vacancies would displacement be low.

The MSC and redundancy

In cases of major redundancies the MSC tries to mobilise its manpower services to help ease problems of transition from one job to another. In particular, the Employment Service Division tries to ensure that redundant workers receive advice and information about alternative employment, facilities for training, and grants and allowances for taking up employment in other areas. Where possible a special team visits the work-place to offer this help to the employees facing redundancy. In some cases a temporary Jobcentre (TJC) is set up on the site with the employer's co-operation. The requirements for setting up a TJC are normally that the redundancy is large, that there is an expectation of finding jobs for those affected, and that staff resources are available.

The Firestone study was important because it was able to examine in detail the performance of a TJC, which operated at the Firestone factory for six weeks before the closure. This was able to offer a full service to job-seekers. Vacancies were trawled from the surrounding area and were displayed. The users of the TJC could ask staff to make interview appointments for them. In addition 25 employers were brought to interview the Firestone employees in the factory. Advice and information was also available on job-seeking, and appointments could be made to see representatives of the MSC's Training Services Division, Disablement Resettlement Service, and Professional and Executive Recruitment.

Almost 1,000 people registered with the TJC, either directly or through self-registration cards. However not all of these people actually used the services available, and some casual users did not register. The postal survey estimated that some 56 per cent of the redundant workers had actually used the TJC in their search for work. The main reasons given by people for not using the TJC were that they had already found jobs, that no suitable jobs were believed to be available, or that they were not looking for a job.

Interviews

In the six weeks that the TJC was open some 2,200 interviews were carried out by staff. In the majority the job seeker was given counselling and advice, and the remainder were for arranging job interviews. A number of individuals were seen more than once. However, pressure on staff meant that in many cases they were not able to spend as much time with clients as they would have liked. Despite this, because many of the redundant workers had been with Firestone for many years (64 per cent over ten years) they had little or no experience of looking for jobs, and the advice they were given was still thought to be valuable. As a result of this activity approximately 475 people were sent for interviews with employers; on average each individual attended three interviews. Four hundred successful placings were recorded by the TJC, of which 60 per cent were with firms interviewing on-site. Allowing for the fact that almost a fifth of the people made redundant had worked in two or more jobs in the seven to eight months since their redundancy, then this placings figure was equivalent to about 30 per cent of the total number of jobs held since the closure. However, the actual number of placings achieved was less than the total recorded. This was because the latter figure included people who did not start in the job in which they were placed, particularly because they had been placed on waiting lists for vacancies, or had been given start dates some time after their redundancy date.

Source of advice

The TJC was also a source of advice on government-sponsored training. Over 150 general enquiries were made about the Training Opportunities Scheme (TOPS). However, only 25 applications resulted. These figures were an underestimate of the overall interest in training because they excluded non-TOPS courses and enquiries made after the TJC stopped operating. The survey estimated that 17 per cent of respondents had made some enquiry about training since being made redundant, although only a quarter of

these people actually went on a course. This low take-up of training confirms the findings of other studies of redundancy. In the particular case of Firestone a major factor in individual's decisions not to train was that they were too old. A large number had also been successful in finding jobs, which would have removed the immediate need to retrain.

The TJC achieved a substantial number of placings, particularly through inviting firms to interview in the factory. A useful and personalised service was provided for a group of redundant workers with little experience of looking for jobs. In the absence of the TJC these people would probably have been less well placed to make an early start to their job search, and might have adopted less coherent strategies for looking. However, in the absence of the TJC, these people would probably still have found work, although it is likely that they would have taken longer to do so.

Reinforced the findings

The study of the Firestone redundancy in February 1980 reinforced the findings of previous studies of redundant workers. Although not typical of all redundancies it showed that such a major shock to a local market can be absorbed. However, it should be emphasised that the rate of re-employment in the Firestone case was very high. Other redundancies, at the same time but in other areas, would have had a lower rate, and in present conditions re-employment would be even slower. Re-employment is affected by local economic conditions and by the personal characteristics of the workers. The experience of redundancy varies between groups of redundant workers. Some find substantially better jobs, often quickly, others find similar or much worse jobs, and others are unable to find a job at all. Those experiencing the worst problems are characteristic of people who in general experience problems in the labour market. Redundancy also has a secondary effect, acting particularly through the displacement of other job-seekers, who then face longer unemployment and a poorer choice of jobs. This spreads the effect of redundancy wider than the original group. In the past the MSC has been able to help in the process of labour market adjustment by providing advice and information, and by helping people into jobs. In a situation of severe resource constraints the MSC will increasingly find it difficult to provide this type of special service to redundant workers but it

will nevertheless do all it can to help those concerned back into suitable alternative employment as quickly as possible.

Notes

- 1 This figure underestimates the actual number of employees made redundant as those with less than two years service with an employer, those under 20 and those over retiring age are not eligible for payment under statutory provision.
- 2 C. Carmichael and L. Cook (1981) *Redundancy, re-employment and the tyre industry*. Manpower Services Commission. This report is available from Room 10/6, MSC, Selkirk House, 166 High Holborn, London WC1V 6PF.
- 3 See for example W. Daniel (1972) *Whatever happened to the workers in Woolwich?* Broadsheet 557, Political and Economic Planning; D. MacKay and G. Reid (1972) *Redundancy, Unemployment and Manpower Policy*. *Economic Journal*, 82, 1256-1272; F. Herron (1975) *Labour Market in Crisis*. Macmillan.
- 4 See D. Hart (1980) *A study of the impact of redundancies at RDL (North Sea) Ltd*. Unpublished interim report, Manpower Services Commission Office for Scotland.
- 5 See R. Pearson and J. Greenwood (1977) *Redundancies and displacement: a study of the Maidstone labour market*. CN115, Institute of Manpower Studies; J. Fyfe (1978) *Chrysler (Linwood) Redundancy Study*. Unpublished interim report, Manpower Services Commission.
- 6 See D. MacKay, R. MacKay, P. McVean and R. Edwards (1980) *Redundancy and Displacement*. Research Paper No 16, Department of Employment.
- 7 See M. Colledge and R. Bartholomew (1980) *The long term unemployed: some new evidence*. *Employment Gazette*, 88, 9-12.
- 8 These figures were estimated on a different basis. The Wrexham figure is a maximum estimate of re-employment, and the Brentford figure is a minimum estimate. See Carmichael and Cook (1981), op cit, para 6.10.
- 9 See MacKay and Reid (1972), op cit.
- 10 See for example R. Pearson and J. Greenwood (1978) *The impact of redundancies on a local labour market*. *Employment Gazette*, 86, 407-408; C. Blake, I. Buchanan, M. Tooze and P. Chapman (1979) *Redundancies in Dundee*. ESU Research Paper No 1, Scottish Economic Planning Department; MacKay et al (1980), op cit.
- 11 From Blake et al (1979), op cit, p5.
- 12 See Blake et al (1979) op cit.

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Fostering new enterprise in the North

by Michael Cross*

One of the continually disquietening features of life in the Northern Region has been the constant high levels of unemployment. In an attempt to ease this situation, successive governments have implemented a series of regional policy measures. These measures have been aimed at restructuring the region's economy from one based on shipbuilding, coalmining, iron and steel and related industries to one based on growing industries such as electronic and electrical engineering.

To effect this shift, a variety of incentives were made available to those companies opening plants in the region. The emphasis of the policy lay on attracting a share of foot-loose industrial investments emanating from other regions and other nations. Less emphasis was placed upon developing local potential and exploiting local possibilities.

Emphasis change

More recently the emphasis of the response to local and regional unemployment has changed. Today, greater emphasis is now placed on helping local people to exploit local opportunities. This new form of policy stance is also a response to the limited availability of mobile investment which can be attracted to any region. Furthermore, the competition between regions for the little mobile investment which does exist is becoming increasingly intense.

It is against this background that more and more local and regional bodies are pursuing ways to encourage the development of local industry. Among these initiatives have been the schemes to help both new and small business ventures. In this article two such schemes which are

in operation in the Northern Region are examined.

Local policy option

A number of arguments (to which, of course, there are counter arguments) suggest that the present support for new and small firms is not solely based on political beliefs. On the pro side there are a number of issues.

First, investment in new and small firms today will have major long-term benefits. In fact, part of the future growth and development of any region is dependent upon a constant supply of new and small firms.

Second, local and regional bodies can often do little to influence the location of new investments made by major companies. These investments have in recent times tended to take on a national significance, and hence resulted in nations competing with nations for such major and infrequent developments.

This has meant that the local authority can best expend its efforts in helping local industry such as by providing suitable premises. Though at the end of the day local authorities can do little to influence the buoyancy of the national economy, they can act as an important political lobbying force putting forward "the local case".

Third, while the uptake of new process, product and production technologies (notably those involving the microchip) will be spread over a number of years, the long-term impact will be to reduce the demand for labour by the major manufacturing companies. One of the implications of this trend, it has been suggested, is to promote the relative employment generating performance of both small and medium sized firms.

For the creation of employment it

might therefore prove more appropriate to focus attention on the small and medium-sized firms in an area.

Perhaps not surprisingly there are as many arguments against a new and small firms policy as there are for one. One of the most frequently voiced arguments against the present new and small firms initiatives is that both new and small firms individually create few jobs in the short-term. Furthermore, the proponents of this argument also point to the high failure rate of new and small firms.

Others point to the relatively poor working conditions and low levels of pay offered by new and small firms to their employees. New and small firms might not therefore be the most attractive employers.

Necessary mix

It has also been suggested that many areas will not benefit from a new and small firms policy. Some regions do not possess the necessary mix of opportunities and conditions which favour the creation of new and small firms. For example, some regions do not have a small firm sector from which new firm founders can emerge, and as a result there may be no tradition of self-employment in the area. The Northern Region, for one, could be described as being such an area. As a result, the efforts to help new and small firms in such a region might have to be that little more vigorous and diverse than are needed elsewhere.

No matter if one sides with either the pros or the cons in the new and small firms debate, few alternative

(continued) ▶

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→ CASE STUDY

industrial (employment) policies exist for local authorities to pursue. In the Northern Region, the new and small firms initiative has been vigorously pursued. Today, there are tens of organizations and schemes operating in the Northern Region to help both new and small firms. Durham University Business School has been concerned with two of these in particular.

Enterprise North

Over the past eight years, *Enterprise North* has developed from being a concept of a local entrepreneur to an active full-time team resident at Durham University Business School. The initial concept of *Enterprise North* was developed by Herbert Loebel in conjunction with the regional office of the Department of Industry.

This original plan envisaged the identification of groups of prominent local businessmen who could be persuaded to meet potential entrepreneurs. At these meetings the local businessmen would make the benefits of their business experience available, free of charge, to the potential entrepreneur. The content of these meetings would vary, but a typical meeting would involve pointing out the strengths and weaknesses of an entrepreneur's business proposal and possibly directing him (or her) to other sources of assistance.

The *Enterprise North* concept was soon translated into reality with seven panels of local businessmen being established. These panels consisted of five or six members each and were located throughout the region.

Between 1973 and 1975 *Enterprise North* was co-ordinated from Newcastle Polytechnic on a voluntary basis. Then between 1975 and 1977 the co-ordinating function was moved to Durham University Business School where a part-time co-ordinator was based. Over this period, the Department of Industry played an important role both in

Table 1 Workload of Enterprise North, 1973-1981

Year	Inquiries*	Transferred to panels/NEDP†	Transferred to other sources of assistance	Known start-ups‡
1973/74	115	74	..	11
1975	38	22	..	2
1976	33	30	..	2
1977	68	30	2	15
1978	193	92	22	32
1979	340	204	58	75**
1980	191	104	25	28§
1981 (to date)	128	..	..	..
All	1,106	456	107	165

Notes: * Peaks in 1973/74 due to NEDC/Barclays Bank business competition; 1978 due to publicity from regional BBC TV; and 1979 due to Shell UK business competition.
 † New Enterprise Development Project.
 ‡ Extracted from those cases where information is available—this excludes around 50 per cent of cases where further information proved difficult to obtain.
 ** Type of businesses: 42 in manufacturing and 33 in services.
 § Type of businesses: 19 in manufacturing and nine in services.

terms of finance and by directing inquiries to *Enterprise North*.

Since 1977, *Enterprise North* has been put on a firmer basis with the appointment of a full-time co-ordinator with full secretarial and administrative support. The last two elements were funded by the Manpower Services Commission under their job creation scheme. For the period 1977 to 1980 the Department of Industry sponsored the project, and more recently Barclays Bank have become involved and now fund the secretarial and administrative support.

Senior manager

The resources of the scheme have been further strengthened with the inauguration of the "New Enterprise Development Project" which has drawn its support from ICI (a senior manager on a three-year secondment), Rowntree Charitable Trust (an industrial research counsellor), and Shell UK (a research/evaluation officer).

In operating terms, all inquiries are carefully appraised by the *Enterprise North* co-ordinator or his colleagues. Usually they are not ready to be referred to one of the panels for immediate assistance and they need further refining. In most cases, the inquirer is invited to meet the co-ordinator so as to allow the business idea to be more fully developed into a well-documented business proposal. If this goes well

the project will be passed on to the most appropriate panel for consideration and further advice.

At the end of the process it is felt that the potential entrepreneur will be in a much better position to decide whether or not to go ahead with the business idea.

Since its inception, *Enterprise North* has received over 1,100 inquiries, passed on over 450 of them to panels and over a hundred more to other sources of assistance, and been at least a catalyst in the starting-up of at least 165 new businesses. The full workload is shown in table 1.

The variations between the types of individual inquiry are quite wide, and some indication of this can be gained from the following two examples.

A highly-skilled production engineer working for a North American subsidiary received news of the impending closure of the factory both with surprise and dismay. While the parent company decided that the British end of their business could not become a viable proposition, they did decide to offer a job to the production engineer at the parent company site in the United States. From a personal point of view this offer was very attractive to the engineer as it paid well and at the same time it offered the opportunity to start a new life in a new country.

(continued) ▶

→ CASE STUDY

However, the engineer was unsure. He felt that the North American company were wrong when they stated the British end of their business had no future. It was in this state of dilemma that the engineer made his approach to *Enterprise North*. On the one hand moving to North America did seem an attractive proposition to him, while on the other he was convinced he could run the factory profitably and maintain a job for himself and most of the other employees who would otherwise be made redundant.

Together the enterprise panel and the engineer considered the market, the financial aspects, and the effects on his family if he did take over the closing factory. After a number of panel meetings the engineer decided to take the plunge and to start his own business. He took out a second mortgage, arranged to take over the lease on the factory, approached various institutions for finance, and informed the North American company that he would not be wanting to work for them in the United States. This was two-and-a-half years ago.

Today the performance of the company has far exceeded all original forecasts, such that the company has recently moved into larger premises and has taken on extra staff. The engineer certainly does not regret his decision to go it alone.

Consultancy service

In another case a married woman with one very small child was viewing the prospects of her future domestic life with a little apprehension. She feared that she would be bored. Before the birth of her child she had been a fully qualified librarian, and during that time she had felt that many organizations with their own "in-house" libraries and reference facilities operated them with a marked degree of inefficiency.

Her idea was to offer a consultancy service to such organizations and believed that she could improve

upon their existing services and possibly reduce their costs. She had never been in business before and had no idea of either marketing, or finance. She had several panel meetings, and also discussed her plans with the members of staff of Durham University Business School before she actually started to contact local firms. Now she runs a successful small business from home with one full-time and two part-time assistants.

Many other examples exist and today *Enterprise North's* activities have been broadened. It is now involved in marriage broking (bringing investors and entrepreneurs together), bringing new ventures from other regions to the Northern Region (attracting entrepreneurs to the region), spin-offs from larger firms (helping employees of a large company go into business), venture capital lending (via the Sir James Knott Trust), and running conferences and workshops. While it is difficult to evaluate the performance of *Enterprise North*, it is evident that there is a demand for its services.

Retraining programme

The Management Experience Retraining Programme is financed by the Training Services Division of the Manpower Services Commission and was established at Durham University Business School to meet two basic needs.

First, it meets the needs of small companies within the region that are faced with finding ways of expanding, diversifying or surviving but find it difficult to take action because they lack the necessary management resources.

In some cases this might be because a company simply does not have surplus management time, but frequently the block will result from the company's lack of particular management skills. The programme aims to provide the small company with the extra management resource that it needs and to see the project developed to a stage where the company can take it over and develop it.

Second, it meets the needs of

experienced managers who have become unemployed and who are failing to find employment again that uses their management skills and experience. This unemployment might, for example, result from the decline of large industries in the Northern Region, from contraction affecting local branch plants, or from investment in less labour intensive operations.

Re-orientation

In such cases finding employment will depend on re-orientating toward a different kind of business and the programme aims to help this process by providing training in the management of smaller firms. This is done partly by a course and partly by working on a project of real consequence within a small company.

To date, two of these programmes have been run with nearly thirty unemployed managers drawn from Professional and Executive Recruitment. The course itself is split into two parts. The first three weeks are spent on a residential course which helps to meet the following objectives:

- to provide an orientation to the smaller firm both in terms of its profile and problems;
- to survey and to sharpen-up general management skills that are relevant to the smaller firm;
- to review and to develop problem-solving skills; and
- to develop counselling and interpersonal skills to facilitate working on a project in a small company.

Also during this three-week period, programme participants are introduced to a small company which has a specific problem they would like solving.

It is this problem that the participant will tackle during the second part of the programme which lasts ten weeks. There are five main components to the project and these are:

- (i) that the project should represent either a real and significant management problem, or

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→ CASE STUDY

- a new opportunity for the organization;
- (ii) that in working on this management problem the programme participant should work with, as well as for, top management in the company;
 - (iii) that the project should involve an investigative element in which information is sought either to analyse the problem or explore the opportunity;
 - (iv) that it is the intention of the company to take action on the basis of the work done during the project; and
 - (v) that the programme participants should write a management report on the project at the end of the period of involvement with the company.

It is difficult to assess the success of any such training programme, but of the 11 participants attending the second programme, five have been offered permanent jobs and a further two have been offered part-time jobs as a result of attending the programme. Apart from helping the unemployed managers back into full-time employment, the companies in which the projects were carried out also gained.

New workshop

For example, Redcar Boilers and Tanks had the layout of a new workshop planned for them. Since the project, the workforce has also been increased by about six employees which in part reflects a greater confidence in the future of the business.

While at Richard Klinger Ltd, the feeling is that the programme has saved both money and jobs. Two projects were completed at Klinger's. The first, on gasket kits, has already saved the firm £50,000 and secured the jobs of the 30 employees working in this area. This turnaround in fortunes meant that this section of the business moved from loss into profit and established its viability.

The second project tackled the pricing of products based on special

materials and has further enhanced the viability of the unit. It is also interesting to note that while assistance was being given to the company, the staff were told that consideration was being given to cutting back the unit of 260 people and this threat seems to have disappeared with the improved viability of the business.

Growth programme

There are plans to run similar programmes in the future and possibly to combine the programme with a new one, the *Small Business Growth Programme*. The main objective of this programme is to provide training and counselling assistance to a carefully selected group of small owner-managed companies planning expansion or diversification.

The aim is to produce a plan for growth linked with assistance in implementation. One of the resources to be made available to participating companies are the experienced, but presently unemployed managers in the way outlined above.

Obviously there are other efforts being made in the Northern Region to help foster new enterprise. For example, there are the "self-employment" courses run at Tees-side and Newcastle Polytechnics. Enterprise Workshops have been established in Newcastle by the City Council. Community and co-operative projects are underway in Consett and Hartlepool. The Action Resource Centre is also active in the Northern Region especially in Tyne and Wear.

In all there are many bodies expending increasing amounts of effort to help new and small businesses in the region, and only in time will the fruits of these labours show. ■

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The views in this article are those of the author and do not necessarily reflect those of the Department of Employment.

● If your company, association, or trade union has a story for *Case Study*, contact: The Editor, *Employment Gazette*, Department of Employment, Caxton House, London SW1H 9NF (01-213 7483).

THINKING ABOUT RETIREMENT?

If you're looking forward to retirement, the Job Release Scheme could give you the chance to stop work even earlier.

If you are a man aged 64 or a woman aged 59 you could qualify for the scheme's benefits, providing your employer agrees to release you and take on someone from the unemployed register.

Estimated for another year
The scheme has been extended for another year until April 5th 1982 which will give more people the chance to enjoy a longer, happier retirement.

Allowances from 5th April 1981
You can receive up to £30.50 tax free per week until you qualify for your state retirement pension. And third of the expenses you could see such as National Insurance contributions, meals and fares to work.

This extended scheme can give you the chance to make and plan for your retirement.

Disabled men aged 60 to 63
If you are a disabled man aged 60 to 63 the Job Release Scheme is made more attractive for you too. Provided your employer agrees to take on someone from the unemployed register, you can spend up to five years doing what you want to do. First you become eligible for the scheme, then you become eligible for the scheme, then you become eligible for the scheme, then you become eligible for the scheme.

If it's over too early to plan your retirement, so send off the coupon for more details about the Job Release Scheme, or pick up a booklet at your Secretary, or pick up a booklet at your Secretary, or pick up a booklet at your Secretary, or pick up a booklet at your Secretary.

The Secretary closes for applications on April 5th 1982.

Please send no money at all.
Please tick, wherever possible:
JRS letter () JRS (disabled) letter ()
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Post to: Eileen Tingey, Job Release Scheme, P.O. Box 702, London SW20 8SZ.

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Please send no money at all.
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Yes, £27m for

Employers

Tomorrow, you could be asked about the Job Release Scheme.

You've probably seen the new Job Release Scheme advertisements, aimed at people who are approaching retirement. Whatever their reasons for applying for Job Release, you can be sure they've thought long and hard about it, but they need your agreement to go ahead.

This would enable the men and women who join the Scheme to stop work up to a year before they would normally retire, on the understanding that you take on replacements from the unemployed register - though not necessarily for the same jobs.

Disabled men aged 60 to 63
Special provision has been made for disabled men (you've probably seen these advertisements too) and with your agreement to take on someone from the unemployed register (a disabled person, wherever possible), they would be able to stop work up to five years before they would normally retire.

So think of the opportunities to make promotions and bring in new blood, apart from making some people very happy.

Make sure you have all the facts about Job Release: ring Eileen Tingey on 01-213 5538, 01-213 6857, or write to her at P.O. Box 702, London SW20 8SZ.

Job Release Scheme
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