

## **PILLAR III : ENCOURAGING ADAPTABILITY IN BUSINESSES AND THEIR EMPLOYEES**

### **INTRODUCTION**

The UK has a dynamic and flexible labour market underpinned with effective minimum standards of fairness at work. This has allowed the growth of flexible patterns of work and a very wide diversity in the number of hours worked. Only a third of employees in the UK labour market work a "standard" week of between 35 and 40 hours compared to over 60% in the EU as whole.

The flexibility of the UK labour market has fostered a wide variety of working arrangements, including part-time work, career breaks, job splitting, job sharing and family-friendly policies. New forms of work organisation offer a challenging opportunity to introduce more flexible patterns of work, which themselves allow businesses to become more responsive to markets and can benefit employees, particularly women, and their families through improved employability and a better quality of life. This flexibility can help to promote equal opportunities and help people with caring responsibilities combine work and their caring role.

A skilled and adaptable workforce is essential to business success. People need to adapt swiftly to economic change and learn new skills to meet new technological challenges. In this fast moving environment, it is important that potential skill shortages are identified and tackled. In response to this, we have set up a Skills Task Force, which will provide the national focus on skill needs and will advise Ministers on a National Skills Agenda. We have also announced plans to establish an Education and Training Group for Wales, which will prepare a specific education and training action plan to prepare the way for the future Welsh Assembly's work.

Organisational innovation has a part to play in employment growth by creating more adaptable companies, but other forms of innovation, e.g. in new products and new technology, are also important for sustaining employment growth. To encourage the spread of good practice in new and innovative ways of working, we have published a document called "Partnerships with People". This sets out ideas for cultural change in organisations by profiling successful companies who have experimented in this area.

We have set up a number of Working Parties to look at competitiveness issues, bringing together representatives of business, the unions and the academic world to develop practical proposals for inclusion in a forthcoming Competitiveness White Paper. Working Parties are looking specifically at the issues of workforce development and employability, the quality and quantity of investment and encouraging innovation.

We believe that businesses will be able to create more jobs if they operate in a labour market that is not hampered by unnecessary bureaucracy and regulation. We will underpin this more flexible labour market with an appropriate framework of minimum standards. By so doing, we will guarantee fair and decent treatment of employees, promote social cohesion and balance the rights and responsibilities of both employers and employees.

#### TEXT OF GUIDELINES 13 AND 14

##### • Modernising work organisation

In order to promote the modernisation of work organisation and forms of work:

- *the social partners are invited to negotiate, at the appropriate levels, in particular at sectoral and enterprise levels, agreements to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive and achieving the required balance between flexibility and security. Such agreements may, for example, cover the expression of working time as an annual figure, the reduction of working hours, the reduction of overtime, the development of part-time working, lifelong training and career breaks;*
- *for its part, each Member State will examine the possibility of incorporating in its law more adaptable types of contract, taking into account the fact that forms of employment are increasingly diverse. Those working under contracts of this kind should at the same time enjoy adequate security and higher occupational status, compatible with the needs of business.*

#### Labour market context

The UK system is not characterised by excessive regulation. Terms and conditions of employment have been for employers and employees to negotiate. Subject to fair minimum standards, they are in the best position to decide what forms of working suit them. Employment terms and conditions in the UK have therefore tended historically to be determined by agreements at local level rather than by national legislation or by national level collective agreements.

#### **GUIDELINE 13 : AGREEMENTS TO MODERNISE THE ORGANISATION OF WORK**

##### ***Contribution from the Social Partners (Italicised Text)***

*The TUC and the CBI fully support proposals to encourage workplace partnerships to promote new forms of work organisation.*

*Employers are increasingly seeking more highly trained and adaptable workers who can acquire new skills throughout their working lives. Employees on the other hand are seeking a guarantee of employment security and work that is stimulating and fulfilling.*

*These objectives can only be achieved if workers are employed by dynamic and competitive organisations. It is clear that both employers and employees have a shared interest in business success.*

*The TUC and the CBI believe that the prosperity of the UK and Europe can only be maintained if companies are delivering high quality goods and services with skilled, motivated and appropriately rewarded workers. Economic success must be underpinned by a public sector delivering quality services which are valued by citizens. The successful workplace of the future will be characterised by high performance, high skill levels and high trust between workers and their employers.*

*The European Commission's Green Paper "Partnership for a New Organisation of Work" (1997) concluded that the diffusion of new working practices is slow and that this must change if Europe is to remain competitive.*

- The TUC and the CBI believe that Government has an important role to play in promoting and disseminating good practice to ensure that both employers and trade unions can learn from the best. Consideration should be given to establishing more effective relationships between the social partners, TECs, Business Links and other institutions to ensure that there is appropriate support for the implementation of new practices. The Department of Trade and Industry's report "Competitiveness through Partnerships with People" may provide a useful starting point for further discussions.*
- Flexibility in working time is an important element in any new approach to work organisation. The TUC and the CBI can see significant advantages for both employers and workers if a range of freely chosen working patterns is available in the labour market.*
- Implementing the Working Time Directive will provide a floor of basic rights for all workers to paid holidays, proper rest breaks and maximum weekly working hours. By seeking to reduce excessive hours the Directive will promote health and safety at work. The challenge in implementing the Directive is to reconcile the flexibility that employers want with the security that workers need. The Directive provides the opportunity for the two sides of industry to reach agreements on how best to implement the new provisions.*
- Part-time working is likely to continue to increase in the foreseeable future.*

*There are also more workers with temporary and short-term contracts than in the recent past. Neither of these groups should be seen as "second class" or atypical workers and for this reason the CBI and the TUC have participated in negotiations at EU level to introduce sensible provisions to increase security and flexibility. They believe that the Government should consider what changes might be made to the social security system to ensure that these workers can accumulate entitlements to contributory social security benefits.*

## **GUIDELINE 14 : ADAPTABLE EMPLOYMENT CONTRACTS**

We have considered the possibility of more adaptable contracts but do not consider that there is a need to review contract law in this regard. However, we are currently reviewing the basis on which workers qualify for statutory employment rights with a view to ensuring that those with "atypical" contractual arrangements, such as agency workers, homeworkers and labour-only subcontractors, are properly covered and that every worker enjoys decent minimum standards of fairness at work.

#### TEXT OF GUIDELINE 15

##### • Support adaptability in enterprises

In order to renew skill levels within enterprises Member States will:

- *re-examine the obstacles, in particular tax obstacles to investment in human resources and possibly provide for tax or other incentives for the development of in-house training; they will also examine any new regulations to make sure they will contribute to reducing barriers to employment and helping the labour market adapt to structural change in the economy.*

#### Labour market context

The UK's tax system provides tax incentives for the development of training. Training costs incurred by businesses are fully tax-deductible expenses which can be set against profits in calculating corporation tax liabilities. Individuals can also receive a specific Vocational Tax Relief which allows them to set the cost of training fees against their income tax liability.

The UK labour market is already lightly regulated and contains few barriers to the creation of employment.

### **GUIDELINE 15 Part 1: TAX AND OTHER INCENTIVES FOR INVESTMENT IN HUMAN RESOURCES**

In light of the fact that our tax system already provides tax incentives for the development of training, we do not intend to take further action under the tax element of this Guideline. However we have a number of other forms of incentive:

- Individuals may borrow between £300 and £8,000 in **Career Development Loans** which are used to pay for vocational training. Individuals do not have to make repayments for the duration of the course and up to a month afterwards. During this period, the Government pays the interest on the loan;
- Small businesses may borrow up to £125,000 through **Small Firms Training Loans** to cover the cost of training employees. The scheme offers deferred repayment terms for up to 13 months during which time the Government pays the interest.
- We have set up a national framework of **Individual Learning Accounts** and, within this, support for up to one million accounts for people who may not otherwise have considered further education or training. Learning Accounts will give people a greater incentive to invest in their own future, encourage people to save for their own learning and through this gain the portable skills that they need. Employers will be encouraged to contribute to the accounts of their employees.

#### Resources

Joint funding for Career Development and Small Firms Training Loans totalled £14.3 million in 1997-98. The 1998/99 Objective 4 ESF Plan for the UK includes funds for projects to help develop Individual Learning Accounts.

#### Timetable

This policy was introduced in 1997.

## **GUIDELINE 15 Part 2: EXAMINING REGULATIONS TO REDUCE BARRIERS TO EMPLOYMENT AND PROMOTING ADAPTABLE LABOUR MARKETS**

Although the UK labour market is lightly regulated, we are continuing to examine regulations to ensure that the burdens on business are minimised. We believe that in order to promote employability and security through employability, labour market regulation and policy more generally should be judged against the following criteria:

- whether they make it easier or harder for the unemployed to get jobs;
- whether they reduce or reinforce the barriers to employment of those experiencing relatively high unemployment (in particular, young people, the long term unemployed, lone parents and those with disabilities);
- whether they tackle real weaknesses in the operation of the labour market and whether they do so effectively;
- what effect they have on the ability of the labour market to adapt positively to structural changes in the economy
- whether they improve overall working conditions and living standards.

**Better Regulation** is a UK initiative to promote regulation that is necessary, effective, balanced, fair and that commands public confidence. This includes:

- the “**Access Business**” initiative to improve delivery of advice and information on regulations for business through, for example, local government one-stop advice shops and an Internet service providing regulatory forms and guidance from different Government Departments;
- a **fast-track procedure** for removing legislative burdens on business and citizens (but not necessary protection) through deregulation order-making powers;
- working with the European Commission to **simplify existing Single Market legislation** to make it more effective - the “SLIM” initiative - and to improve the impact assessment of proposed EU legislation.

### **Timetable**

This policy was introduced in 1997.