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PREM 19/335

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The Prime Minister's visits to Government Departments. Consideration of Regional Visits

PRIME MINISTER

Part 1: May 1979.

Part 2: September 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1.10.79							
2.10.79							
8.10.79							
9.10.79							
16.10.79							
29.10.79							
2.11.79							
23.11.79							
28.11.79							
14.12.79							
PT 2 ENDS							

PREM 19/335

Material used by
Office of Historian
DO NOT DESTROY

PART 2 ends:-

TL to Rm. 11.1.80.

PART 3. begins:-

Industry to TL 15.1.80.

PRIME MINISTER

Prime
Minister

Visit to the Department of Industry

The programme will be similar to the other Departmental visits - starting with the main discussion with Ministers and Deputy Secretaries, going on to lunch with a number of Under Secretaries, and then separate meetings with various staffs. The programme is at Flag A.

The topics which Sir Keith intends to cover at the main meeting in the morning are set out in the letter at Flag B. As regards the sectors to be discussed, it would probably be best to keep off steel. I would suggest you might focus particularly on the Post Office, vehicles, shipbuilding, electronics and aircraft - all problem sectors which we have had to deal with over the last six months.

At Flag C is a note on the DOI Rayner project. This is regarded as one of the best. It was carried out by David Holmes, a Principal, who came to the briefing meeting on BL and whom you will probably meet.

At Flag D is a note from CSD on manpower control and DOI - not very complimentary.

David Wolfson, Ian Gow and I will be accompanying you.

R

11 January 1980



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

M A Pattison Esq
10 Downing Street
LONDON SW1

11 January 1980

Dear Mike,

You wrote on 2 January to David Laughrin asking if CSD would wish to offer any points for the briefing for the Prime Minister's visit to the Department of Industry on 14 January.

... On this occasion we have not unearthed much to which it would be appropriate to draw the Prime Minister's attention. But the attached note shows CSD's concern about Staff Inspection in the Trade and Industry area. Sir Ian Bancroft appreciates, however, that the Prime Minister may not wish to make an issue of this.

*Yours sincerely
Toby Churchill*

TOBY CHURCHILL
Assistant Private Secretary

MANPOWER CONTROL

Our main criticism of the Department of Industry is of the way they use staff inspection. Too much emphasis is given to requests by line managers for staff inspections - often in the hope of getting approval for more posts. As a result some areas of the department are not inspected regularly - the National Physical Laboratory and the National Engineering Laboratory have not been inspected during the past 4 years.

2. This suggests that staff inspection is not being used as a system of manpower audit. This view is supported by the most recent analyses we have of staff inspection activities in the Department of Trade, Industry and the erstwhile DPCP (which share a common Establishment function) for 1978. Taking the year as a whole the "DITCP" staff inspectors recommended net increases in complement, and further increases were conceded before these recommendations were implemented.

3. This is only part of the overall manpower picture. Department of Industry staff numbers have been falling since 1975-76, and will fall further as a result of the recently agreed package of cuts. But on staff inspection the "DITCP" track record is, on the face of it, the worst of any major government department.

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The following information was obtained from a review of the files of the [redacted] in the [redacted] office. It is noted that [redacted] was [redacted] in [redacted] on [redacted].

The [redacted] of [redacted] was [redacted] in [redacted] on [redacted]. It is noted that [redacted] was [redacted] in [redacted] on [redacted].

The [redacted] of [redacted] was [redacted] in [redacted] on [redacted]. It is noted that [redacted] was [redacted] in [redacted] on [redacted].

CONFIDENTIAL COVERING SECRET



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~8307822~~ 218 2111/3

CONFIDENTIAL
COVERING SECRET

MO 25/3/4

10th January 1980

Dear Clive,

PRIME MINISTER'S VISIT TO THE MINISTRY OF DEFENCE
4TH JANUARY 1980

*Annexes filed
separately.*

My Secretary of State thought that it might be helpful to the Prime Minister if I were to let you have some notes on points which arose during her visit here last Friday and on which time did not permit full discussion.

*A filed on
Defence (July 79)
'Exercise
Crusade 80
etc'*

I attach three notes accordingly, dealing with the NATO Exercise Programme (Annex A), Northern Ireland Border Bases (Annex B) and the UK's Parachute Capability (Annex C). I hope that these notes will be self-explanatory but I should perhaps add some very brief covering comments. As regards the Exercise Programme (see paragraph 3) we stand ready to re-examine the question of the extent of Ministerial participation in exercises; it may be that the Cabinet Office would like to take the lead on this. As regards Northern Ireland Border Bases, my Secretary of State proposes to discuss with the Secretary of State for Northern Ireland the conclusions of the GOC Northern Ireland when he has completed the study to which reference is made in the fourth paragraph of Annex B. As regards Annex C I would draw attention particularly to the studies which it is explained in its paragraph 4 are in hand.

*B filed on
Ireland (Pt 5)
situation ✓*

*C filed on
Defence (Jan
80) Para
Capability ✓*

The question of the RUC's requirement for weapons was also raised during the Prime Minister's visit. On this, I understand that the Northern Ireland Office are undertaking a full study of alternative sources of supply and that this

/ study ...

C A Whitmore Esq
10 Downing Street

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2.

study will be reported to the Prime Minister. The Army's standard handgun is the Browning 9mm semi-automatic pistol, which would not meet the RUC requirement for a revolver. Revolvers are not issued to HM forces except for a very limited number for specialist uses.

Perhaps you would let me know whether there is any further advice we can offer, either in respect of the matters to which I have referred above, or on others which were discussed during the Prime Minister's visit.

X | My Secretary of State explained to the Prime Minister, as you know, that he would very much welcome it if the Prime Minister could find the time to pay a further visit here; he considers that we could arrange one with an equally wide range of interest given the wide scope of defence business; and we would ourselves find another visit extremely valuable.

I am sending copies of this letter to George Walden (FCO), Roy Harrington (NIO) and Martin Vile (Cabinet Office).

*Your mtd.
Brian*

(B M NORBURY)

Prime Minister.

✓ The Cabinet Office are going to put in advice on Ministerial participation in NATO crisis management exercises.

I think that it would be a good idea to ask for the conclusions of the study on Northern Ireland border bases to be reported to you in view of the interest you have taken in the problem. Agree? **Yes MT.**

The study on the parachute assault capability will now be submitted in the more general work on our defence capabilities which is being done for OD and on which Sir Robert Armstrong reported on the week-end.

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As regards X/ above, I imagine that you will not wish to go back to Defence before you have completed your first round of visits to Government departments. Agree? **Yes MT**
B.M.N. 15.1.80



A

VISIT OF THE PRIME MINISTER TO THE DEPARTMENT OF INDUSTRY:

MONDAY 14 JANUARY 1980

Programme:

- | | | |
|-------|-------|--|
| 11.30 | | Prime Minister and party arrive at Ashdown House |
| 11.30 | until | Discussion with Ministers and Deputy Secretaries
in the Secretary of State's Office (Room 11.01) |
| 12.45 | | |
| 12.45 | until | Lunch with the Secretary of State, Mr Butler,
the Permanent Secretary and a number of
Under Secretaries (Room 901) |
| 1.30 | | |
| 1.30 | until | Coffee with the Secretary of State, Mr Butler,
the Permanent Secretary and a number of officials
at Assistant Secretary and Principal level. In
Sir Peter Carey's Office (Room 10.03) |
| 2.00 | | Visit to Air Division (Second Floor, Ashdown House) |
| 2.20 | | Visit to Vehicles Division (Second Floor, Ashdown
House) |
| 2.40 | | Tea with a cross-section of staff. In Conference
Room 259 |



DEPUTY SECRETARIES WHO WILL BE PRESENT AT THE FIRST MEETING AT
THE DEPARTMENT

Richard Bullock	Computers, Systems and Electronics Division; Electronics Applications Division; Machine Tools and Mechanical Engineering Division; Mechanical Equipment, Electrical Engineering and Process Plant Division; Vehicle Division.
Ron Cooper	Principal Establishments and Finance Officer
<u>Duncan Davies</u>	Chief Scientist and Engineer
Ron Dearing	Air Division; Concorde and Nationalisation Compensation Division; Shipbuilding Policy Division; Posts and Telecommunications Division.
John Lippitt	Industrial and Commercial Policy Division; Industrial Planning Division; International Industrial and Commercial Policy Division.
Gordon Manzie	Industrial Development Unit.
Anne Mueller	Regional Support and Inward Investment Division; Regional Policy and Development Grants Division; Small Firms Division.
Philip Ridley	Chemicals and Textiles Division; Iron and Steel Division; Paper, Timber, Minerals, Metals and Miscellaneous Manufactures Division.



UNDER SECRETARIES WHO WILL BE PRESENT AT LUNCH

<u>Name</u>	<u>Division</u>
Reay Atkinson	Computer Systems and Electronics
Chris Benjamin	International Industrial & Commercial Policy
Ken Binning	Regional Support and Inward Investment
Philip Cooper	Research & Technology Requirements & Perspectives
Roy Croft	Posts and Telecommunications
Paul Dean	National Physical Laboratory
David Dell	Machine Tools and Mechanical Engineering
Solly Gross	Iron and Steel
Peter Hudson	Chemicals and Textiles
John Knox	Accountancy Services
Jack Leeming	Industrial Planning
Ivor Lightman	Industrial and Commercial Policy
Eric Price	Economics and Statistics
Peter Rees	Economics and Statistics
Brian Smouha	Industrial Development Unit
Sidney Treadgold	Finance and Economic Appraisal
John Evans	Solicitor



OFFICIALS WHO WILL BE PRESENT AT COFFEE

<u>Name</u>	<u>Rank</u>	<u>Division</u>
Colette Bowe	Principal	Industrial & Commercial Policy
Euan Cameron	HEO(A)	Industrial & Commercial Policy
Janet Cohen	Assistant Secretary	Iron and Steel
Peter Corley	Assistant Secretary	Shipbuilding Policy
Katherine Elliott	Principal	Posts & Telecommunications
Perry Goodman	Senior Principal Scientific Officer	Research & Technology Requirements & Space
Alan Havelock	Deputy Chief Scientific Officer	Mechanical Equipment, Electrical Engineering & Process Plant
Bob Hewes	Principal	Regional Support and Inward Investment
Robin Mountfield	Principal Assistant Secretary	Industrial & Commercial Policy
Marianne Neville-Rolfe	Principal	Industrial Development Unit
John Noyes	Deputy Chief Scientific Officer	Electronics Applications
Eric Pearcey	Assistant Secretary	Paper, Timber, Minerals Metals & Miscellaneous Manufactures
Jonathan Solomon	Assistant Secretary	Electronics Applications
David Steel	Assistant Secretary	Regional Policy and Development Grants
Alan Whiting	Senior Economic Adviser	Economics and Statistics
Brian Willott	Assistant Secretary	Industrial Development Unit



PRIME MINISTER'S VISIT TO THE DEPARTMENT OF INDUSTRY 14 JANUARY
MEETING WITH STAFF AT 2.40p.m. LIST OF THOSE ATTENDING

<u>Name</u>	<u>Grade</u>	<u>Division</u>	<u>Location</u>
<u>ADMINISTRATION GROUP</u>			
Mr D L Gatland	AS	EM	Sanctuary
Mr N E Robins	AS	EP	Cromwell
Mr J F Bailes	SP	EG	Kingsgate
Mrs A Michell	P	EP	Victoria St
Mr S Bickell	SEO	IC	Ashdown
Mrs J Best	SEO	IS	Ashdown
Mr J T Costin	SEO	PB	Ashdown
Mr I Sibbick	HEO	CSE	Dean Bradley
Mr P B Allen	HEO	RPDG	Abell
Mrs V Foulds	HEO	SBP	Ashdown
Mr R W N Smith	EO	IBB	Kingsgate
Miss C Dudley	EO	IIC	Abell
Mr J Slaughter	EO	PT	Ashdown
Mr I Bracken	CO	IP	Ashdown
Miss S Corbett	CO	CT	Ashdown
Mr P Branch	CO	PTM	Ashdown
Mrs M E Parker	CO	MEP	Ashdown
Mr A R Burnett	CA	M	Ashdown
<u>PROFESSIONAL, SCIENTIFIC AND TECHNICAL</u>			
Mr A N G Catto	AD/Accountant	CNC	Ashdown
Mr J H Whittley	Ch.Accountant	ASD	Millbank Tower
Mr W E Martin	Econ.Adv.	EcS	Victoria St
Mr C L Woodcock	PTD1	V	Ashdown
Mr T J Gilpin	PSO	LA	Dean Bradley
Mrs M A Darnbrough	T/SSO	RTS	Abell
Mrs P Penneck	Sen.Asst.Stat.	EcS	Sanctuary
<u>SECRETARIAL</u>			
Miss P Tibbles	SPS	Mr Bullock's office	Ashdown
Mrs E Ensor	Sen.Sup Typ.	EG	Ashdown
Mrs J Joyce	Typist	EG	Ashdown
<u>OFFICE SERVICES</u>			
Mr R Attwood	Chief Photoprinter	EG	Ashdown
Mrs G Grainger	Office Keeper	EG	Ashdown
Mrs D Ford	Sen.Messenger	EG	Ashdown
Mr W Shaw	Sen.Security Guard	EG	Ashdown
Mr A C Cunningham	Asst.Librarian	EG	Ashdown

PRIME MINISTER

cc: Mr. Whitmore
Mr. Lankester
Mr. Wolfson

Here is some material for your visit tomorrow to the Civil Service Department:-

- A: Programme;
- B: A note on CSD functions, with an organisation chart;
- C: Notes on the senior officials you will meet;

Also some more substantive briefing on issues to be considered;

- D: A note from the Treasury on Civil Service pay /CSD do not know that you have some Treasury briefing on this;
- E: A paper from Sir Derek Rayner recording his impressions of CSD, suggesting (paragraph 23) some questions which you might raise, and including an important discussion of the future of the CSD (paragraphs 19-22). /This again has been prepared without the knowledge of CSD.
- F: Mr. Channon's minute of 21 December about Civil Service manpower, which has generated the Treasury comments on the handling of this year's pay.

See
Civil Service
(Manpower) A 2

You will see separately in tonight's box a minute from the Chancellor on the inflation-proofing of public sector pensions which is likely to be a major issue in this year's pay negotiations.

You have agreed to use the morning discussion session primarily to discuss manpower control and the reduction of Civil Service functions. The question of the future of CSD arises in this context. Although Sir Derek Rayner's paper is a personal submission to you, the subject has frequently been raised, and CSD officials will not be surprised if you want to bring it up. In fact, I think that you may find senior CSD staff sharing Sir Derek's view that the current arrangements are not viable, because the CSD has failed to establish its authority. The natural corollary to this judgement is that the manpower management functions should go back to the Treasury, as an element of public expenditure management which can best be handled by a Department whose authority is clear.

/The lunch-time

The lunch-time discussion is scheduled to deal with Civil Service pay, including pay research and cash limits. You will want to take account of the Treasury comments, and the Chancellor's views on how to handle the pensions issue. Mr. Channon gave notice that he was particularly keen to take up these issues with you. We have also warned CSD that you would like to return to the question of wage negotiations at the Royal Navy dockyards, which came up when you visited Defence.

MA

10 January 1980



Minister of State

Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 3000

10 January 1980

M Pattison Esq
10 Downing Street
LONDON SW1

Dear Mike,

PRIME MINISTER'S VISIT TO THE CIVIL SERVICE
DEPARTMENT, OLD ADMIRALTY BUILDING

Further to my letter of 9 January I now attach a copy of the final programme for the Prime Minister's visit tomorrow. You will note that:

- a. the subjects for discussion have been adjusted to meet the Prime Minister's wishes;
- b. there has been a consequential amendment to the order in which the visit to Divisions will be made - Manpower 3 will now precede Pay 1;
- c. a consequential adjustment has been made to the officials attending the discussion session and the lunch - personality notes on those attending were enclosed with my letter to you yesterday.

I also attach a list of the staff who will meet the Prime Minister over coffee after lunch.

Yours sincerely

Gary Rogers

G D ROGERS
Assistant Private Secretary

Encs

PROGRAMME FOR PRIME MINISTER'S VISIT TO CSD, OLD ADMIRALTY BUILDING,
FRIDAY 11 JANUARY 1980

- 11.00 am Prime Minister arrives at the Horseguards entrance;
met by the Minister of State, CSD, Sir Ian Bancroft,
Sir John Herbecq and Mr Towers (Establishment Officer).
- c 11.03 am Discussion with: Minister, Permanent Secretaries,
Mr Burrett, Mr Wilding, Mr Bamfield, Mr Pestell,
Mr Russell, Mr Watson (Lord President's room).
- Current issues to be discussed:-
1. Manpower control and the reduction of Civil Service functions;
 2. The CSD's positive role in Sir Derek Rayner's initiatives;
 3. Computerisation - the change to repayment and current major projects;
 4. Civil Service pay, Pay Research and cash limits.
- c 12.10 pm Visit to:
- | | |
|---|--------------------------------|
| Pay 1 Division: Mr Pestell, Mr Morgan | } Mr Towers
to
accompany |
| Manpower 3 Division: Mr Bamfield, Mr Williams | |
- 1.00 pm Lunch:
- Minister, Permanent Secretaries, Mr Burrett, Mr Wilding,
Dr Allen, Mr Moseley, Mr Charkham, Mr Gilmore, Mrs Sloman
(Private room)
- Current issues to be discussed:-
1. Industrial relations in the Civil Service;
 2. The work of the Civil Service Commission;
 3. Training and the Civil Service College.
- 1.45 pm Coffee:
- Minister, Permanent Secretaries, Mr Towers;
representatives of the Departmental Whitley Council,
the Departmental Staff Side and some of the Depart-
mental branches of the Staff Associations; also some
of the younger members of the department
(Sir Ian Bancroft's room).
- 2.15 pm Concluding session:
- Minister, Permanent Secretaries (Lord President's room)
- 2.30 pm Depart:
- Horseguards entrance

- 4 JAN 1960

Prime Minister arrives at the Horseguards entrance; met by the Minister of State, CSD, Sir Ian Bannockburn, Sir John Gifford and Mr. Towers (Establishment Officer).
10.00 am
Minister, Permanent Secretaries, Mr. Barrett, Mr. Williams, Mr. Russell, Mr. Watson (Lord President's room).
11.00 am

11 12 1 2 3 4 5 6 7 8 9 10

Current issues to be discussed:-

1. Manpower control and the reduction of Civil Service numbers;
2. The CSD's positive role in Sir Derek Rayner's initiatives;
3. Computerisation - the change to repayment and current major projects;
4. Civil Service pay, Pay Research and cash limits.

12.10 pm Visit to:

Pay 1 Division: Mr. Pettif, Mr. Morgan
Manpower 3 Division: Mr. Bamfield, Mr. Williams
Mr. Towers to accompany

1.00 pm Lunch:

Minister, Permanent Secretaries, Mr. Barrett, Mr. Williams, Mr. Allen, Mr. Keeley, Mr. Chapman, Mr. Gilmore, Mrs. Loman (Private room)

Current issues to be discussed:-

1. Industrial relations in the Civil Service;
2. The work of the Civil Service Commission;
3. Training and the Civil Service College.

1.45 pm Coffee:

Minister, Permanent Secretaries, Mr. Towers; representatives of the Departmental Advisory Council, the Departmental Staff Side and some of the Departmental Branches of the Staff Association; also some of the younger members of the department (Sir Ian Bannockburn's room).

2.15 pm Concluding session:

Minister, Permanent Secretaries (Lord President's room)

2.30 pm Depart:

Horseguards entrance



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ *Secretary of State for Industry*

Mike Pattison Esq
10 Downing Street
LONDON SW1.

10 January 1980

Dear Mike

PRIME MINISTER'S VISIT

I have consulted my Secretary of State about the suggestion that the Prime Minister should defer her visit here on Monday because of the need to prepare for the statement in the House about the steel strike. My Secretary of State was grateful for the thought but is looking forward to the visit and does not wish to postpone it.

I enclose some information about the structure and the responsibilities of the Department which the Prime Minister might like to see before her visit on Monday. It includes, on the last page, details of the Common Services (Establishments, Economists and Statisticians, Solicitors and Accountants) which we share with the Department of Trade.

Also enclosed are a programme and lists of the officials the Prime Minister will meet. The Departmental Staff Side were invited to the tea with a cross-section of staff but they declined on the grounds that they would have preferred a more formal meeting.

Yours ever

Ian Ellison

I K C Ellison
Private Secretary

Department of Industry

The department is responsible for general industrial policy, and for the industrial component of regional policy, including financial assistance to industry under the Industry Act (except that certain regional industrial policy functions in Scotland and Wales are now exercised by the Scottish and Welsh Offices). It sponsors individual manufacturing industries, including iron and steel; is responsible for nationalised industries – British Aerospace, British Shipbuilders, The British Steel Corporation and the Post Office. The department is responsible for technical services to industry, and for industrial research and development, including civil aerospace research and the supervision of the industrial research establishments of the former Department of Trade and Industry. The Design Council and the National Research Development Corporation also come within its sphere.



Secretary of State for Industry
Sir Keith Joseph
Has overall responsibility for the work of the department, including government policy towards small firms.



Minister of State
Lord Trenchard
Responsible for the following private sector industries (except for subsidiaries of the National Enterprise Board): chemicals and textiles; mechanical equipment, electrical engineering and process plant; mechanical engineering; vehicles; computers and electronics; paper, timber, minerals, metals and other manufacturing. Other responsibilities include regional policy and research and development. Departmental spokesman in the House of Lords.



Minister of State
Adam Butler
Responsible for aerospace; shipbuilding and shiprepairing; the Post Office; steel (including the private sector); Cable and Wireless; and the National Enterprise Board and its subsidiaries.



Parliamentary Under Secretary of State
David Mitchell
Assists Lord Trenchard. Also assists the Secretary of State in his responsibility for small firms.



Parliamentary Under Secretary of State
Michael Marshall
Assists Mr Butler.

Headquarters organisation

Permanent Secretary Sir Peter Carey
Head of the Government Accountancy Service and Accountancy Adviser
 to the Department of Industry K. J. Sharp¹

The chart below is not intended to show the relative status of the posts

Deputy Secretary	Division or department		Head of division
Miss A. E. Mueller ²	Regional Policy and Development Grants	RPDG	L. Lightman
	Regional Support and Inward Investment	RSI	K. G. H. Binning
	Small Firms	SF	I. H. Lightman E. Wright
R. H. Bonham Carter Director A.G. Manzie	Industrial Development Unit	IDU Deputy Directors	H. L. Cousins B. A. Smouha C. F. H. Morland M. H. Peacock
R. H. W. Bullock	Computers, Systems and Electronics	CSE	W. R. Atkinson
	Machine Tools and Mechanical Engineering	M	D. M. Dell
	Vehicle	V	W. R. G. Bell
	Mechanical Equipment, Electrical Engineering and Process Plant	MEP	D. C. Clark
	Electronics Applications	LA	J. H. Major
Dr D. S. Davies Chief Scientist and Engineer	Research and Technology Requirements and Space	RTS	E. S. Mallett P.J. Cooper
	Research and Technology Requirements and Perspectives	RTP	Dr J. A. Catterall
	Research Establishment Management	REM	Dr P. Dean
	<i>Industrial research establishments:</i> Computer Aided Design Centre		Director: J. W. Nichols Dr. P. I. Freeman
	National Engineering Laboratory		D. H. Mallinson
	National Maritime Institute		J. W. Nichols E. S. Mallett
	National Physical Laboratory (Including British Calibration Service)		Dr P. Dean
	Warren Spring Laboratory		Dr A. J. Robinson
	Laboratory of the Government Chemist		Government Chemist: Dr H. Egan
	R. E. Dearing	Air	Air
Concorde and Nationalisation Com- pensation		CNC	J. H. McEnery
Shipbuilding Policy		SBP	A. C. Russell
Posts and Telecommunications		PT	R. H. F. Croft
P. W. Ridley	Chemicals and Textiles	CT	P. G. Hudson
	Iron and Steel	IS	S. J. Gross
	Paper, Timber, Minerals, Metals and Misc. Manufactures	PTM	I. H. Lightman E. Wright
A. J. Lippitt	Industrial and Commercial Policy	IC	E. J. D. Waino I. H. Lightman
	International Industrial and Commercial Policy	IIC	C. B. Benjamin
	Industrial Planning	IP	J. Leeming
	Co-ordination of schemes under section 8 of Industry Act 1972		
	Information Parliamentary Branch	Inf PB	J. Woodrow J. T. Costin

Industrial Adviser: vacant

Divisions providing a common service to the Departments of Industry and Trade are shown on page 13.

¹ Mr Knox of ASD (Common Services, page 13) reports to Mr Sharp. ² The regional directors and the industrial directors/advisers in the regional offices responsible for the main assisted areas, also report to Miss Mueller.

London addresses

Code	Address	Telephone	Telex
ASH	ASHDOWN HOUSE, 123 VICTORIA STREET, SW1E 6RB	01-212 7676	8813148
AB	Abell House, John Islip Street, SW1P 4LN	01-211 3000	
DB	Dean Bradley House, 52 Horseferry Road, SW1P 2AG	01-212 7676	
K	Kingsgate House, 66-74 Victoria Street, SW1 6SJ	01-212 7676	8811074/5
MT	Millbank Tower, Millbank, SW1P 4QU	01-211 3000	918829

Regional offices are given on page 6. Each divisional entry overleaf includes an address code to indicate its location.

Department of Industry

Address code, page 3
Index, page 14.

1 Regional Policy and Development grants. Regional industrial, inner-city and rural area policy. Local authority powers to assist industry. Designation and promotion of assisted areas. Industrial development certificates. Organisation and functions of the department's regional offices and liaison with related divisions of the Scottish Office, Welsh Office and Department of Commerce in Northern Ireland. Regional policy in relation to the EEC including the European Regional Development Fund. Administration of regional development grants under the Industry Act 1972 and residual work on investment grants under the Industrial Development Act 1966. (AB)

2 Regional Support and Inward Investment Division. Selective financial assistance for manufacturing and service industries under section 7 of the Industry Act 1972; Factory building and leasing in assisted areas (through the English Industrial Estates Corporation); promotion of direct investment from abroad into the UK (Invest in Britain Bureau). (K)

3 Small Firms. The focal point within government where the needs of small firms can be seen as a whole. Central management and development of the small firms service. Industrial co-ownership and liaison with the Co-operative Development Agency. (AB)

4 Industrial Development Unit. Assessment of the needs of industrial development and their resolution; national financial assistance under Section 8 of the Industry Act 1972; appraisal of major applications for selective financial assistance. (K)

5 Chemicals and Textiles. Sponsorship of textiles, man-made fibres, clothing, leather, footwear, tobacco, chemicals, rubber, plastics, fertilisers, toiletries and sundry related industries. (ASH)

6 Computers, Systems and Electronics. Sponsorship of the electronics industry (other than automation and instruments) including the computer industry (hardware and software), electronic compo-

nents, telecommunications, electronic consumer and capital goods, and broadcasting equipment. (DB)

7 Machine Tools and Mechanical Engineering. Sponsorship of the metal and woodworking machine-tool, welding, manufacturing and mining machinery, and other mechanical engineering products industries. (ASH)

8 Vehicle. Sponsorship of the motor vehicle, motor vehicle component, engine, motor and pedal cycle, tractor and agricultural equipment, caravan and trailer industries, together with the associated distribution and repair industries, petrol retailing and car hire. (ASH)

9 Mechanical Equipment, Electrical Engineering and Process Plant. Sponsorship of the mechanical handling, construction, surface finishing and fluid power equipment; process plant; foundry, dredging and anti-pollution equipment industries. Promotion of low cost automation. (ASH)

10 Electronics Applications. General responsibility for the encouragement of electronic, particularly microelectronic, applications industries in UK industry. Sponsorship of the instrumentation and automation industries, including industrial automation systems and their application to industrial problems. Management of the microprocessor applications project; co-ordination of the product and process development scheme. (DB)

11 Paper, Timber, Minerals, Metals and Miscellaneous Manufactures. Industrial raw materials supply policy including mineral development in the UK. Administration of the Mineral Exploration and Investment Grants Act 1972. Waste management policies including the National Anti-Waste Programme. Sponsorship of paper and board, timber, non-ferrous metals (including non-ferrous foundries) and miscellaneous manufactures industries, including pottery, glass, cutlery, furniture, etc. (ASH)

12 Shipbuilding Policy. Technological and sponsorship respon-

sibilities for the shipbuilding, ship-repairing, boat building, slow speed diesel engine, marine equipment and hovercraft industries. Financial responsibilities at HQ for all proposals involving selective assistance to shipbuilding firms under sections 7 and 8 of the Industry Act 1972 including the intervention fund and cost escalation insurance. Administration of shipbuilding credit and grant schemes under sections 10 and 11 of the Industry Act 1972.

Implementation of the Aircraft and Shipbuilding Industries Act for shipbuilding, ship-repairing and slow-speed diesel marine engine building industries. Relations with British Shipbuilders. (ASH)

13 Iron and Steel. Policy relating to the iron and steel industry. Administration of the Iron and Steel Acts. BSC organisation, finance, investment and closures. Sponsorship of the private sector iron and steel industry and the ferrous foundry industry. (ASH)

14 Air. Sponsorship of the aircraft, aero-engine and aircraft equipment industries. Government investment in British Aerospace and in civil aircraft and aero-engine projects, including RB211 financing. International matters in the aircraft, aero-engine and aircraft equipment fields, including civil aircraft, aero-engine and aircraft equipment exports. Technical and market assessment of current and future civil aircraft and air transport systems. Co-ordination of the department's interest in defence matters. (ASH)

15 Concorde and Nationalisation Compensation. British government policy on Concorde; supervision of the approved programme. Negotiation of compensation under the Aircraft and Shipbuilding Industries Act 1977. (ASH)

16 Research and Technology Requirements and Space. Ship and marine technology, mechanical engineering and machine tools, garment and allied industries, and electrical technology R and D requirements boards; and Chief Scientist's board which covers other technologies. The boards

determine the objectives and balance of the department's research and development programmes and the broad allocation of funds, further the practical application of technology and commission R and D work. Transfer of technology to industry. National Electronics Council, National Research Development Corporation and Design Council. Information on overseas science and technology. Scientific Counsellor reports, etc. Technical information services. Research and technological demonstration programmes on civil aircraft, aero-engines, aircraft equipment and civil space applications. International space interests, European Space Agency (applications programmes). Sponsorship of the space industry. (AB) *Technology Reports Centre* (St Mary Cray, Orpington, Kent BR5 3RF, tel. Orpington 32111). Information service for industry on UK government and overseas R and D, operates 'Tech Alerts', a selective dissemination service, operates an on-line terminal to the data banks of the European space documentation service and other computer retrieval systems.

17 Research and Technology Requirements and Perspectives. Chemicals and minerals, engineering materials, and metrology and standards R and D requirements boards, which determine the objectives and balance of the department's research and development programmes and the broad allocation of funds, further the application of technology and commission R and D work. Departmental interest in government-financed research in universities, research councils and other departments. Departmental energy activities, EEC R and D programmes, and Laboratory of the Government Chemist's requirements committee. Advice on general science and technology policy issues and on co-ordination of R and D resources; studies on policy, organisation and long-term strategy. (AB)

18 Research Establishment Management. Responsibility for co-ordinating the management of the research establishments (REs) and through the council of the REs for co-ordinating the development

research programmes and facilities, and of corporate marketing and promotion strategy; representing the REs across the department and with major other departmental customers and at requirements boards; administration of financial and manpower matters at the REs including estimates and public expenditure survey forecasts. Membership of the council consists of directors of the REs under the chairmanship of Dr D. S. Davies, Chief Scientist and Engineer, with Dr P. Dean as executive deputy chairman. (AB)

19

Research establishments, etc.

National Physical Laboratory (Teddington, Middx, tel. 01-977 3222, telex 262344). The laboratory is the national standards laboratory; it deals with measurement and the technical aspects of specification. The laboratory is also concerned with acoustics, computer usage and numerical analysis. **British Calibration Service** provides authenticated certification of the accuracy of measuring instruments of all kinds, with traceability of such calibrations to the national standards.

Warren Spring Laboratory (Gunners Wood Road, Stevenage, Herts SG1 2BX, tel. Stevenage 3388, telex 82250). Provides research services, advice and consultancy on: bulk materials handling technology for powders, pastes and slurries; microprocessor based control systems and on-line analytical systems; mineral and metallurgical processing technology, materials recovery from domestic and industrial wastes; air and oil pollution measurement and abatement.

National Engineering Laboratory (East Kilbride, Glasgow G75 0QU, tel. East Kilbride 20222, telex 77588). Design research, development and test facilities are available in the fields of fluids and fluid machinery, machine tool control, engineering materials and structures, hydraulic fluid power, heat transfer, offshore engineering technology, and many other aspects of mechanical engineering. The research programme is drawn up to meet the needs of industry; sponsored investigations are also undertaken on behalf of industrial firms, from whom inquiries are welcomed. The laboratory is well equipped with the most modern facilities.

National Maritime Institute (Feltham, Middx, tel. 01-977 0933, telex 263118). The National Maritime Institute with headquarters at Feltham (Middx) was set up in 1976 to continue and develop the maritime experimental work formerly carried out by the National Physical Laboratory, whose relevant staff and facilities have been transferred to the new institute. The institute is ideally equipped to undertake maritime experimental work for industry in addition to providing scientific support for government departments. Inquiries from commercial inter-

ests for consultation and the use of the extensive facilities are welcomed, such work being undertaken in complete confidence to the client.

Laboratory of the Government Chemist (Cornwall House, Stamford Street, London SE1 9NO, tel. 01-928 7900). The functions of the laboratory are: 1. to discharge the statutory responsibilities of the Government Chemist; 2. to provide a comprehensive service of analysis, advice and studies based on chemistry in the public sector (government departments, other official public institutions, local authorities and official international organisations) and, where appropriate, the private sector; and 3. to conduct research in areas appropriate to the above.

Computer-aided Design Centre (Maddingley Road, Cambridge CB3 0HB, tel. Cambridge 63125). Development of computer-aided design systems for chemical, mechanical, electrical electronic and civil engineering, building, construction and industrial design.

20

Industrial Adviser. Seconded from a trade union for two years. Provides advice to ministers and senior officials particularly on trade union aspects over the whole range of the department's activities, and to other departments. (V)

21

Industrial and Commercial Policy. General industrial policy, and focal point for the department's interest in economic, financial, fiscal, trade and manpower issues, productivity, marketing etc. Co-ordinating responsibility for section 8 Industry Act schemes and for the department's longer term work. (ASH)

22

International Industrial and Commercial Policy. International aspects of industrial policy and the industrial implications of external policies. Focal point with the department for EEC matters and for industrial policy work within other international organisations. Departmental interest in major overseas investment projects. (ASH)

23

Industrial Planning. Matters concerning the National Enterprise Board. Focal point for department's interest in social and environmental policies, Industry/Education Unit, and highly qualified manpower. Also provides some common services for the Department of Trade. (ASH)

24

Information. The public presen-

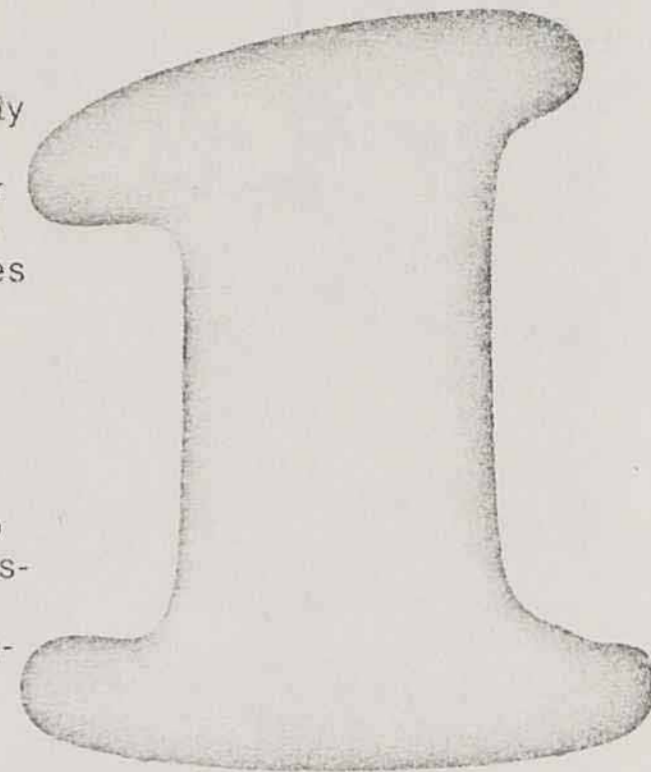
tation of departmental policies, activities and services through press, radio and TV, and publicity services generally. The department's Chief Information Officer is also responsible for the information work of Common Services (see page 13). (ASH)

25

Posts and Telecommunications. Sponsorship of the Post Office's postal, telecommunications, data processing, and Giro and remittance services businesses; this includes borrowing and capital investment matters; planning; incomes policies; board appointments; constitutional, legislative and land questions. Sponsorship of Cables and Wireless Ltd. Nationalised industries: co-ordination of departmental policy. Governmental aspects of international postal and telecommunications relations, including International Telecommunication Union (ITU), Universal Postal Union (UPU), CEPT, EEC and Commonwealth Telecommunications Organisation (CTO) matters. (ASH)

26

Parliamentary Branch. Responsible for co-ordinating the depart-



Address code page 3

ment's parliamentary work — public and private bills, subordinate legislation (except Select Committees), and parliamentary questions, etc. (ASH)

Common Services. Accountancy Services; Economics and Statistics; Establishment; Finance and Economic Appraisal; Solicitor's Department. These divisions serve the Departments of Industry and Trade (see page 13).

Regional Development Grants Offices

Billingham

Department of Industry, Regional Development Grants Office, Queensway House, West Precinct, Billingham, Cleveland TS23 2NF. Tel. (0642) 553671. Telex 58608. Answer back: 58608 RDGBIL G. Director: G. Waldron
Area for which responsible: Cleveland, Cumbria (excluding Barrow-in-Furness, Dalton-in-Furness, Grange-over-Sands and Ulverston), Durham, Humberside, Northumberland, Tyne and Wear, and Yorkshire; also the intermediate areas of Gainsborough, Horn-castle, Louth, Mablethorpe and Skegness.

Bootle

Department of Industry, Regional Development Grants Office, St Peter's House, Stanley Precinct, Bootle, Merseyside L20 3LZ. Tel. 051-922 4030. Telex 627162. Answer back: 627162 RDGBOT G. Director: L. Fouweather
Area for which responsible: Cheshire, parts of Cumbria (Barrow-in-Furness, Dalton-in-Furness, Grange-over-Sands and Ulverston), Greater Manchester, Lancashire and Merseyside; also

the intermediate areas of Alfreton, Chesterfield, Clay Cross, Eckington, Heanor, the High Peak District and Staveley in Derbyshire, Sutton-in-Ashfield and Worksop in Nottinghamshire and Oswestry in Salop.

Cardiff

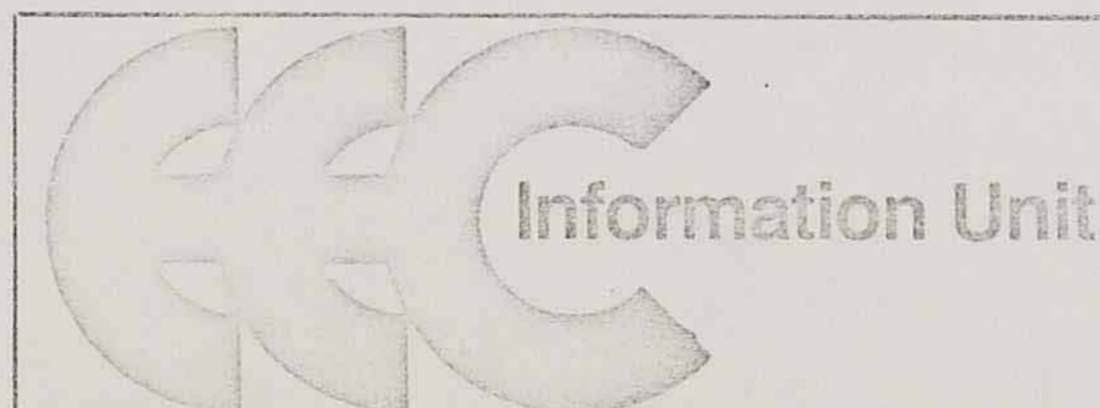
Department of Industry, Regional Development Grants Office, 24-26 Newport Road, Cardiff CF2 1SY. Tel: (0222) 492611. Telex 49538. Answer back: 49538 RDGCAR G. Director: C. A. Martin
Area for which responsible: Wales, Cornwall (including the Isles of Scilly) and the assisted areas of Devonshire. This office also deals with residual questions on the derelict land clearance areas of Derbyshire, Leicestershire, Nottinghamshire and Staffordshire.

Glasgow

Department of Industry, Regional Development Grants Office, Magnet House, 59 Waterloo Street, Glasgow G2 7BT. Tel: 041-221 9833. Telex 77611. Answer back: 77611 RDGGLA G. Director: H. J. Henson
Area for which responsible: Scotland.

Millbank Tower, Millbank SW1P 4QU (01-211 7060).

The EEC Information Unit provides a free service for businessmen by answering general questions about EEC policy, procedures and legislation and by guiding them where necessary to specialist sources of information



Department of Industry

Regional and District Offices

The Department of Industry's main regional network is based on its eight regional offices in England.

The regional offices represent the department in its dealings with industry, local authorities, the regional offices of other government departments and other local bodies and organisations. The regional offices are also responsible for administering selective assistance to industry in assisted areas and for other aspects of regional industrial development. Some activities are also undertaken by the regional offices on behalf of the Department of Trade, such as export promotion, while the re-

North

Northumberland, Tyne and Wear, Cleveland, Durham and Cumbria (except the Employment Office areas of Barrow-in-Furness, Dalton-in-Furness, Ulverston and Grange-over-Sands)
Regional Director: R. L. Sutton
Industrial Director: H. T. Hill
■ Regional Office: Stanegate House, The Groat Market, *Newcastle upon Tyne* NE1 1YN (Newcastle upon Tyne (0632) 24722, Telex 53178).

● District Office for Cumbria: Town Hall, *Cockermouth*, Cumbria CA13 9NP (Cockermouth (0900) 823498, Telex 64173).

North-West

Cheshire, Lancashire, Merseyside, Greater Manchester, High Peak District of Derbyshire and that part of Cumbria in the Employment Office areas of Barrow-in-Furness, Dalton-in-Furness, Ulverston and Grange-over-Sands
Regional Director: A. McDonald
Regional Industrial Adviser: C. P. Sweet

■ Regional Office: Sunley Building, Piccadilly Plaza, *Manchester* M1 4BA (061-236 2171, Telex 667104).

Sub Office for Merseyside: 1 Old Hall Street, *Liverpool* L3 9HJ (051-236 5756).

Yorkshire and Humberside

North, South and West Yorkshire and Humberside
Regional Director: P. E. Dougherty
Regional Industrial Adviser: vacant

gional offices also serve the Department of Energy.

In addition some parts of the work of these departments are handled through specialist local offices, including offices dealing with regional development grants and the residual investment grants under the Department of Industry and HM Coastguard, Mercantile Marine Offices, Marine Survey Offices and the Official Receivers in bankruptcy and company liquidation under the Department of Trade.

Regional development and investment grants offices are listed on page 5.

■ Regional Office: Priestley House, 1 Park Row, *Leeds* LS1 5LF (Leeds (0532) 443171, Telex 557925).

West Midlands

Salop, West Midlands Metropolitan County, Staffordshire, Warwickshire, Hereford and Worcester
Regional Director: A. A. George
● Regional Office: Ladywood House, Stephenson Street, *Birmingham* B2 4DT (021-632 4111, Telex 337021).

East Midlands

Nottinghamshire, Derbyshire (except High Peak District), Leicestershire, Lincolnshire and Northamptonshire
Regional Director: J. Hall
● Regional Office: Severns House, 20 Middle Pavement, *Nottingham* NG1 7DW (Nottingham (0602) 56181, Telex 37143).

London and south-east

Greater London, Kent, Surrey, Sussex, Hampshire and Isle of Wight
Regional Director: ~~A. G. Coggins~~ **B. Feinstein**
Regional Office: Charles House, 375 Kensington High Street, *London* W14 8QH (01-603 2060, Telex 25991).

■ Regional Industrial Director/Adviser (in addition to Regional Director).
● Offices providing services for British exporters (services for British exporters in the London and south-east and eastern regions are provided by the Department of Trade's headquarters' Export Services and Promotions Division).

South-west

Cornwall (including Isles of Scilly), Devon, Somerset, Wiltshire, Gloucestershire, Avon and Dorset
Regional Director: R. C. McVickers
Regional Industrial Adviser: P. S. Rowlands

● Regional Office: The Pithay, *Bristol* BS1 2PB (Bristol (0272) 291071, Telex 44214).

■ South-Western Industrial Development Office: Phoenix House, Nottle Street, *Plymouth* PL1 2HF (Plymouth (0752) 21891/4, Telex 45494).

East

Bedfordshire, Berkshire, Buckinghamshire, Essex, Hertfordshire, Oxfordshire, Cambridgeshire, Norfolk and Suffolk

Regional Director: B. Feinstein
Regional Office: Charles House, 375 Kensington High Street, *London* W14 8QH (01-603 2070, Telex 25991).

District Office for certain matters for Bedfordshire, Berkshire, Buckinghamshire, Hertfordshire and Oxfordshire: Market Place House, *Reading*, Berks RG1 2EN (Reading (0734) 581261).

Scotland, Wales and Northern Ireland

The Industrial Development Division of the Scottish Economic Planning Department (SEPD) in Glasgow and the Welsh Office Industrial Department in Cardiff, in addition to exercising those industrial functions which have been transferred to the Scottish and Welsh Secretaries of State, carry out certain functions for the Department of Industry on an agency basis.

Scotland

~~A. G. Manzie~~, Under-Secretary, Industrial Development Division of the Scottish Economic Planning Department.

Industrial Adviser: vacant
● Office for the whole of Scotland: Alhambra House, 45 Waterloo Street, *Glasgow* G2 6AT (041-248 2855, Telex 777883).

● District Office for the Highlands and Islands and North East Scotland: Caledonia House, 63/67 Academy Street, *Inverness* IV1 1LU (Inverness (0463) 30867/8).

Wales

J. H. Clement, Director, Industry

Department of the Welsh Office.
Industrial Director: vacant

● Office for the whole of Wales: Government Buildings, Gabalfa, *Cardiff* CF4 4YL (Cardiff (0222) 62131, Telex 49267).

District Office for North Wales: Government Buildings, Dinerth Road, *Colwyn Bay*, Clwyd (Colwyn Bay (0492) 44261).

Northern Ireland

D. Fell, Assistant Secretary, Department of Commerce, Northern Ireland.

● Office for the whole of Northern Ireland: Chichester House, 64 Chichester Street, *Belfast* BT1 4JX (Belfast (0232) 34488, Telex 747025).

Mr Manzie, Mr Clement and Mr Fell act as the equivalent of the regional director for the Department of Industry, and the industrial advisers for Scotland and Wales, as the equivalent of the regional industrial director/adviser.

Small Firms Information Centres

The Department of Industry in association with the Scottish Office and the Welsh Office operates a chain of 11 Small Firms Information Centres throughout Great Britain. The centres are designed to offer a free signposting service to small firms and people wishing to establish a business and to assist small firms in finding the right sources of help for their problems. Correspondence should be addressed 'Small Firms Information Centre'.

Birmingham. 53 Stephenson Street, Birmingham B2 4DH (021-643 3344, Telex 337919).

Bristol. Colston Centre, Colston Avenue, Bristol BS1 4UB (0272 294546, Telex 449650).

Cardiff. 16 St David's House, Wood Street, Cardiff CF1 1ER (0222 396116, Telex 497515).

Glasgow. 57 Bothwell Street, Glasgow G2 6TU (041-248 6041, Telex 779334).

Leeds. 1 Park Row, City Square, Leeds LS1 5NR (0532 445151, Telex 557687).

Liverpool. 1 Old Hall Street, Liverpool L3 9HJ (051-236 5756, Telex 628013).

London. 65 Buckingham Palace Road, London SW1W 0QX (01-828 2384, Telex 917920).

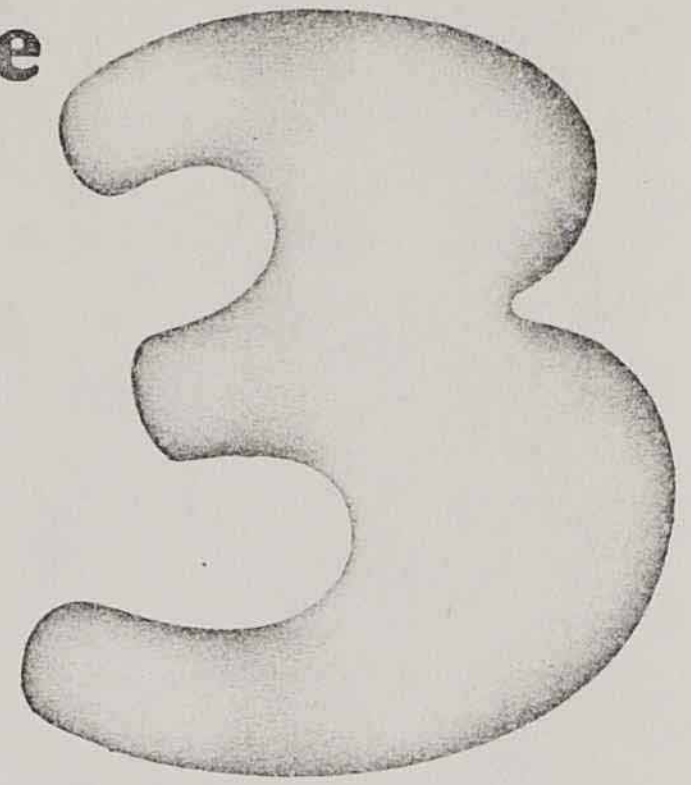
Luton. 35 Wellington Street, Luton LU1 2SB (0582 29215, Telex 826115).

Manchester. Peter House, Oxford Street, Manchester M1 5AN (061-832 5282, Telex 667952).

Newcastle. 22 Newgate Shopping Centre, Newcastle upon Tyne NE1 5RH (0632 25353, Telex 537429).

Nottingham. 48-50 Maid Marian Way, Nottingham NG1 6GF (0602 49791, Telex 377313).

Common Services



The chart below is not intended to show the relative status of the posts

Deputy Secretary	Division or department		Head of division
R. F. Prosser Principal Establishment and Finance Officer R. C. M. Cooper	Establishment Personnel	EP	R. M. Allott
	Establishment Management Services and Manpower	EM	G. C. Lowe
	Establishment General Services	EG	J. Fish
	Finance and Economic Appraisal	FEA	S. W. Treadgold
M. J. Kerry The Solicitor	Overseas Trade and ECGD	Sol A	T. D. Salmon
	Domestic Commercial Law and Consumer Protection	Sol B	G. A. Preston
	Prosecutions and Investigations	Sol C	M. J. Ware
	Industry and Financial Assistance	Sol D	J. B. Evans
H. H. Liesner Chief Economic Adviser L. S. Berman Director of Statistics	Economics and Statistics 1	EcS 1	E. H. M. Price
	Economics and Statistics 3	EcS 3	P. M. Rees
	Economics and Statistics 4	EcS 4	R. O. Goss
	Economics and Statistics 5	EcS 5	P. D. Dworkin
	Economics and Statistics 6	EcS 6	S. F. James
	Business Statistics Office	BSO	R. Ash
	Accountancy Services	ASD	J. A. Knox
	Information	Inf	J. Woodrow

The deputy secretaries each report to the permanent secretaries of the two departments as appropriate on matters affecting their respective departments. Mr Knox reports to Mr Sharp (shown under Department of Industry).

London addresses

Code	Address	Telephone	Telex
V	1 VICTORIA STREET, SW1H 0ET	01-215 7877	8811074/5
AB	Abell House, John Islip Street, SW1P 4LN	01-211 3000	
MH	Monsanto House, 10-18 Victoria Street, SW1H 0NQ	01-215 7877	8811074/5
MT	Millbank Tower, Millbank SW1P 4QU	01-211 3000	918829
XH	Export House, 50 Ludgate Hill, EC4M 7HU	01-248 5757	886143

Each divisional entry includes an address code to indicate its location.

1 Accountancy Services. A common service to the Departments of Industry, Trade and Energy for all accountancy questions. (MT)

2 Economics and Statistics. Economic and statistical analysis and advice; forecasts and special studies to assist in formulating economic and industrial policies; data collection and processing. There are five divisions providing a common service to the Departments of Industry and Trade. They are: industrial, regional and aerospace economics (EcS1); manufacturing industry – monitoring and assessment (EcS3); home economy – economics and statis-

tics; prices and competition policy and consumer protection; shipping and aviation economics (EcS4); international trade and balance of payments (EcS5); financial statistics; statistics of research and development; statistics of the distributive and services trades (EcS6). (V)

Business Statistics Office (Cardiff Road, Newport, Gwent NP7 1XG. Tel: 0633 56111). The principal government agency for collecting and processing statistics from business firms.

3 Establishment. There are three divisions which provide common services to the Departments of Industry and Trade. Establishment

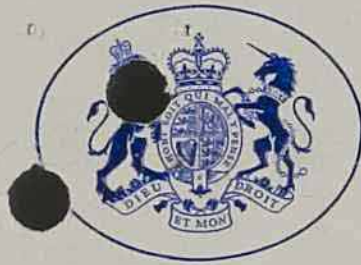
Personnel – personnel management, including senior staff management; Establishment Management Services and Manpower – organisational matters, management services, manpower forecasts, complementing and staff inspection, public appointment, honours; Establishment General Services – establishment matters common to all classes, office services, libraries, training and dispersal policy. (V) *Statistics and Market Intelligence Library.* A reference library for the use of the departments and the public of material on overseas markets, including large collections of economic and general statistics, catalogues of foreign

manufacturers, overseas market surveys and development plans, and overseas trade and telephone directories. (XH)

4 Finance and Economic Appraisal. General financial policy and control for the Departments of Industry and Trade. Co-ordination and preparation of the estimates and PES forecasts. Development and application of criteria for evaluation of current and proposed expenditure and of the effectiveness of the expenditure programmes. Liaison and co-ordination for Exchequer and Audit Department, Public Accounts Committee and Select Committee on Expenditure. Control of accounts work and internal audit. (AB)

5 Solicitor's Department. Acts as adviser on legal matters involved in the work of the Departments of Industry and Trade, and the Export Credits Guarantee Department. It is responsible for drafting all subordinate legislation, and for prosecutions arising from department-administered acts. There are four divisions. Division A – overseas trade and ECGD; Division B – domestic commercial law and consumer protection; Division C – prosecutions and investigations; Division D – industry and industrial assistance, posts and telecommunications, patents and company law. (MH)

6 Information. Paid publicity, external and internal publications, including *Trade and Industry*, and the EEC Information Unit (see page 5). The Departments of Industry and Trade undertake the public presentation of their own departmental business (see pages 4 and 11).



Minister of State

Civil Service Department

Whitehall London SW1A 2AZ

Telephone :

01 - 273 (Direct Dialling)

01 - 273 3000 (Switchboard)

9 January 1980

M Pattison Esq
10 Downing Street
LONDON SW1

Dear Mike,

VISIT TO THE CIVIL SERVICE DEPARTMENT,
OLD ADMIRALTY BUILDING

As requested in your letter of 7 January I
enclose a short introductory brief about the
Civil Service Department and background notes
on the staff the Prime Minister will be meeting.

*Yours sincerely
Gary Rogers.*

G D ROGERS
Assistant Private Secretary

Enc

9-9 JAN 1960



NOTES ON THE CIVIL SERVICE DEPARTMENT (CSD)

The notes that follow provide a short introduction to some of the work of the Civil Service Department, for the Prime Minister's use during her visit to the headquarters of the Department in Old Admiralty Building.

The Responsibilities of the CSD

The main responsibilities of the CSD are:

- a. for the overall efficiency of the Civil Service;
- b. for the development of Management Services throughout the Civil Service; for taking the initiative in the introduction of new management techniques; and for keeping an oversight over the management practice of all the departments;
- c. for the settlement of pay and conditions of service, and grading of staff throughout the Service.

In addition to securing value for money, in cooperation with departments, the CSD needs to maintain a system of industrial relations that promotes the efficient discharge of public business; and needs to ensure the continued probity of the recruitment system.

The Policies of the Department

The Department was set up in 1968 following the publication of the Report of the Fulton Committee. To the nucleus of the Pay and Management Divisions of the Treasury were added the Civil Service Commission and the newly established Civil Service College. Today the Department places emphasis on:

- a. the control of manpower and related resources in all departments;
- b. the development of Management Services' scrutiny of departments' methods of operation and of the need to undertake some tasks at all;
- c. the work of the Central Computer and Telecommunications Agency which provides a centre of expertise in the economical purchase and effective use of computers in government.

Notes on some of the Department's main functions

Manpower

The CSD has central control of the total number and grading of civil servants. Detailed aspects of these functions are delegated to departments within centrally approved ceilings. The Department also controls expenditure on administrative services. These tasks involve close co-operation with the Treasury in the context of public expenditure control particularly the operation of cash limits and the attention given to financing public expenditure plans. The aim is to ensure that the level of staff resources is sufficient, but no more than sufficient, to carry out the Government's work as efficiently and economically as possible, and that the sums included in the public expenditure survey and the departmental Estimates are consistent with this policy.

Pay and Conditions of Service

The CSD is responsible for the pay, pensions and other conditions of service of civil servants and undertakes central negotiations with staff associations and trade unions within guidelines laid down by Ministers. The Department also provides a measure of co-ordination on pay and pensions in the public services, participating in decisions on the Armed Forces, the National Health Service, the judiciary and public board members. The Department directly administers the Principal Civil Service Pension Scheme.

Management Efficiency

The work of the Functions and Programmes divisions is to achieve improved efficiency in specific activities in government. The divisions follow-up the results of Sir Derek Rayner's programme of scrutinies of departmental functions; they provide a central staff inspection service and carry out studies designed to achieve greater economy in the house-keeping areas common to most departments - messengerial, typing, reprographic and transport services for example.

The Management and Organisation divisions assist both central and departmental management to improve efficiency, particularly in the allocation and control of resources.

Personnel Management

Management of staff is primarily the responsibility of the department concerned, but the CSD participates in the management of certain groups of specialist staff, and co-ordinates transfers between departments and the exchange of staff with the private sector. It ensures reasonable uniformity of standards, taking the lead with departments in drawing up consistent procedures and guidance on such issues as conduct and discipline, outside activities, promotion, policies and welfare. The Civil Service Catering Organisation, working under market financial constraints, provides its service in the way most economical to management and staff.

Recruitment

The CSD, in consultation with departments, determines recruitment needs and is responsible for overall recruitment policy. The Civil Service Commission is responsible for the recruitment and selection of staff for permanent appointments in the Home Civil Service and the Diplomatic Service. The Commissioners are appointed by The Queen and in the exercise of their selection functions are independent of external control, thus ensuring that appointments in the Civil Service are free from patronage. The Commission selects and departments appoint; but recruitment of many junior staff is generally delegated to departments in accordance with agreed rules.

Staff Numbers

The Department employs about 5000 people; the main areas are:

@ 1.12.79

Manpower, Management and
Organisation, Functions and
Programmes

223

@ 1.12.79

Pay, Superannuation, Home and Overseas Allowances	200
Personnel Management, <u>Statistics</u> , Training, Industrial Relations, Welfare	168
Central Computer and Telecommunications Agency, including the Norwich Computer Centre	723
Recruitment	390
Civil Service College	<u>294</u>
Chessington Computer Centre	435
Central Group	652
Civil Service Catering Organisation, headquarters and nationwide, including industrial staff (1441)	1798

Civil Service Department

CIVIL SERVICE DEPARTMENT

Organisation Chart JANUARY 1980

RT. HON. MARGARET THATCHER, MP
Prime Minister and Minister for
the Civil Service

RT. HON. LORD SOAMES
Lord President of the Council

PAUL CHANNON, MP
Minister of State

SIR IAN BANCROFT, GCB
Permanent Secretary

SIR JOHN HERBECQ, KCB
Second Permanent
Secretary

Note 1. The PEO/PFO reports to the Permanent Secretary on establishments and general financial matters and to the Second Permanent Secretary on financial matters arising from the Computer and Telecommunications, and Civil Service Catering, Votes.

Note 2. All Deputy Secretaries report to the Second Permanent Secretary, but G W Moseley reports direct to the Permanent Secretary on Training.

Note 3. The Finance (Computers and Telecommunications) Branch (FCT) reports through CT(S) Division of CCTA to the Principal Finance Officer.

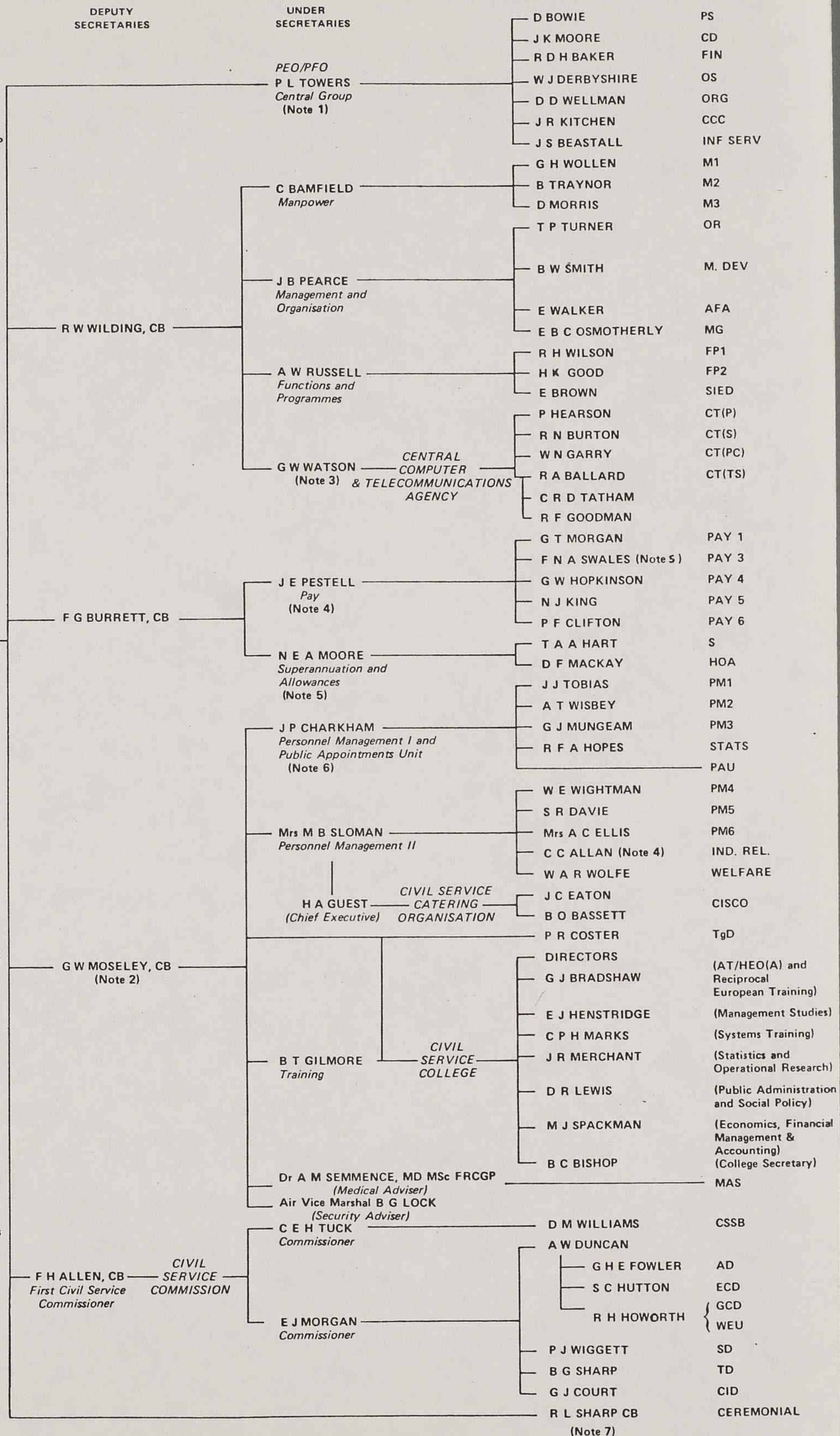
Note 4. C C Allan also reports to J E Pestell on the Civil Service Arbitration Agreement.

Note 5. F N A Swales also reports to N E A Moore on the pay of Armed Forces and Industrials.

Note 6. J P Charkham reports direct to the Permanent Secretary on public appointments.

Note 7. The Ceremonial Officer reports direct to the Permanent Secretary.

Note 8. This chart does not include senior staff transferred to CSD for a specific task over a relatively short period.



PRIME MINISTER'S VISIT TO CSD

BACKGROUND NOTES ON SOME STAFF THE PRIME MINISTER IS LIKELY TO MEET.

PERMANENT SECRETARIES

Sir Ian Bancroft (57). Married, with two sons and one daughter.

Head of the Home Civil Service and Permanent Secretary to the Civil Service Department since 1 January 1978. Educated at Coatham School and Balliol College, Oxford. Rifle Brigade (1942-1945). His Civil Service career began in the Treasury in 1947, and he moved to the CSD as an Under Secretary on its creation in 1968. On promotion to Deputy Secretary in 1970, he became Director General of Organisation and Establishments in DOE before moving to Customs & Excise as a Commissioner and then Deputy Chairman of the Board in 1972. In 1973, he returned to CSD as Second Permanent Secretary and then moved back to DOE in 1975 as Permanent Secretary.

Sir John Herbecq (57). Married with one daughter

Second Permanent Secretary, CSD since 1975. Educated at the High School for Boys, Chichester. He joined the Colonial Office in 1939 as a Clerical Officer. Much of his subsequent career was spent at the Treasury but he transferred to CSD in 1968 becoming Under Secretary responsible for superannuation and allowances and then Deputy Secretary for the Manpower and Efficiency Group.

DEPUTY SECRETARIES

Dr Fergus Allen (58) Married with two daughters

First Civil Service Commissioner since 1974. Educated at Newtown School, Waterford and Trinity College, Dublin. He started his career in industry as an Assistant Engineer for Sir Cyril Kirkpatrick and Partners from 1943-48 and then joined the Port of London Authority. From 1952-65 he was Assistant Director, and then Director, of the Hydraulics Research Station, DSIR. From 1965-69 he was Chief Scientific Officer at the Cabinet Office and joined the Civil Service Department as a Civil Service Commissioner in 1969.

Gordon Burrett (58) Married, with a son and two daughters

Deputy Secretary in charge of the Pay, Superannuation and Allowances Group since 1972. Educated at Emanuel School and St Catherine's College, Cambridge. Royal Engineers 1942-45 (mentioned in despatched). After the war, he joined the Diplomatic Service and served in Budapest, New York and Rome. He transferred to the Treasury in 1960 and served in the Cabinet Office from 1967-68. He joined the CSD in 1968.

George Moseley (54) Married with one son and one daughter

Deputy Secretary responsible for the Personnel Management Group. Educated at Glasgow High School, St Bees School, Cumberland and Wadham College, Oxford. Pilot Officer in the RAF in Iraq from 1943-48. Started as an Assistant Principal in the Ministry of Town and Country Planning in 1950 and moving to the Department of the Environment, became the Principal Establishment Officer there. He joined CSD towards the end of 1978.

Richard Wilding (50) Married with one son and two daughters

Richard Wilding has been Deputy Secretary responsible for the Manpower and Efficiency Group since 1976. Educated at Winchester College and New College Oxford. From 1953-59 he served in the Diplomatic Service and transferred to the Home Civil Service in 1959, as a Principal at the Treasury. He was Secretary to the Fulton Committee on the Civil Service and joined CSD in 1968. From 1970-72 he worked for the Supplementary Benefits Commission at the DHSS and rejoined CSD in 1972 as Under Secretary for Management Services.

UNDER SECRETARIES

Peter Towers (45) Married with three daughters

Principal Establishments and Finance Officer. Educated at Wyggeston Grammar School, Leicestershire and Magdalen College Oxford. He joined the Civil Service in 1957 as an Assistant Principal at the Treasury and became an Assistant Secretary in CSD in 1969.

Clifford Bamfield (57) Married with two children

Under Secretary in charge of the Manpower divisions since 1978. Educated at Wintringham Grammar School, he joined Customs & Excise as a Clerical Officer in 1939 and served in the Royal Navy between 1941-46. He returned to Customs and became Executive Officer, progressing through the ranks to become the Principal Establishment Officer and a Commissioner of C & E in 1973. He joined CSD in 1974.

Noel Moore (51) Married with two sons

Under Secretary in charge of Superannuation and Allowances, and responsible for the pay of Armed Forces and industrials. Educated at Penistone Grammar School, Yorks, and Gonville and Caius College, Cambridge. Entered the Civil Service in 1952 as an Assistant Principal in the Post Office. He was Secretary of the Committee of Inquiry on Decimal Currency from 1961-63 and joined the Treasury in 1966. After serving as Secretary of the Decimal Currency Board from 1966-72 he joined CSD. He has been Under Secretary in charge of Manpower and of Personnel Management.

John Pestell (49) Married with three sons

Under Secretary in charge of non-industrial civil service pay since 1976. Educated at Roundhay School, Leeds and New College, Oxford. After National Service, he served in the Joint Intelligence Bureau from 1953-57 and then joined the War Office as an Assistant Principal. He remained in what became MOD until 1972 when he became Press Secretary at 10 Downing Street for two years, and then joined CSD working on the Manpower side, and on a special exercise on reducing the cost of central Government, before moving to his present job.

Sandy Russell (41) Married, no children

Promoted to Under Secretary last year to head the new Functions and Programmes Group, responsible inter alia, for CSD action on the follow up to the Rayner Exercise. Educated at Edinburgh University and the University of Manitoba. Entered the Civil Service in 1961 as an Assistant Principal in the Scottish Home Department. He stayed with the Scottish Office until joining CSD in 1976.

Barbara Sloman (54) Married with one son and one daughter (Her husband was an Under Secretary in Treasury, MOD and DES - where he was known to the Prime Minister - and he has just retired from his job as Education Officer of the Association of Metropolitan Authorities).

Under Secretary in charge of a group of Personnel Management Divisions dealing inter alia with conduct, discipline, industrial action, racial and sexual discrimination and dispersal. Went to Cheltenham Ladies College and Girton College, Cambridge. She entered the Civil Service in 1947 as an Assistant Principal at the Treasury and was an Assistant Secretary at DES from 1965-69 before joining CSD; Principal of the Civil Service College 1976-79.

Gerald Watson (45) Married with two children

Director of the Central Computer and Telecommunications Agency since 1978. Educated at King Edward VI School, Norwich and Corpus Christi College, Cambridge. Entered the Civil Service in 1958 as an Assistant Principal at the War Office and remained in what became MOD until transferring to CSD in 1969. Worked for 2 years in the Northern Ireland Office (1973-75) before returning to CSD, transferring to the Central Computer Agency in 1977.

ASSISTANT SECRETARIES

Geoffrey Morgan (48) Married with two daughters

Assistant Secretary in charge of Pay 1 Division, dealing with the Pay of senior non-industrial administrative staff, since 1977. Educated at Roundhay School, Leeds. After National Service he joined the Ministry of Supply as an Executive Officer. After serving in the Ministry of Aviation and the Treasury, he joined CSD as an Senior Executive Officer in 1968 and in 1970 was sent on a two year secondment to industry - he worked for Guinness.

Ron Williams (52) Unmarried

Assistant Secretary in charge of Manpower 3 Division since 1977. Educated at City of London School and Downing College, Cambridge. His early working career was spent in the private sector, where he worked for the Iraq Petroleum Company and Phillips Electrical and then went into management consultancy. He entered the Civil Service in 1973 as an Assistant Secretary in CSD, and worked in two pay divisions before he moved to Manpower where he is responsible for the control of numbers in, inter alia, DHSS, Inland Revenue, Customs, and the Department of Employment. Is about to move on promotion, and be succeeded by David Morris.

David Morris (37) Married with one daughter

Assistant Secretary designate of Manpower 3. Educated at City of London School and Jesus College, Cambridge. Entered the Civil Service in 1963 as an Assistant Principal in the Ministry of Defence and remained in that Department apart from a two year secondment to Barclays Bank (1974-76), before moving to CSD on loan to work initially on Sir Leo Pliatzky's review of Quangos.

PRINCIPALS

Mary Brown (31) Married (to a Principal in the Department of Trade), no children

Principal in Manpower 3 Division since 1978. Educated at James Allen's Girls School and Newnham College, Cambridge (1967-70). Worked as research assistant to Prof Sir Max Beloff before joining CSD as Administration Trainee in 1973.

Jeremy Colman (31) Married (to a Statistician in DOE), no children

Principal, Pay 1 Division since 1978. Educated at the John Lyon School Harrow and Peterhouse, Cambridge; MSC in Management Science at Imperial College. Joined CSD as an Administration Trainee in 1971. Served on loan to Treasury 1975-78.

Discussion over Coffee: Participants

Staff Side

Mr Cutler	(Chairman, Departmental Staff Side)
Mr Nicholson	(Secretary, Departmental Staff Side)
Mr Dunstan	(Society of Civil and Public Servants)
Mr Smith	(Civil and Public Servants Association)
Mr Finn	(Institution of Professional Civil Servants)
Mr Saunders	(First Division Association)
Mr Steedman	(Civil Service Union)

Other Members of Staff

Mr Towers	
Mr Hart	(Assistant Secretary)
Mr Osmotherly	(Assistant Secretary)
Mr Whitbread	(Senior Principal)
Mr Carter	(Principal)
Miss Morrison	(Principal)
Mr Young	(Senior Executive Officer)
Mrs Miller	(Higher Executive Officer(A))
Mr Hard	(Higher Executive Officer(A))
Mrs Cadogan-Ogg	(Senior Personal Secretary)
Mrs Walsingham	(Senior Superintendent of Typists)

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

9 January, 1980

Dear Tim,

CIVIL SERVICE PAY

... Nick Sanders asked me last week if we could prepare a note by way of background briefing for the Prime Minister's visit to the CSD on 11th January. I enclose a brief note, as requested.

The minute referred to in paragraph 5 of the note has not yet, in fact, been issued, but will be with you tomorrow.

We have not consulted the CSD about this briefing, nor do they know that we have supplied it.

In aw,

MA

M. A. HALL

T. P. Lankester, Esq.,
No. 10.

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LIBRARY

1980

- 9 JAN 1980

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CIVIL SERVICE PAY

The main factors bearing on the forthcoming Civil Service pay settlement seem likely to be: the outcome of the existing pay research and adjustment arrangements; the possibility of importing special factors; and the toughness of negotiation.

Pay Research and Adjustment

2. The Treasury do not see actual pay research evidence. We understand from CSD that the first selection of evidence seems to show an even wider dispersion than usual and is difficult to interpret. We can at this stage only note two points:

- figures to be published shortly for the 12-month increase in national average earnings to November 1979 are likely to show an increase of very nearly 17 per cent. It seems likely that rumours in the press around Christmas (almost certainly emanating from the Staff Side) that pay research would justify 17 per cent increases were based on a reading of national average earnings figures. We would not expect pay research to produce precisely the national average, but Treasury and Department of Employment officials have not observed any systematic difference between earnings increases of non-manuals of the kind which provide Civil Service analogues, and others, which would lead us to expect a very different figure either way;
- the pay agreement requires an "uprating" adjustment to establish notional comparative figures for the April 1980 settlement date. This could be marginally troublesome, because the agreed basis of uprating is the rate of RPI increases in the relevant few months, and a 1979/80 adjustment on this score could be slightly higher than the adjustment one year earlier.

3. A necessarily rough guess is that the figures could come out anywhere in the 15 per cent - 20 per cent range.

Importing Special Factors

4. There are strong arguments that the present pay research arrangements give insufficient weight to some features of the Civil Service

career which confer benefits compared with many other careers. Among the most important and identifiable (which is of course not the same as to say quantifiable) are: guaranteed inflation-proofed pensions, for which some, but in the judgment of many people insufficient, allowance is made; and job security, for which no allowance is made at all.

5. The Chancellor has minuted separately to the Prime Minister, suggesting a way in which the first of these

could be tackled quickly - in time to affect the forthcoming negotiations. If even one, and preferably both, of these factors can be brought in, they should surely make a difference of several percentage points to the outcome.

Negotiations

6. The pay research evidence, with or without quantified adjustments for special factors, does not dictate the precise final outcome. There is need and scope for negotiation to determine internally consistent rates and scales for different levels and groups. This gives opportunity for marginal leaning in one direction or the other. The CSD would normally expect to negotiate as toughly as possible: they should strive this year to use the background of the cash limit to secure Staff Side acquiescence in the toughest possible interpretations.

7. Beyond this, there could arise the question whether the prospective outcome, measured against the cash limit, implied severe reductions in numbers of staff, with consequent reduction of promotion prospects and slower recruitment or even redundancies. If faced with the choice, and convinced of the limit, it is just possible that the Staff Side could be induced to negotiate marginally lower rates of pay in order to limit the threat to jobs and promotions, although the CSD are not sanguine that the Staff Side would make that choice and it would indeed break completely new ground.

General

8. The Treasury would not at this stage accept that "we must be prepared for a level above the general figure of 14 per cent" for the final outcome. But it does seem unlikely that any level below this will be achieved unless we are able to bring in some abatement of the

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pay research evidence to acknowledge the benefits of job security
and/or the full benefits of inflation-proofed pensions.

The Chancellor thought
the PM should
see the
attached,
by way of background



With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

MWA

Treasury Chambers,
Parliament Street,
S.W.1.

are used in deciding how international road haulage permits for France are allocated.

Mr. Horam : When additional permits become available priority is given to operators who have used self help by participating in the co-operation quota or road-rail systems. Such an allocation normally serves as the base for future years' allocations.

Mr. Michael Roberts asked the Secretary of State for Transport how many international road haulage permits were issued for France to companies in Wales in 1976, and how many in 1977.

Mr. Horam : Permit allocations are made on a company basis, and operators may use them from their bases anywhere in the United Kingdom. The information requested is, therefore, not available.

National Freight Corporation

Mr. Fitch asked the Secretary of State for Transport what additional appointments he intends to make to the board of the National Freight Corporation.

Mr. William Rodgers : After consulting the Chairman, Sir Daniel Pettit, I have today appointed as full-time members of the board Mr. Victor Paige, formerly Executive Vice-Chairman (Administration) of the Corporation and Mr. Peter Thompson formerly Executive Vice-Chairman (Operations). I have also appointed to the board, on a part-time

basis, Mr. Jack Sieve, who is Finance Director of Metal Box Ltd.

CIVIL SERVICE

Government Hospitality Fund

Mr. Arthur Lewis asked the Minister for the Civil Service whether, in view of the fact that there has been no reduction made in the grant in aid for the Government Hospitality Fund and in the light of the Government's policy of expenditure cuts, he will now make a 2 per cent. cut in the expenditure of this fund.

Mr. Charles R. Morris : No. The anticipated demands on the fund in the coming year for overseas visitors and their entertainment make it impracticable to propose any reduction.

Employment Terminations

Mr. Onslow asked the Minister for the Civil Service how many established members of the non-industrial Civil Service have been dismissed or required to resign in each of the past five years ; and for what reasons.

Mr. Charles R. Morris : The information requested by the hon. Member is not immediately available separately in respect of established non-industrial civil servants. The following table covers all terminations of employment of established and unestablished non-industrial civil servants excluding age retirements, resignations, transfers of function and transfers to industrial status.

<i>Reason</i>	1972	1973	1974	1975†	1976‡
Premature retirement:					
On grounds of ill health	1,039	1,340	1,327	1,672	1,651
On structural grounds	617	406	123	134	94
On grounds of inefficiency	827*	364*	290*	88	67
On grounds of limited efficiency ...	16	17	15	17	51
On grounds of redundancy	37	71	153	184	273
Discharge during probationary or trial period	5	37	128*	583*	573
End of period of provisional appointment ...	481	570	234	288	345
Dismissal on disciplinary grounds	131	126	95	196	149
TOTAL	3,153	2,931	2,365	3,162	3,203

* Changes of coding during the establishment of PRISM computer records probably account for the related trends appearing in the figures for wastage arising from inefficiency and termination of probation.

† 1975 excludes Foreign and Commonwealth Office.

‡ Figures for 1976 are only available up to October.

Friday 18th November 1977

CIVIL SERVICE

Civil Servants (Administration Group)

Mr. Grist asked the Minister for the Civil Service if he will list for 1976 the number of civil servants in the administrative group for each Department of

State who were retired prematurely on grounds of (a) inefficiency, (b) limited efficiency, (c) redundancy and (d) discipline.

Mr. Charles R. Morris: The information requested by the hon. Member is set out in the table below:

Department	(a) Inefficiency	(b) Limited efficiency	(c) Redundancy	(d) Discipline	(e) Total
Ministry of Agriculture, Fisheries and Food	1	0	0	3	4
Cabinet Office	0	2	0	2	4
Civil Service Department	0	24	0	1	25
H.M. Customs and Excise	3	1	4	4	12
Ministry of Defence	4	1	55	4	64
Department of Education and Science	0	1	1	0	2
Department of Employment Group*	1	2	0	13	16
Department of Energy	0	0	0	2	2
Department of the Environment...	1	3	1	29	34
Export Credits Guarantee Department	1	0	0	0	1
Registry of Friendly Societies	1	0	0	0	1
General Register Office, Scotland	1	0	0	0	1
Department of Health and Social Security	1	2	0	10	13
Home Office	0	0	0	1	1
Central Office of Information	0	0	0	1	1
Inland Revenue	5	0	6	4	15
Land Registry	3	0	0	0	3
Lord Chancellor's Department	5	0	0	2	7
Royal Mint	0	0	6	0	6
Department for National Savings	3	1	0	5	9
Ministry of Overseas Development	0	1	0	1	2
Paymaster General's Office	0	1	0	0	1
Office of Population Censuses and Surveys	2	0	0	1	3
Scottish Office	0	0	0	1	1
Departments of Trade and Industry	0	0	3	1	4
H.M. Treasury	1	1	1	0	3
Total	33	40	77	85	235

* Includes Department of Employment, Employment Service Agency, Health and Safety Executive, and Training Services Agency.

Employment (Post-retirement)

Mr. Arthur Lewis asked the Minister for the Civil Service in view of the fact that among the various benefits claimable by the top paid civil servants are public honours, permanency of employment, and non-contributory pensions which were granted to these recipients on condition that on retirement they would refrain from going into private and public business, and since fully indexed pensions are now payable, he will take action to ensure that these people do not take employment on retirement, as was the case until a few years ago.

Mr. Charles R. Morris: No, my hon. Friend has been misinformed. Subject to appropriate safeguards, it has never been the practice to discourage civil servants generally from taking up business appointments on retirement.

Ministers (Pay)

Mr. Arthur Lewis asked the Minister for the Civil Service whether he will publish in the *Official Report* a detailed list of expense allowances, amounts of moneys and other benefits as stated payable to Ministers and junior Ministers in addition to their ministerial salaries; and

PRIME MINISTER'S VISIT TO DEPARTMENT OF INDUSTRY,
14 JANUARY 1980

Rayner Report 1979

1. This project considered the operations of the statistical services of the Departments of Industry and Trade. Lord Trenchard was in charge of the project.
2. The report recommends:
 - a. A number of reductions in statistical work, subject to consultation with statistics users.
 - b. Reviewing the need for continuing the monthly index of production.
 - c. Applying questions derived from the project to all proposals for new statistical inquiries and to all reviews of existing inquiries.
 - d. Reduced duplication as between the London HQ and the Business Statistics Office, Newport.
 - e. Increased efficiency in organisation, working methods and the use of resources.
 - f. Strengthened machinery for decision-making and resource management.
3. The financial consequences, realisable over the period 1980-85, are the savings of 60 - 100 staff (3.9 - 7.4%) and of £1.25m - £1.9m (8.7 - 13.3%), attributable to a, d and e above.

4. Sir Derek Rayner has written to, and briefly discussed the report with, Lord Trenchard. He welcomes the report's recommendations and both he and Lord Trenchard are agreed on the need to press ahead with getting them implemented. This will require a robust line in pressing Departments who use the statistics collected by the Department of Industry to accept the recommended abolition of certain enquiries.

Scrutiny Project 1980

5. The Department is to examine the administration of Regional Development Grant work at the Department's four Regional Development Grants Offices and at headquarters; to consider how far changes in or greater standardisation of procedures in Regional Development Grant Offices could lead to greater efficiency; to have full regard to the outcome of recent reviews of this area of work by O&M, Staff Inspection and Internal Audit teams; and to make recommendations.

6. This is a good project. In 1978/79 £417m of grant was paid. The total cost of administering the scheme was £4.6m, involving some 530 staff in four provincial offices (Billingham, Bootle, Cardiff and Glasgow).

7. It is timely to consider this area, the Government having in July abolished the payment of grant to Assisted Areas. Sir Derek Rayner will keep in close touch with it.

PRIME MINISTER

YOUR VISIT TO THE CIVIL SERVICE DEPARTMENT, 11 JANUARY

1. I hope that you will find the following observations helpful.

My contacts with CSD

2. I have seen the Lord President and the Minister of State once each, on both occasions at my request. I expect to see Mr Channon again shortly, also at my request.

3. My contacts with CSD officials have been pleasant. The help I have received from Sir Ian Bancroft and his staff has been willingly given. Sir Ian has arranged for me to attend three of his weekly meetings with Permanent Secretaries.

4. I shall be seeing Messrs Bamfield (Manpower), Pearce (Management and Organisation) and Russell (Functions and Programmes) on Thursday to discuss the draft of the advice I shall offer Ministers presently on getting to grips with the costs of their Departments.

5. If you agree to the review of Government Statistical Services, I shall be supported in overseeing and co-ordinating it by Functions and Programmes Group (Mr Wilson, Assistant Secretary).

6. I shall be looking to CSD to help me with some of the detailed work on Whitehall conventions (the rules that inhibit good management).

7. The CSD's "Rayner project" was on the possibility of charging Departments for sending staff on some courses at the Civil Service College. The report was untypical in that it merely rehearsed the issues and made no recommendations. The CSD is now consulting Departments and, I believe, the National Staff Side before Mr Channon sees me, but I wrote to him some time ago pressing the case for repayment. The CSD's scrutiny will be on the Technical Services Division of the Central Computer Agency.

8. As you have now indicated to the Chancellor of the Exchequer that the Treasury's second scrutiny should be on the role of the Supply Divisions, I think that it would be sensible for the CSD's second scrutiny later this year to be on the Supply role of the Manpower Group; I have not yet suggested this to CSD.

Comments on CSD

9. The great paradox of CSD is that, although its Minister is the Prime Minister qua Minister for the Civil Service and although on paper it occupies a powerful position in the machinery of government, it has in fact been weak for much of its existence.

10. Although it has had a few good Ministers in the past and at least one strong Permanent Secretary, its Ministers have until the present Administration been comparatively junior. They have lacked the strong power base provided

by firm Prime Ministerial interest and support and sustained
and determined Cabinet support for the reduction of admin-
istrative cost and Civil Service manpower.

11. Even under the present Administration, I would say that the power of the CSD to stand up to departments is powerfully conditioned by the following factors.

12. Governments in the past have tended to blow hot and cold on efficiency and manpower drives. While the CSD can insist on having the Cabinet's way when the conditions are right, its behaviour so far seems to have taken into account that it has to live with colleagues in other Departments when conditions change.

13. On paper, CSD Ministers could refuse approval for departmental manpower and administrative Estimates. I do not think that this has ever been done; the centre no longer has that instinct. Moreover, in the past CSD Ministers have lost or even failed to fight so many battles with their colleagues (eg over new senior posts) as to make its attitude cautious, introspective and self-conscious.

14. The CSD (this is true of the Treasury too, I suspect) knows very little about the way in which other Departments conduct their affairs. This partly explains the importance the CSD attaches to Management Review, which takes it fairly deep into another Department, and to the "Rayner projects".

Generally speaking, the CSD does not know enough to put its Ministers up against their colleagues with much chance of winning the arguments. I suspect that the recent Manpower Review has been another example of this. The CSD has right of access for its staff inspectors only; other "efficiency" staff, eg Management Services and Accountancy, have to be asked in.

15. Perhaps above all others, the CSD is an "officials' department". Under our constitutional arrangements, CSD is less a central controller of the manpower and administrative budgets of other departments than a persuader, dependent on their senior officials' goodwill or reluctant acquiescence. I think it sees its success as critically reliant on its relationships with Permanent Secretaries and their Establishment Officers (those of the main Departments being known, in a revealing phrase, as "the Barons").

16. Because of all this, other Departments tend to have the upper hand psychologically. CSD is said by them to know little about the management of resources in the real world. You have seen this reflected in Ministers' determination to keep CSD (and the Treasury) away from more than the fringes of the "scrutiny" programme. In general, although some of its individuals are respected, and rightly so, the CSD as an institution is not. It is said, among other things, to be less elegant than the old Treasury and to lack style. I suspect that CSD does not help itself

by failing to use the weapons it does have (paragraph 13 above); for example, it presides over the honours system but advises that all Permanent and Deputy Secretaries, regardless of success in the grade, get their KCB and CB respectively.

17. In many areas the CSD is not a controller, but a provider of services (as in recruitment, training and advice on personnel management etc). Here I believe that Departments' views may be somewhat unfair. Departments seem to me glad enough to ask for help when they need it, eg in difficult personnel cases, but dissatisfied and truculent when they have to abide by Service-wide rules that CSD administers.

18. Finally, there is a view in some quarters that the CSD is the prisoner of the National Staff Side, the Trades Union side of the Civil Service National Whitley Council. I think this view much overdone, but I suspect that in the early to mid-1970s the CSD was panicked by unexpected and unaccustomed militancy into giving the unions such advantages as the "Facilities Agreement" and that it will take a lot to recover the lost ground. It certainly seems that the NSS for their part regard the CSD as "their" Department.

The future of the CSD

19. I do not believe that the CSD is viable in its present form for much longer.

20. The ways in which it might be reformed will no doubt depend on the view taken, under our constitutional arrangements, of the right balance between the responsibilities of individual Ministers for managing their Departments and those of Ministers collectively for managing the allocation of resources. Ministers' determination to reduce the size of their own administration and to make better use of what they have tends to be fitful; the Civil Service has very limited incentives to reduce itself. I cannot claim that I yet see how the CSD can best be used, against that background, as an instrument of reform. Its present policy is to do good where it can, by stealth if necessary. One's instincts cry out for something more radical, but devising it is going to require very careful thought. In sum, what I shall want to think through is the ideas of strong and well-founded management under Ministers in their Departments and of the contribution to be made to this, and more widely to the management work of the Cabinet as a whole, by a strong and well-founded central "manpower and efficiency" department.

21. The critical points here are how determined Government is to reduce the size of its functions and therefore of its staff; how determined it is to bring its methods up to date; and on what power base the central impetus for reform should be based.

22. My present view, untested as yet, is this.

a. There would need to be a policy and a

plan for reducing the size and cost of admin-
istration generally and for administrative reform
within Departments.

b. The division of central control over expend-
iture between the Treasury and the hived-off CSD
was mistaken. Control over manpower and admin-
istration should be reunited under Treasury Ministers.
The organisation would need a lot of working out,
not least in respect of the office of "Minister
for the Civil Service".

c. To free Treasury Ministers of clutter, the
service elements of the CSD (including recruitment,
training etc) should be formed into a sub-department
attached to the Treasury.

d. This sub-department should also comprise the
common service departments, now reporting to CSD
Ministers, namely HMSO and the Central Office of
Information. Very important, it should also com-
prise the Property Services Agency, now reporting to
the Secretary of State for the Environment. All
common services should be provided on repayment
terms.

Some questions

23. I suggest some questions, as follows:

Of Manpower and Administrative Expenditure Control

How have the size and cost of the Civil Service

moved since the establishment of the CSD in
1968?

How can we get substantial reductions?

What lessons have we drawn out of the recent
Manpower Review?

If we have another, how should we go about it?

How much do we know about Departments' use of
manpower and overheads?

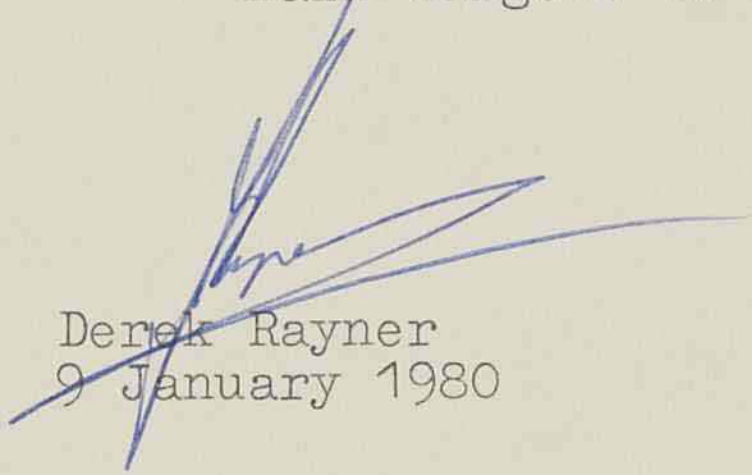
What are our strengths and weaknesses? What
are our recent successes and failures?

Of Efficiency generally

What lessons have we drawn from the recent
Manpower Review and the "Rayner projects"?

What are the main targets that we should be
going for now?

How are we using Rayner? What should his
main targets be now?


Derek Rayner
9 January 1980

Assault Principles
Quality

PROGRAMME FOR 4th JANUARY 1980

400 →

- 1. 1100 Arrival
Secretary of State
Sir Frank Cooper - Permanent Under Secretary of State
- 2. 1105 Defence Situation Centre
Admiral of the Fleet
Sir Terence Lewin - Chief of Defence Staff
Major General K Perkins
(Kenneth) - Assistant Chief of the
Defence Staff
(Operations)
- 3. 1130 Discussion of Military Aid to the Civil Ministries
Mr B H Cousins (Brian) - Head of Defence
Secretariat 6
Brigadier H M Tillotson
(Micky) - Deputy Director of
Army Staff Duties
- 4. 1150 Discussion of "The Mechanics of Resource Allocation"
Secretary of State
Minister of State
Sir Frank Cooper
Admiral of the Fleet
Sir Terence Lewin
Admiral Sir Henry Leach - Chief of Naval Staff
General Sir Edwin Bramall - Chief of General Staff
Air Chief Marshal
Sir Michael Beetham - Chief of Air Staff
Sir Clifford Cornford - Chief of Defence
Procurement
Mr M E Quinlan (Michael) - Deputy Under Secretary
of State (Policy and
Programmes)

SAS
Stability . ?
Loss of skilled manpower.
Ec. mtg. Industry
govt. govt.
govt. govt.

- Mr J D Bryars (Desmond) - Deputy Under Secretary of State (Finance and Budget)
- Mr E Broadbent (Ewen) - Deputy Under Secretary of State (Civilian Management)

5. 1300 Luncheon with Members of the Defence Council

Secretary of State

Minister of State

Junior Ministers (3)

Admiral of the Fleet

Sir Terence Lewin

Admiral Sir Henry Leach

General Sir Edwin Bramall

Air Chief Marshal

Sir Michael Beetham

General Sir Patrick Howard- Vice Chief of Defence Staff (Personnel and Logistics)
Dobson

Sir Frank Cooper - Permanent Under Secretary

Sir Arthur Hockaday - Second Permanent Under Secretary

Sir Clifford Cornford - Chief of Defence Procurement

Mr David Cardwell - Chief of Defence Procurement (designate)

Sir Ronald Ellis - Head of Defence Sales

Mr W J Charnley (John) - Controller of R&D Establishments and Research

6. 1400 Discussion of Civilian Pay and Manpower Problems in the Royal Dockyards and the Ministry

Mr B Miller (Barry) - Head of Civilian Management (Pay and Superannuation)

/Mr ...

Mr E W Gardner (Gus) - Assistant Director
(Ships) Dockyard
Production and Support

Mr M J Culham (Michael) - Assistant Secretary,
Inspectorate of
Establishments

Mr E Broadbent (Deputy Under Secretary of State
(Civilian Management)) and Vice Admiral W T Pillar
(Chief of Fleet Support) will also be in attendance.

7. 1430

Discussion of US Ground Launched Cruise Missile
Basing

Mr B E Robson (Brian) - Assistant Under
Secretary of State
(Supply) and Organisation
(Air)

Group Captain B J Jackson (Benny) - Staff of Directorate of
Defence Policy

Mr D C Fakley (Denis) - Assistant Chief
Scientific Adviser
(Nuclear)

Air Commodore R C Simpson (Bob) - Director of Organisation
and Administrative
Plans (RAF)

8. 1455

Discussion of the Tornado Programme

Mr H W Turner (Wason) - Director General
Aircraft 1

Mr D E J Jago (David) - Assistant Under
Secretary of State
Aircraft (PE)

Air Vice Marshal D P Hall (Don) - Assistant Chief of the
Air Staff (Operational
Requirements)

Air Chief Marshal Sir Douglas Lowe (the Controller
Aircraft) will also be in attendance.

9. 1515

Tea with Staff of the Department

Staff present at tea will wear lapel badges.



File up

10 DOWNING STREET

From the Private Secretary

7 January 1980

B/F 9-1-80

The Prime Minister has considered the programme proposed by Mr. Channon for a visit to CSD on 11 January, which you enclosed with your letter of 4 January.

She is content with the outline suggested for the programme, but believes that discussion will probably need to be confined to somewhat fewer issues than are included in your agenda. She would be content to focus the morning session on manpower control and the reduction of Civil Service functions, leading on to items (2) and (3) of Mr. Channon's list if time permits; she would then like to deal primarily with Civil Service pay, pay research, and cash limits over lunch, leading on to industrial relations in the Civil Service if time permits. In this part of the discussion, she will want to pursue the question of control of wage negotiations at the Royal Navy dockyards, which was raised with her at the Ministry of Defence last week.

I assume that these slight changes may require some changes in CSD representation at lunch.

I expect the Prime Minister to be accompanied by Ian Gow (PPS), Clive Whitmore, David Wolfson and myself. She will also have with her a detective, and I would be grateful if you could arrange for him to have lunch close to the room in which the Prime Minister will be lunching.

It will certainly be useful for the Prime Minister to have a short introductory brief about the Department and notes on the people whom she will be meeting. Could you let me have these by close of play on Wednesday?

M. A. PATTISON

G.E.T. Green, Esq.,
Civil Service Department.

TCR



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

4 January 1980

M Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Dear Mike

VISIT TO THE CIVIL SERVICE DEPARTMENT, OLD ADMIRALTY
BUILDING

The Minister of State is very glad that the Prime Minister will be visiting the Department on Friday, 11 January. Attached to this minute is a draft of the programme we should like to suggest to her, and on which Mr Channon should be grateful to have the Prime Minister's views.

When we have an agreed programme it might be helpful if we were to send for the Prime Minister's use a short introductory brief about the Department as it is today and the positive aims to which its work is directed. We will also send some notes on the people whom she will be meeting.

Baroness

G E T Green

G E T GREEN
Private Secretary

Enc



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3 (Direct Dialling)

01-218 9000 (Switchboard)

MO 25/3/4

3rd January 1980

Dear Chair,

// Further to my letter to Mike Pattison of 21st December about the Prime Minister's visit to the Ministry of Defence tomorrow, and to our telephone conversations, I enclose seating plans for the discussion in the Secretary of State's Office (serial 4 of the programme) and for lunch (serial 5 of the programme). We have used abbreviations on these plans but you can of course cross refer to the list enclosed with my earlier letter.

B M Norbury

(B M NORBURY)

C A Whitmore Esq
10 Downing Street

TABLE PLAN FOR LUNCHEON

Mr Wolfson

CDP
Designate

HDS
CGS
US of S(Army)
CAS
S of S
PUS
US of S(RAF)
VCDS(P&L)
PS/S of S

Mr Whitmore
CDP
Minister of State
CDS
Prime Minister
2nd PUS
US of S(RN)
CNS
CER

Mr Alexander

SEATING PLAN, DISCUSSION IN ROOM 6147

Mr Whitmore

Prime
Minister

S of S

Minister
of State

PS/S of S

APS/S of S

Mr Wolfson

DUS(FB)

Mr
Alexander

DUS(CM)

DUS(P)

CAS

CDP

PUS

CDS

CNS

CGS

Original filed
Antisense (Manpower)
AR.



PRIME MINISTER

CIVIL SERVICE MANPOWER

1. Mr Pattison's letter of 31 December conveyed your comments on my minute of 21 December.
2. I hope there will be an opportunity, when you visit the Civil Service Department on 11 January, to talk about various aspects of the Civil Service Pay Settlement due on 1 April 1980.
3. There is one immediate point raised in the minute. As far as the taxation of short-term benefits is concerned, with your agreement, I should very much like to insist on compensating savings. This would involve not simply a further tightening of the belt in the departments affected, but a deliberate decision to drop or curtail other functions in addition to those already agreed - and it may be unwelcome to some of our colleagues. I should need to circulate a short paper to E Committee before it meets to discuss the taxation proposal (probably around the middle of this month), but before doing so, should be grateful to know if this accorded with your wishes.

P.C.

PAUL CHANNON

3 January 1980

Prime

289



cc Priestley (C.O.)

10 DOWNING STREET

From the Private Secretary

MR. LAUGHRIN

CIVIL SERVICE DEPARTMENT

~~BF 11/1/80~~

The Prime Minister intends to visit the Department of Industry on Monday 14 January. If there are any points which you would like to offer for her briefing, I would be grateful if you could get these to me in the course of Friday 11 January.

-coming tonight.

M. A. PATTISON

2 January 1980



10 DOWNING STREET

From the Private Secretary

2 January 1980

Thank you for your letter of 19 December about arrangements for the Prime Minister's proposed visit to the Department of Industry on 14 January.

The Prime Minister is content with the draft programme enclosed with your letter. She is confident that the topics proposed for discussion will amply fill the time available. As you say, it is difficult to be certain of the subjects that the Prime Minister will want to raise at the broader meeting in the afternoon, but it might be helpful if those present could include people working on small businesses, on steel and on regional policy - I include the latter because of the Prime Minister's interest in the role of regional offices, which may not be touched upon under Item (b) of the three main topics suggested in your letter.

I confirm that we would have no objection to a photographer taking a few shots for the Department's newspaper.

I expect the Prime Minister to be accompanied by Ian Gow (Parliamentary Private Secretary), Tim Lankester, David Wolfson (Chief of Staff), a detective and a driver. I would be grateful if you could arrange for the detective and driver to have lunch close to the room in which the Prime Minister and the rest of her party will be lunching.

M. A. PATTISON

SP

Ian Ellison, Esq.,
Department of Industry.

CONFIDENTIAL

PRIME MINISTER

Visit to the Ministry of Defence

Sir Derek Rayner is coming to see you at 1130 tomorrow morning to discuss with you your visit on Friday to the Ministry of Defence. The attached folder contains the following papers:-

- 1) The detailed programme for Friday's visit (Flag A)
- 2) Sir Derek Rayner's brief for the visit (Flag B)
- 3) A brief by the CSD (Flag C)
- 4) A letter from the Defence Secretary to Lord Soames about civilian manpower cuts and Civil Service morale (Flag D)
- 5) Mr. Channon's reply to Mr. Pym, which you have not seen before (Flag E).

*Civil Service
(Manpower) P2*

I do not wish to add unduly to the weight of paper on Friday's visit, but there are one or two points I should like to make briefly. The centrepiece of Friday's visit will be the discussion with Mr. Pym, Sir Frank Cooper and the Chiefs of Staff on the way defence resources are allocated. The Defence Departments were brought together under one roof in 1964 but, despite numerous attempts, no rational and objective way of deciding how to allot the funds available to defence between the three Services has yet been devised. Each Service fights its own corner to get out of the defence budget as much as it can. In practice what happens each year is that the figure for the defence budget which is agreed collectively by Ministers is carved up between the three Services in very much the same proportions as the allocation for the previous year. There is no attempt made centrally to decide what our priorities should be as between the major capabilities within the defence programme, e.g. should we be investing greater effort in our armoured capability in central Europe and less in

CONFIDENTIAL

/anti-submarine

anti-submarine warfare or vice versa. The MOD is stuck in a historical groove and does not know how - and perhaps does not want - to get out of it.

What preserves the present mould within which the business of resource allocation in the MOD is done is the strength of the three Services which still retain, in many areas, an organisation of their own within the Department as a whole: the MOD is in effect still a federal and not a truly integrated department, consisting of three Service Departments, with a central, tri-Service staff imposed on top of them. This unsatisfactory form of organisation is exemplified by the Chiefs of Staff Committee where the three single Service Chiefs are always ready to form a coalition to preserve their Service interest against any attempt by the central staff, as represented by the CDS, to try and look at matters from the point of view of defence as a whole rather than in terms of the interests of the individual Services. No CDS has ever had either the organisational authority or the power of personality to force the Chiefs of Staff Committee to try to consider problems, and in particular resource allocation, on an across-the-board basis. I am quite clear that we shall solve this problem only if we have a Secretary of State who is clearly determined that the allocation of the defence budget between the competing demands of the various parts of the defence programme should be done on a rational, defence-wide basis. And he will be able to achieve that only if he reorganises the Ministry of Defence in a way which integrates the Department much more on a tri-Service basis and reduces the size and power of the single Service Departments. A reorganisation of this kind should have the additional advantage of achieving considerable staff savings.

3
These problems lie very close to the surface in the Ministry of Defence, and you should have little difficulty in exposing them on Friday.

TWJ .

2 January 1980



10 DOWNING STREET

MR WHITMORE

See 2.12.79

I attach an exchange of correspondence between the Secretary of State for Defence and Mr Channon in the CSD. This deals with the effect of Civil Service cutbacks on morale in defence. The Prime Minister has seen Mr Pym's letter of 22 November but not Mr Channon's reply of 14 December. You might like to bring these to her attention with other papers from the Ministry of Defence.

MA

2 January 1980

Prime Minister



2.1.

10 DOWNING STREET

~~Mike~~

PM's CSD visit

I've told them it's

OK to have a

"house" photographs
on hand for the

visit

—
A.V.

1. MR. WHITMORE

2. PRIME MINISTER

*I agree that the agenda
should be on the lines suggested
by Mr Pattison. JMW 4:30*

Here is Mr. Channon's suggested programme
for your visit to CSD next Friday.

There are too many topics for discussion:
I suggest that we should aim to concentrate on
only about three of these, coming to the others
if time allows. We might suggest that the
morning session should deal primarily with
manpower control and the reduction of civil
service functions, leading on to items 2 and 3
of Mr. Channon's morning list if time permits;
and that lunch should cover primarily civil
service pay, pay research and cash limits,
leading into industrial relations in the civil
service if there is time. (I have asked that
the Chancellor should let you have his views on
the cash limits issue in relation to civil
service pay before your visit.)

1. Agree that we should focus the agenda more tightly, as suggested above?
2. Subject to this, content with proposed programme?

4 January 1980

JMW *Agree on a-weak d-
defence about the
control of staff reorganisation
at the department.*



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ ~~XXXXX~~ 218 2111/3

MO 25/3/4

21st December 1979

Dear Sir,

/ My Secretary of State has asked me to let you have the enclosed programme for the Prime Minister's visit to the Ministry of Defence on 4th January. Please let me know if there are any points on the programme that you wish to pursue before the day of the visit.

Yours and
Baron Norbury

(B M NORBURY)

M Pattison Esq
10 Downing Street

PRIME MINISTER

You are due to visit the Department of Industry on 14 January. I attach the outline programme (Flag A). This follows the format for visits to other Whitehall Departments.

The letter at Flag B suggests three topics which Sir Keith Joseph would like to pursue at the first meeting, which will be with his senior colleagues and staff. Later in the morning, and over lunch, you will have discussions with other groups of staff, and the final selection of who should attend will be made in the light of your choices of additional topics you would like to pursue.

1. Are you content with Sir Keith Joseph's three topics for the initial session? *Yes.*

2. Are there any other areas of the Department's responsibility which you would like to tackle specifically in the programme? You might, for instance, like to see the staff dealing with small businesses. You might also want to discuss the role of regional offices in the Department's function.

*The proposed
questions are
worth for
discussion!*

MAJ
Agreed

21 December 1979

B/F 10-1-80 2.

Original filed
Civil Service (Manpower)
A2

CONFIDENTIAL



10 DOWNING STREET

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

C MP

PRIME MINISTER

21 December 1979

Signs of vigorous
follow-up on manpower
by Mr Channon.

A visit to CSD
would be timely;
we could try

January 11, now that
Wales is cancelled.

Over
MJP 21/12/79

That both our supporters and the
reductions in Civil Service manpower
are more than a start. They will expect
savings in full but also to see
Government committed to the search for
savings in the Civil Service and to the
essential functions.

That we should press ahead vigorously
in asking colleagues to ask their help
to watch on the implementation of the
plan and on progress towards achieving the
savings decided in Cabinet. I will want to report
to the Treasury. My Department will also have to
report to the Treasury and Civil Service Committee
of specific interest in the manpower
cuts will be monitored. Edward du
Parquet will probably ask me to give
an answer.

Annex A the timetable for the savings
stand has been discussed at official level.
You would confirm that it is right.

I would welcome whatever changes you wish to suggest. Some flexibility
may be needed to avoid costly redundancies but any deferment of
particular savings on that account should be made good by bringing
forward other savings.

Secondly, although the overall total of savings to be made in each
department is a firm figure, a number of colleagues indicated that
they wished to retain discretion about the precise way in which the
savings were made or to vary the options if any of those they had
chosen proved to be unattainable. In the former case, I would like to
know the nature of the savings to be made as soon as they are decided
upon; and, in the latter, of any significant variations in the
original options and how it is proposed to make compensating savings.
I shall certainly be questioned by the Treasury and Civil Service
Committee on this.

CONFIDENTIAL

B

PRIME MINISTER

2.

PRIME MINISTER

MINISTRY OF DEFENCE

An incisive commentary
on Defence management
from Derek Rayner, for your
visit on Jan 4. Also (A)
a CSO note.

1. You asked for a note on management issues in the MOD. What follows is very much a personal note, based on my own period of office as head of the Procurement Executive earlier this decade, on my membership of the MOD management review steering committee and on my impressions since my appointment earlier this year.

MAD
21/

The "separateness" of Defence

2. The Defence environment is difficult for the outsider to master. Without a persistent and, if I may say so, fairly brutal determination to refuse to allow oneself to be taken over, the smooth, efficient and glamorous atmosphere of the Services can quickly envelop the Minister and he may soon find himself taken over heart and soul. Almost the first expression of this may be that he identifies himself with the MOD shibboleth that it is different. I myself, on this new round, have been told at the highest level that MOD is not as other Departments are. Unlike DHSS, for example, it does not "deliver services to the public".

3. The simple answer to this, of course, is that the MOD is exactly like every other Department in that the taxpayer pays for it.

4. It may sound a trivial example, but the fact that Service officers still live in a "regimental" way is a good indication of the degree to which the Defence world regards itself as separate and different from everyone else. For example, the housing of general officers may not have been expensive in the old days, but the cost of servants/batmen is now high. The cost of the actual accommodation itself is also high. Another absurdity is the use of large cars for general officers so that they can move about with their swords slung. Extravagance does not buy better defence. There is no need for general officers to live in such style.

What is needed is taut expenditure, the implications of which can be carried all the way down. I return to this theme below.

The Chief of Defence Staff and the Chiefs of Staff

5. The Chiefs of Staff system demonstrates both the strength and the weakness of MOD as a Department.

6. The top body is meant to be the Defence Council, chaired by the Secretary of State and having the Chiefs, the Chief Scientist, the head of the Procurement Executive and the Permanent Secretary in membership. In my time it was quite inactive. On the other hand the Chiefs of Staff met often under the chairmanship of the CDS and other members of MOD allowed themselves to be summoned to his office for policy and other meetings. In my view, it is of crucial importance that the Chiefs should be directly accountable to the Secretary of State and that, while they should be allowed to retain their right to form up before the Prime Minister of the day, the powerhouse should be in the Secretary of State's office, not that of the CDS.

Defence Council

7. What adds importance to this is the fact that although in theory the CDS should rule over the Chiefs, this rarely happens in my experience. The CDS is not chosen because of the strength and experience of the particular individual, but by rota among the three Services. The Service Chiefs have their own staff resources and tend to be extremely powerful in their own management boards, with the entire resources of their particular Service to back them up. Moreover, in order to win battles with the CDS and the rest of the MOD, the Chiefs naturally do deals with each other beforehand.

8. It is of course right to retain the separate identity of the three Services for reasons of morale and identity, but I firmly believe that one should unify wherever it is possible

to do so. First, I do not think it wise to have a Parliamentary Secretary in charge of each of the Services. This means that the Secretary and Minister of State are confronted with three powerful lobbies headed up by junior Ministers.

9. Secondly the Services should be forced to go faster and further towards the unification of certain functions. In my time separation had, I thought, reached absurd levels with, for example, three separate training services and establishments for Chaplains and three separate recruiting organisations, with separate outlets, for the Services. These items are comparatively trivial. More important are the big support functions of supply procurement. Even though procurement has supposedly been unified under particular services (eg the RN for food), it is clear that the separate Services still manage to superimpose their own needs.

10. So I would regard as of supreme importance an all-out drive at unifying the three Services wherever possible. Not the least value of this would be to emphasise that the "separateness" of Defence is not a valid answer to the imperatives of our present economic state.

Cost-consciousness

11. In my experience, MOD do not understand that the price of perfection is prohibitive. I very well remember a senior officer saying to me that, "It does not matter what it costs, provided you get what you want".

12. The general attitude was that if you wanted more, you should have more money. There was too little self-examination with a view to getting value for money. Of course, it is inevitable that in developing an appropriate response to the latest threat, especially in equipment, there is a strong case for changing proposals on the grounds that equipment will be out of date before it comes into service. But this

can be taken to a ludicrously excessive degree, with far too many modifications, making the weapon system too expensive and, in fact, in some cases failing to produce any system at all. This tendency throws enormous importance onto the role of the Ministerial team in challenging the professionals. Each Minister might have on his desk the thought "I do not want it perfect, I want it Thursday".

13. In a related field, I did not have the impression that Service officers were conscious of the value of the assets in their keeping, simply because no charge for them was made. This is far from saying that they do not look after what they have. The standard of care is often superb, although it may be ludicrously inappropriate to the actual need.

14. A more important field, however, is that of "readiness for action". In such areas as Fleet Support and stock-holding in all parts of all Services, there is excessive over-insurance against breakdown and failure. There should be a much more hard-headed look at actual requirements against the probabilities of actual emergency.

15. Similarly, in the field of Quality Assurance the Services place far too much emphasis on doing their own assurance work. As in the procurement of supplies, it would be better to go for good quality producers and make them do the quality assurance work. The ludicrous fact is that producers must do their own quality assurance anyway and it is absurd to repeat this within the Services.

Length of the administrative tail

16. This point carries through to the size of the staffs employed by the MOD. The MOD has over time assumed responsibility for such matters as storage, handling and distribution

of supplies which would, in commerce, be the duty of the supplier. Inevitably, this produces a whole range of activities (eg maintenance, distribution, records and invoicing) which has got out of hand.

17. On top of this, there is a complexity of organisation attributable to the use of mixed teams of civilians and Service officers, with a good deal of cross checking and the determination of particular Services to look after their own. As a result, the Services tend to be involved in civilian activity where this is quite unnecessary and the civilians get involved where the Services could be acting for themselves. My view is that the functions which have to be performed should be sifted down so that MOD and the Services keep only what is absolutely necessary, that Servicemen are used to the maximum extent possible (not least because they are subject to a greater discipline than civilians) and that as much should be left with commercial suppliers as possible. For example, the Ships Department should not double-bank the shipbuilding industry, nor should the Quartermaster General's organisation be used to repair vehicles which could be repaired by the private sector.

Some possible questions

← 18. You might like to explore during your visit to the MOD what the Ministerial team see as their management responsibility and how far they feel they are on top of the military and civilian staffs of the MOD.

E 19. In order to obtain facts which would enable you to test the answers given, you might like to ask about the degree to which work done within the Service organisation and the MOD itself duplicates work done in the outside world. In particular, you might like to ask about the extent of unification over, say, the last ten years; the cessation of functions altogether; the transfer of functions to the private sector.

20. On the length of the administrative tail, you might like to enquire about the ratios of fighting troops and services to supporting organisations within the Services themselves to supporting civilians.

21. I shall be glad to amplify any of this when I see you on 3 January. In the meantime, I am copying this minute to Mr Wolfson.


Derek Rayner
21 December 1979

What is the cost of the
R&D effort - what is its productivity,
Duplication?
Developing weapon systems - never
put into production
What arrangements - necessary duplication
Ratio of R&D to Production,
Do we exclude any areas in R&D.

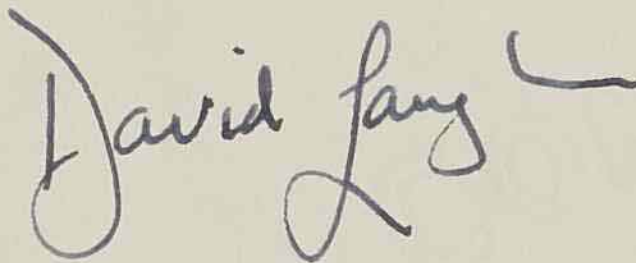
C

MR PATTISON

THE PRIME MINISTER'S VISIT TO THE MINISTRY OF
DEFENCE

In your minute of 13 December you asked for any
comments from CSD in preparation for the Prime
Minister's visit to the Ministry of Defence.

... I attach some notes which I hope may be of use.



DAVID LAUGHRIN
Private Secretary
21 December 1979

PRIME MINISTER'S VISIT TO MOD ON 4 JANUARY

Management and efficiency questions

Attached are some questions about the management and efficiency of MOD which the Prime Minister might like to consider asking or at least bear in mind during her visit.

MOD have a well established system for budgeting and controlling their resources, including manpower, within the ceiling for the defence budget as a whole laid down by Ministers. It is also true that as a result of constant pressure they have reduced civilian manpower during the 1970's. However, the fundamental problem which remains is that although formally there is a single Ministry of Defence in practice each of the 3 Services acts with a good deal of autonomy and there is still no effective mechanism for central control or for allocating resources between the Services. (A recent example of the independence claimed by senior military officers is the recent statement by the First Sea Lord about the future of Portsmouth Dockyard and about dockyard pay in general - cutting attached).

Most of the questions suggested relate to this basic issue of central control. They do however leave aside even more radical questions such as whether there should be a single unified fighting service or whether, on the contrary, it would be better to return to the earlier pattern of 3 separate service Departments.

MOD have argued recently that they should have more delegated authority from the Civil Service Department in the field of staffing, pay, etc. The CSD has been willing to discuss any specific proposals of this type which MOD wishes to propose; but in fact very few positive ideas have been forthcoming.

Some correctives to MOD claims about staff numbers are set out below:

- i) The ratio of civilian staff to servicemen is broadly unchanged in 1964 and 1979.
- ii) There was growth in non-industrial staff numbers between 1964 and 1974 (admittedly largely due to PE changes) but, more significantly, a substantial shift to a higher proportion of non-industrials in this period.
- iii) There was a fall in non-industrial numbers since 1974 but the ratio of non-industrials to industrials is much the same now as it was in 1974.

POSSIBLE QUESTIONS

1. What further steps are MOD taking to strengthen central control of the allocation of resources between the 3 Services? (The tendency has been to share out the defence budget fairly evenly, and in a largely constant proportion, between the 3 Services).
2. To what extent does the existence of 3 separate service Parliamentary Under Secretaries bolster the independence of the services from central control? (~~Would~~ it help to reorganise the responsibilities of the junior Ministers on functional lines?).
3. How far could decision making be streamlined by simplifying the present bureaucratic structure of committees within the Department, which is time-consuming and complicated? (These committees require a considerable support organisation of both service and civilian staff. It might be interesting to ask for a diagram of the committee structure and an explanation of the number of committees, with an assessment of their effectiveness).
4. How far has the process gone of unifying the support activities of the 3 Services, and should this be taken further? (There has been a Rayner project on the integration of the arrangements for supplying food to the services. There must be scope for extending this approach into other areas).
5. Are there effective arrangements for allocating priorities within the research and development field? (MOD research and development is being reviewed in one of the studies set up as a result of this Government's recent manpower cuts exercise. But the pattern of the R&D effort seems to be too much dictated by the desire to balance the demands of the 3 services and by a reluctance to take a radical look at the justification for maintaining all the existing research establishments. Might it not be better to concentrate resources into areas where the UK can achieve pre-eminence among our allies?).
6. Why does MOD insist on designing their own ships in-house, while their aircraft are designed in the industry? (MOD have a large ship design department. Might it not be better for the shipbuilding industry, and for exports, if the design work was taken outside the Department? The present system arguably results in too many ships which are "special" to the Royal Navy and which have very poor export prospects, even to other members of NATO).

Trident (Portsmouth Dockyard) - Jan 1980

**'PORTSMOUTH
DOCKYARD
MUST NOT
CLOSE'** — **FIRST SEA
LORD**

**Trident
Exclusive**
BY MAURICE HEWITT

PEOPLE WORKING in the Royal Dockyards were an integral part of the Navy and it was inconceivable that closure of Portsmouth Dockyard should even be seriously contemplated.

So said the First Sea Lord, Admiral Sir Henry Leach at the end of a day spent in Portsmouth Dockyard, visiting ships under refit and shops and talking to men at the "coal face."

It was for the dockyard a unique occasion for no one can recall the last time that a First Sea Lord spent a full day touring the dockyard.

When I asked him what had prompted his visit he said: "It is very simple. There have been a number of rumours or worse in elements of the Press and other media generally making references to the current under-way dockyard study headed by the Minister for the Navy and leading to speculation on the future of the Royal Dockyards and perhaps in particular this Royal Dockyard.

"This has led to some speculation that either this dockyard might be closed or that it might turn over to some commercial undertaking or the like.

"All this sort of speculation raises doubts in the minds of the people concerned and while I cannot and would not wish to pre-judge even the recommendation of

the study let alone what action will be taken on them I want to make it very clear to as many people as I can in this dockyard in particular that they like the other members in the Royal Dockyards are an integral part of the Navy that they are very important and that I need them — and I need them in full-strength in all the relevant trades.

"Without them I cannot see how a fleet of anything like the present or required shape and size required by this country and NATO can be supported in the future.

'Closure makes no sense'

"So talk of closure to me makes no sense if you view it in that light.

"As to talk of some alternative — and patently this could only be a commercial arrangement — I am at a loss to see what the reasoning might be to suppose that this would be a better arrangement.

"You have only got to look at the enormous and quite proper investment in people — and, by that I mean their skills as well as their numbers — and equipment and facilities in this Dockyard which would take years and be enormously expensive to reproduce elsewhere

though that is not to say it could not be done.

"I just don't see how the Navy is going to be supported during that period of time were it to go that way.

"I think I have answered the speculation about closure, about the speculation of switching to some form of commercial enterprise, and value, trust and need I place on this very crucial element of the Navy."

First Sea Lord said that he thought it inconceivable that it should even seriously be contemplated that Portsmouth Dockyard should close and declared: "I think we have scotched that — it was certainly my intention to do so."

He said he could put all the money he had at his disposal into getting new ships and equipment and into manning them with highly trained uniformed people but "they will get me no where if I then find that I cannot support those ships and come to that those people.

When I suggested to him that pay was at the root of the dockyard's problems and whether he had any comments to make Sir Henry made it very clear that the comments he was prepared to make were his personal views and did not necessarily reflect official policy.

I asked too, whether there should not be some form of efficiency scheme and whether the General Manager should be given more autonomy to make local deals.

Said Sir Henry: "On the basis that these are my personal views — Yes to all three.

'Pay is not high enough'

"There can be no doubt that the basic pay throughout the Royal Dockyards as a whole has been allowed to fall behind the commercial going rate to an undesirable extent.

"I think a great deal in the direction of improvement can be done with productivity schemes or bonus schemes or incentive schemes — I think they are all very nearly the same thing.

"I can see no alternative to an increase in pay to bring it closer to the current commercial going rate if you are to continue to enjoy the quality and level of skill that we have hitherto enjoyed and which we shall increasingly require in the future as the Fleet gets progressively more, not less, complex."

Too many men were leaving not because they wanted to leave, not because they disliked

the work in the dockyard for and as part of the Navy, but because often with considerable regret they felt with whatever degree of justification they really could not afford not to leave.

"The quicker that situation is corrected the quicker shall we stabilise and I hope build up to the required numbers which are currently seriously short," he declared.

First Sea Lord agreed that the number of apprentices leaving the dockyard was very serious and that something had to be done quickly to correct the situation.

Asked about the cuts across the whole of the Civil Service which the Government has called for, Sir Henry said he thought that the three per cent currently going on was achievable so far as defence was concerned by good housekeeping.

"So far as a second three per cent is concerned which is an ongoing exercise it has been clearly stated for the Defence Department by our Secretary of State that this is dependent on the outcome of the range of studies which have recently been set in hand," he said.

"These are aimed at investigating the extent

to which current necessary activities can be done more economically or in a different way which would be acceptable in terms of results but involve less manpower.

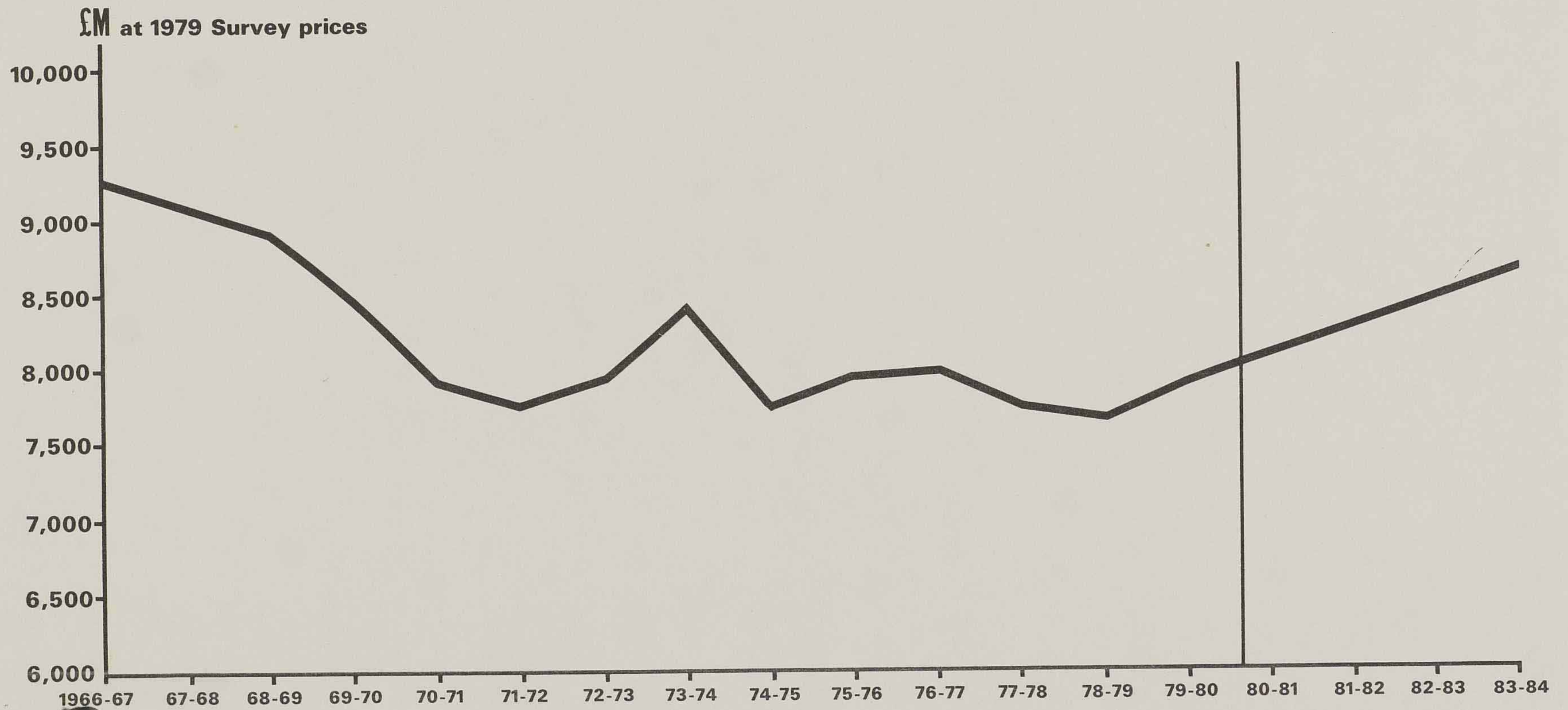
"I would agree that in circumstances where in the case of the Royal Dockyards civilian skilled manpower is already in seriously short supply it would make no sense to apply further cuts."

When I asked him for his overall impressions of his day's visit Sir Henry said: "I have found as I expected an experienced, skilled, loyal, dedicated team of people who are only too proud of their association with the Royal Navy and wishful to continue to play their part and a part in Naval affairs.

"But they have to varying extents problems over earning their living — getting what they'd judge to be a due reward for their service.

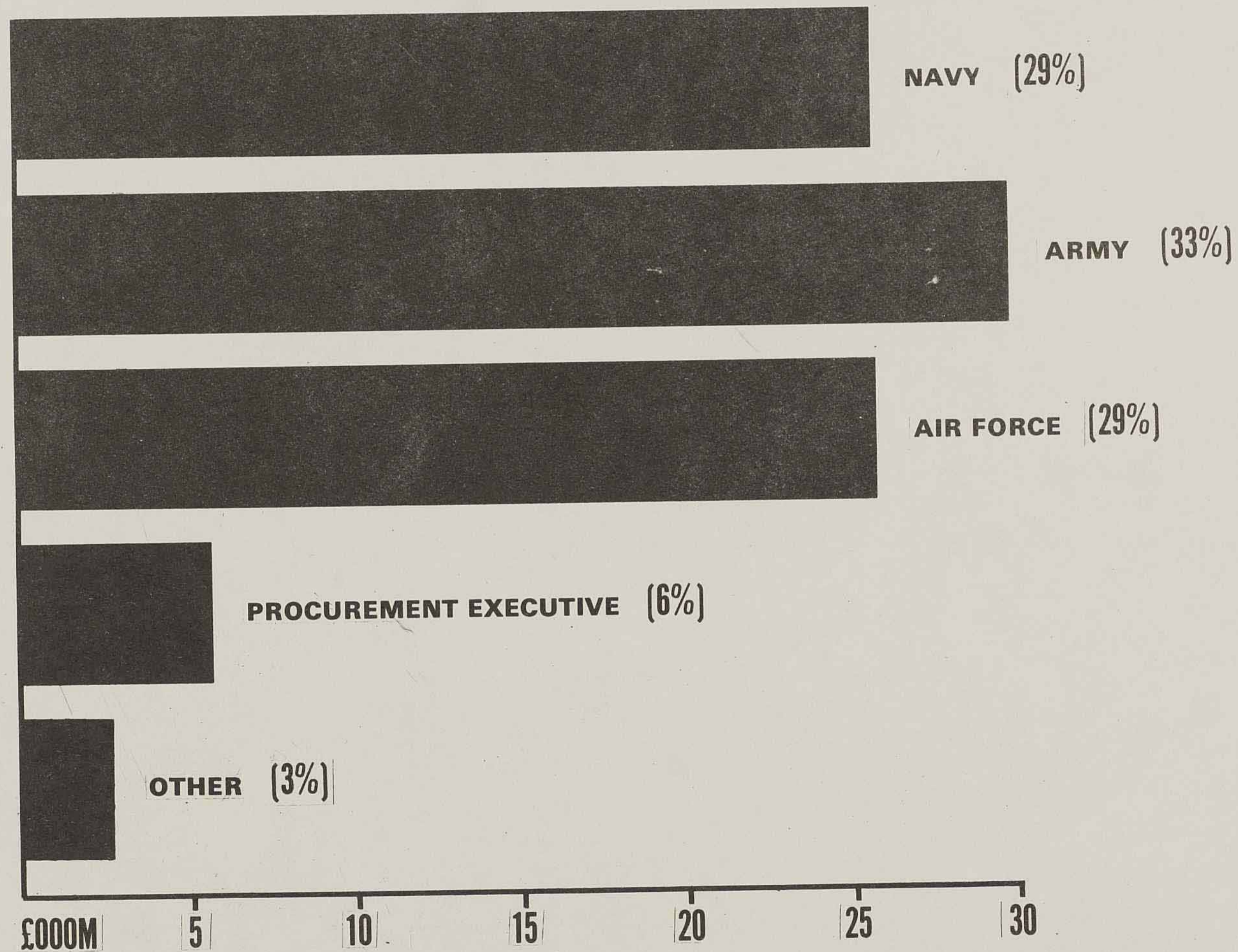
"This spirit, goodwill and loyalty is something that over the years we have come to take for granted. It exists as much today as ever, may be more. But people are leaving and leaving too fast for the good of the future of the Navy."

PLANNED DEFENCE EXPENDITURE 1966/67 - 1983/84



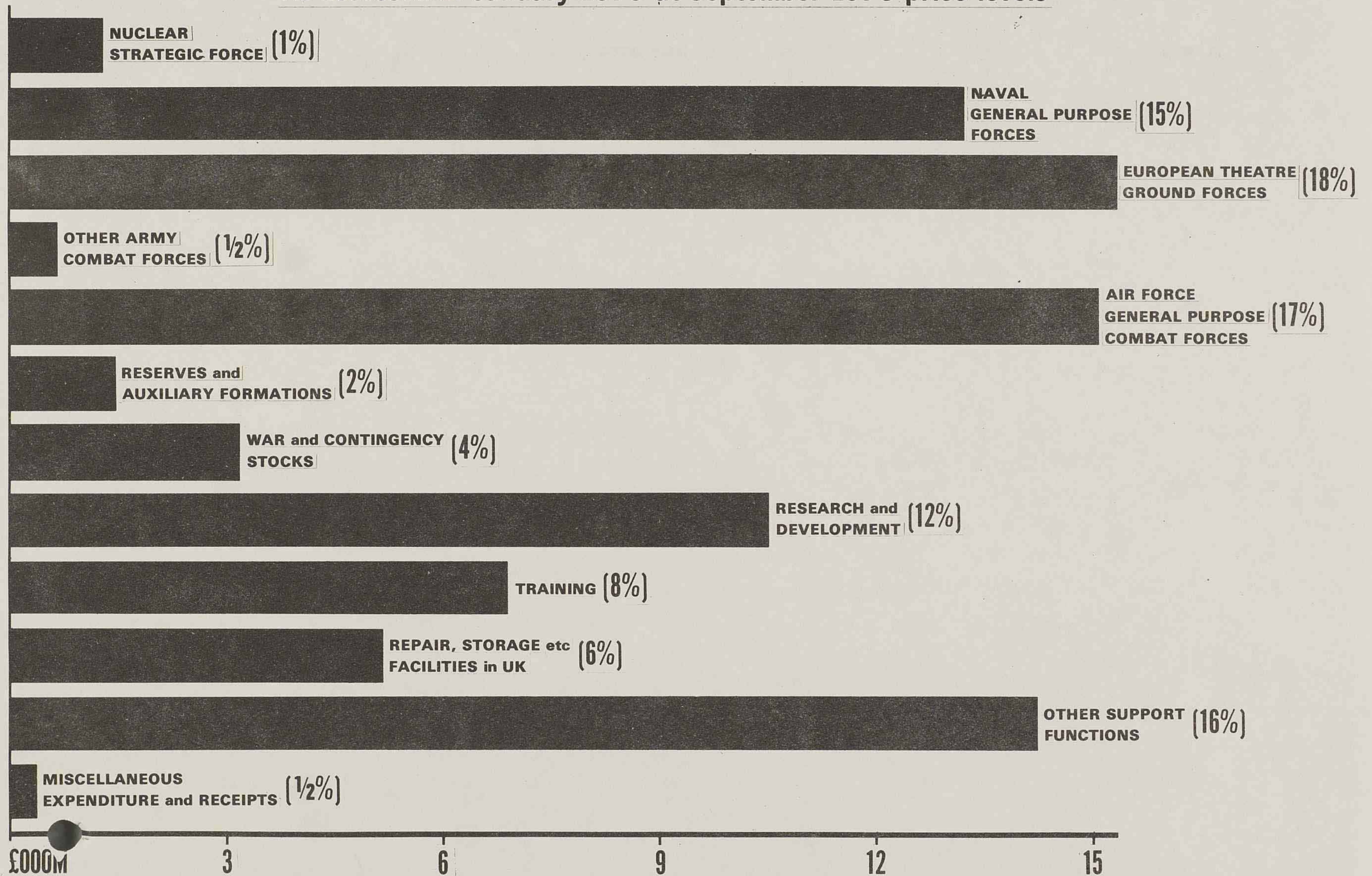
THE COST OF THE DEFENCE PROGRAMME (ANALYSED BY SERVICE) OVER THE 10 YEARS TO 1989

As assessed in January 1979 at September 1978 price levels



THE COST OF THE DEFENCE PROGRAMME (ANALYSED BY FUNCTIONS) OVER THE 10 YEARS TO 1989

As assessed in January 1979 at September 1978 price levels





DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

19 December 1979

Mike Pattison Esq
10 Downing Street
London SW1

Dear Mike

PRIME MINISTER'S VISIT TO THE DEPARTMENT OF INDUSTRY :
14 JANUARY 1980

We have spoken on several occasions about the Prime Minister's proposed visit to this Department on 14 January.

My Secretary of State envisages a programme on the lines set out in the enclosure. He thinks this would be the best use of the Prime Minister's time during the visit and, as you will see, the programme takes account of various points you have explained to me on the telephone. It might be helpful if I mentioned that the Secretary of State would not intend to invite all the Under Secretaries in the Department to attend the lunch and those invited will be limited to ensure a full discussion on a limited range of topics. You may also want to note that the Department shares Common Services (ie Establishments, Accountants, Solicitors, Economists and Statisticians) with the Department of Trade and we think that there might usefully be a separate discussion with a few selected people from these divisions.

My Secretary of State thinks that the discussion at the main morning meeting should deal with the following topics:

- a) The Department's general role in determining the macro-economic framework within which manufacturing industry operates including its work on the preparation of fiscal and economic policy, on trade and employment questions and on supply-side rigidities. He would also wish to mention the Department's work on seeking to develop a new enterprise culture and on improving relations between industry and education;
- b) The Department's specific functions in connection with industrial assistance including regional aids, sectoral assistance and assistance under the Science and Technology Act; and



- c) The Department's sponsorship function towards public sector industries including the Post Office, British Steel, British Aerospace, British Shipbuilders and the major National Enterprise Board subsidiaries (ie BL and Rolls Royce)

My Secretary of State does not think it would be helpful to attempt to lay down an agenda for the discussion with Under Secretaries and with Assistant Secretaries and Principals. He thinks the Prime Minister is likely to want to raise subjects which interest her and that discussion will depend on the issues which are current at the time and on those present. It would be helpful if we could know whether there are any particular topics which the Prime Minister wishes to discuss so that we can arrange to invite the appropriate people to lunch or to coffee.

As you will realise the Prime Minister's visit will cause considerable interest within the Department and in the regional offices. We therefore plan to arrange for a few photographs etc which would appear in the Department's newspaper *Ti-Line*. We would be grateful if you could confirm that there is no objection to these arrangements.

Yours ever

Ian Ellison

I K C ELLISON

Red

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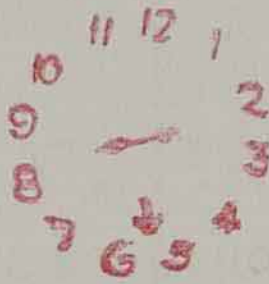


OUTLINE PROGRAMME FOR PRIME MINISTER'S VISIT TO DEPARTMENT
OF INDUSTRY

- 11.30 - 12.45 Discussion with Ministers, Permanent Secretary
and Deputy Secretaries
- 12.45 - 13.30 Buffet Lunch with a number of Under Secretaries
- 13.30 - 14.00 Coffee with a number of Assistant Secretaries
and Principals
- 14.00 - 14.45 Short tour of Ashdown House involving visits
to two Divisions
- 14.45 - 15.00 Tea with a selection of junior officials at
which the Staff Side and the Common Services
Divisions will be represented.

amb

20 DEC 1979





Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Francis Pym MC MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

14 December 1979

Dear Francis,

Before he left, Christopher Soames asked me to reply to your letter of 22 November about morale in the Civil Service. I share your view that this is crucial. This is a problem which is not confined to the Ministry of Defence but which is also acute in other departments, some of whom have now agreed large percentage staff reductions. This problem is very much in our minds. At the same time, I know that we are also agreed that there is still much scope for improving efficiency and reducing staff. Christopher Soames and I are hoping for large results from your present reviews in the Ministry of Defence.

In your letter you make some points about the managerial unsoundness of our common approach. Since you wrote with a list of detailed points on 11 June my officials have spent a good deal of time in discussing with yours what specific changes in Civil Service management you would like to make.

There are studies in progress by officials on two important points - the best way of settling industrial pay, and of relating pay to performance. On the first topic, I understand that an MOD paper was considered by officials last week, and I shall shortly be writing to you suggesting how we might best proceed. On the other topics that were raised earlier in the summer I now think we need specific proposals. I have had the opportunity of a preliminary talk with Euan Strathcona and would be delighted to come to see either you or him at any time.

I am sure that we must now take urgent steps to look at specific proposals rather than generalities and would welcome a discussion at a very early date.

A copy of this letter goes to the Prime Minister.

Yours,
Paul

PAUL CHANNON

B/E 14-1-80
✓ to check is MAP in minute order
over taken

Prime Minister

JS



10 DOWNING STREET

From the Private Secretary

14 December 1979

The Prime Minister has seen Mr. Channon's minute of 13 December picking up her suggestion that she might visit the Civil Service Department.

The Prime Minister certainly intends to do so, and has had this in mind for some time. In practice, I think this visit is unlikely to take place before the end of January, but I will be in touch with you again about possible timing.

M. A. PATTISON

G.E.T. Green, Esq.,
Civil Service Department.

B/F 21.12.79

SS



10 DOWNING STREET

From the Private Secretary

MR. LAUGHRIN

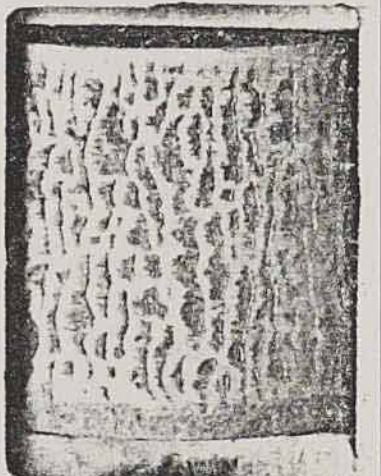
The Prime Minister intends to pay a visit to the Ministry of Defence on Friday 4 January.

One of the issues she will wish to discuss is the question of priorities in resource allocation within the defence programme, which will obviously bring into consideration manpower issues.

If Sir Ian Bancroft has any comments to offer for her visit, it would be most helpful if these could reach us by Friday 21 December.

M. A. PATTISON

13 December 1979





10 DOWNING STREET

From the Private Secretary

13 December 1979

Thank you for your letter of 30 November, with proposals for the Prime Minister's planned visit to the Ministry of Defence on 4 January. I am sorry that I have not been able to reply to you earlier.

The Prime Minister is content with the programme that you suggest.

Her preferences from your suggestions for afternoon discussion topics would be as follows:

- (1) civilian pay and manpower problems, in the Royal Dockyards and the Ministry;
- (2) US GLCM basing;
- (3) handling of a major procurement project - the Tornado programme.

I expect the Prime Minister to be accompanied by Clive Whitmore and David Wolfson, in addition to one of her detectives.

There will inevitably be a risk of last-minute cancellation or curtailment of the programme and I would be grateful if you could make this clear to all those who are spending time on the organisation and preparation of the visit.

M. A. PATTISON

D.B. Omand, Esq.,
Ministry of Defence.

Handwritten initials: KRB



PRIME MINISTER

We have had this in mind for some time. You have Defence, perhaps water, and Industry in January. I doubt whether we will manage this before Easter, unless we go for a brief lunchtime visit.

PRIME MINISTER

After Cabinet this morning you told me that you were thinking about visiting the CSD at some time in the future.

MAD 13/12/79

We should very much welcome a visit from you, and hope that it may prove possible.

In particular I would welcome the chance of talking to you about staffing levels in the Civil Service.

P.C.

I must be to go. 16-11 "my" department. *rw*

PAUL CHANNON

13 December 1979

13 DEC 1979

12 1 2 3 4
5 6 7 8 9 10

1.

PRIME MINISTER

I attach proposals from the Ministry of Defence for the programme for your visit on ^{4 Jan} ~~30~~ November. ? 4th Jan

Clive regards this as a sensible programme. He suggests that you will want to focus particularly on the process of allocation of resources within the defence programme. This can be tackled during the first discussion session.

Annex B to the letter suggests a number of topics for the afternoon discussion. Clive suggests you might like to take the following three, in this order:

- ✓ (1) civilian pay and manpower problems in the Royal Dockyards; *or the Ministry*
- ✓ (2) United States Ground Launched Cruise Missile Basing;
- (3) handling of a major procurement project - the Tornado programme.

Clive will accompany you for the visit. David Wolfson would also like to come if you are content. There is always the problem of security in a visit to Defence, but as David has been positively vetted, I could tell the Department that you intend to bring him, and would not wish this to preclude discussion of any topics which they wish to raise. Ian Gow has also accompanied you to departmental visits to date, but this might be less appropriate in the case of Defence.

MA

12 December 1979

RESTRICTED



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~830 7822~~X 218 2111/3

RESTRICTED

MO 25/3/4

30th November 1979

Stan Mike

VISIT OF THE PRIME MINISTER TO
THE MINISTRY OF DEFENCE

In his letter of 21st November the Defence Secretary told the Prime Minister that he would forward by the end of this week an outline programme for the visit on 4th January. Mr Pym has asked me to let you have the attached suggestions.

The outline programme largely explains itself but perhaps I should add a few comments. The visit would start with the role of the Ministry in coordinating and monitoring operations, with a visit to the Defence Situation Centre (DSC) in this building. For the visit the DSC would be manned by those Service and civilian personnel normally involved. Mr Pym also suggests that the Prime Minister might like to talk to those who are directly involved now in planning Service assistance to maintain essential services and supplies in industrial disputes.

Mr Pym would then like to introduce some of his senior civil and Service advisers concerned with planning the defence programme and budget and to discuss the major issues facing us.

The Defence Secretary and other members of the Defence Council would like to offer the luncheon in the Defence Council Suite in this building. This would be a light working luncheon in secure surroundings during which there could be unrestricted discussion of major policy issues.

/ In ...

M A Pattison Esq
No 10 Downing Street

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2.

In the afternoon, Mr Pym suggests that the Prime Minister might like to visit a few MOD Divisions and Directorates to talk to those dealing directly with individual issues of current importance to us. We have listed some suggestions in the Annex to this letter, and Mr Pym would be very pleased to have an indication of the Prime Minister's wishes. Of course, the programme is flexible and we can arrange for other areas to be included if there are subjects of particular interest.

We would plan to round off the visit with a chance to meet informally a cross-section of staff over tea, particularly from areas of the Ministry that time has not allowed us to cover in the rest of the programme. We are very aware that ours is a diverse organisation employing both Service and civilian staff, and that the great majority of our civilians are not central administrators but are industrial, scientific, engineering and professional staff of all kinds. Nevertheless I hope that our suggested programme will give some idea of our work. When we have your initial reaction to it, we will get on with the planning and detailed programme notes. It would be helpful to know as soon as possible the size and composition of the party accompanying the Prime Minister.

/prepare

Yours sincerely
J. M. Omand

fm (D B OMAND)

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ANNEX A

OUTLINE PROGRAMME

4TH JANUARY 1980

- 1100 Arrive MOD Main Building.
Coordination and monitoring of operations
Defence Situation Centre.
- 1130 Short discussion on Service assistance to
maintain essential services or supplies in
industrial disputes.
- 1145- 1300 approx Discussions with the Defence Secretary and
senior advisers on defence programmes and
budget, including manpower issues (about
16 present from MOD).
- 1300- 1400 Light luncheon with Defence Council members
(Defence Council Suite, Main Building).
- 1400- 1515 Short discussions on selected issues.
In the time available three topics could be
selected from the list at Annex B.
- 1515 Tea with groups of staff (about 40-50) including
two representatives from the Staff Side and
Trades Unions.
- 

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ANNEX B

SUGGESTIONS FOR THREE AFTERNOON DISCUSSION TOPICS

- A. Handling of a major procurement project -
the Tornado programme

- B. ~~Low Flying~~
or
US GLCM basing

- C. Civilian pay and manpower problems either
at AWRE Aldermaston or in the Royal Dockyards

- D. A defence sales issue

- E. Fishery Protection
or
Law of the Sea matters

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File PM
10 DOWNING STREET

THE PRIME MINISTER

28 November 1979

Dear Jim

I was very pleased to have the opportunity to spend a few hours with you and your colleagues at the Department of Employment on Monday. There was plenty to discuss, and we could well have filled more time. I found our discussions informative and useful, and I hope that your colleagues and your staff also found them helpful. I valued the opportunity to have that kind of frank exchange.

I was also grateful for the opportunity to see something of the Department at work. Please pass on my thanks to Sir Kenneth Barnes and all his staff for the excellent arrangements which were made, including the admirable catering at lunch time.

Yours ever

MT

The Rt. Hon. James Prior, MP.

jfh

ge Ind PSL, Pt 2
Ind. Relations legislation.

Pm

PRIME MINISTER

c.c. Mr. Wolfson
Mr. Pattison

Industrial Relations Legislation

This is just to remind you of the two points which Leon Brittan raised this afternoon, and which you said you would take up with the Department of Employment on Monday.

Trade Union Immunities

The House of Lords are likely to overturn the Court of Appeal judgement in the Express Newspapers v. McShane case. (The Court of Appeal took the view that the immunity for industrial action given in the 1974 and 1976 Trade Union and Labour Relations Acts does not go beyond the first customer and supplier.) Cabinet decided last Thursday that draft provisions on immunities should now be prepared so that, if the Court of Appeal decision is overturned, the earlier position can be restored by amendment to the bill in committee, or in a later separate bill.

Mr. Brittan suggested, however, that we should include in the published bill a declaratory provision which would simply give effect to the Court of Appeal's judgement in the McShane case. It would be much better to include such a provision before the House of Lords judgement which was almost certainly now going to be adverse. And it would be easy to defend politically in view of Mr. Silkin's explanation last winter - that the critics of the 1974 and 1976 legislation had nothing to worry about because of the development of the remoteness test by the Courts in the McShane and other cases.

copy attached
←

Closed Shop - Exclusion or Expulsion from a Trade Union

Mr. Brittan said that he could not understand why Cabinet had decided that the right of appeal against exclusion or expulsion should be confined to the circumstances of a closed shop

/ situation.

situation. It ought to be a general right of appeal. For if someone is expelled from a union when he is working at company A which does not have a closed shop, he will almost certainly find it impossible to get a job at company B which does operate a closed shop.



The paper for Cabinet said that "there is much less justification for examining the trade union's internal procedures in this respect where people's jobs are not at stake". But as you and Leon Brittan pointed out, a man's employment in the future will be at stake if he has been expelled.

Subject to your agreement, David Wolfson intends to tell Mr. Prior on Monday morning that you are going to raise these two points so that we can - hopefully - get a good response.

Yes - the points only - not the details of the meeting its eff. Could we also get some similar statement to the House last year about what we made that point. I remember it well.

*TIM
MURPHY 904
I'VE PHONED
David*

*copy in
folder*

TL

TL

23 November, 1979.

PICKETING

The Attorney-General (Mr. S. C. Silkin): With permission, Mr. Speaker, I will make a statement on the law relating to picketing.

It is necessary to deal separately with the criminal and the civil law. It is for the police to take action to enforce the criminal law. It is for those who suffer damage in consequence of civil wrongs to bring civil proceedings in the courts to restrain the commission of those civil wrongs or to recover damages.

Section 15 of the Trade Union and Labour Relations Act 1974 applies both to the criminal and to the civil law. Its ancestry now goes back over 100 years. Its effect is that peaceful picketing as defined in the section is not unlawful. Peaceful picketing is the attendance of one or more persons at or near somebody's place of work or business or anywhere else where he is except his home. The protection of section 15 is given if the attendance is in contemplation or furtherance of a trade dispute, if its sole purpose is to give or receive information or to persuade somebody to work or not to work, and if it is peaceful.

The criminal law makes no distinction between so-called "primary" and "secondary" picketing. But it does not permit acts which, apart from section 15, are breaches of the criminal law. It follows that, whether or not in the course of picketing, the criminal law is broken by violence, extortion, obstructing the highway, or obstructing the police in the reasonable execution of their duty.

Pickets may lawfully indicate to a driver their wish peacefully to communicate with him, but no law requires him to stop. If a picket obstructs the highway in order to cause him to stop, that is a breach of the criminal law and section 15 is no defence. A driver who wishes to drive past a picket line is in law entirely free to do so, so long as he drives in a lawful manner. If a driver or anyone else, including a picket, is unlawfully obstructed, intimidated or assaulted he should report the matter to the police. Extortion of money as the price for letting a vehicle through would, of course, be a most serious offence and indeed a quite intolerable act, and anybody who is the victim of it has a duty to report it.

Picketing as such is not a civil wrong. But its primary purpose is to persuade those who are under a contract of employment not to perform it. If that persuasion is in contemplation or furtherance of a trade dispute, and is the only actionable wrong, section 13 of the 1974 Act gave to the persuader protection from civil action by the employer. This protection went back to the 1906 Act. Section 3 of the 1976 Act added protection from an action based on direct interference with a commercial contract. If in either case the persuasion is not in contemplation or furtherance of a trade dispute, there is no protection and the injured party can obtain an injunction or damages.

The protection from civil action therefore depends on whether the persuasion which is the object of the picketing is in contemplation or furtherance of a trade dispute. This cannot be determined by the very loose terms "primary" and "secondary" picketing. But under recent decisions of the courts the test applied seems to have been whether the industrial action complained of has been so remote from the original trade dispute as to be not reasonably likely to further it. One can lawfully seek to ensure that one's employer's supplier does not supply him. But if he continues to do so, and one then seeks to ensure that the supplier to that supplier does not supply him, the decisions of the court suggest that one is entering the area of potential remoteness, where the section 13 protection runs out. In both cases the term "secondary picketing" would be apt, but the legal consequences could be quite different.

Finally, it has been suggested that the repeal of the 1976 amendment would make a substantial difference to the balance of strength between employers and unions. I disagree. In my view, its effect on that balance would be insignificant in the light of the remoteness test, which seems to me to be a far greater potential limitation on the protection provided by section 13. The repeal of the 1976 amendment would merely restore a host of anomalies to which the Donovan report rightly drew attention.

Cc Departmental
visits file

MAP

PRIME MINISTER.

A plea from Mr Pyon for
special treatment, on morale
grounds on manpower.
This will come up when you
visit MOD in January

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2ND

TELEPHONE 01 218 9000

DIRECT DIALING 01-218 2111/3

MAP 13/11

Original on

Copy in

Civil Service P72

freeze on Civil Service Manpower.

MO 2/2/6

22nd November 1979

[Handwritten signature]

Dear Christopher,

At Cabinet this morning you raised the question of morale in the Civil Service and the importance you attach to preserving it. I refrained from making any comment at the time, because of the constraints that existed this morning, so I write to say how very strongly I agree with you.

I know you are looking to me for further reductions and I am working assiduously to that end, but I have the feeling that you may not have taken sufficiently into account what has happened in this large Department in recent years. By a deliberate political decision the Labour Government cut and cut. Thus it was that during a period of about five years in which the Civil Service as a whole grew by nearly 15%, this Department, within that total, fell by nearly 10%. Since 1974 our staff numbers have fallen by 40,000, while the size of the Civil Service in other Departments has gone up by 58,000. In other words, almost every other Department has grown enormously but this one has been battered in the struggle to reduce.

Notwithstanding that fact, from the moment I was appointed I have taken the view that it must be possible to make still further reductions; there must be waste it is possible to cut out; and there must be more efficiency to be attained. I have no doubt that all these things are true

/and ...

The Rt Hon The Lord Soames GCMG GCVO CBE

and, as you know, I am working towards them. But I beg you to understand that, unlike the luxury of growth in numbers that other Departments have enjoyed, in this particular case one review has followed another leading to reduction after reduction. As a result considerable suffering has been inflicted and undoubtedly morale has been damaged.

We are committed to increase our defence effort, and are doing so. So far I have been able to explain to the Staff Side and the Trade Unions why - notwithstanding our commitment to increase our defence capability - I am still insisting on some fundamental studies because I am not satisfied that we are producing the best value for money. But they point out, fairly, that this process has been going on for years.

The point was made this morning that all Departments are different and, as you know, I have argued this from the outset. My task is to deliver a massive defence capability as economically as possible. As you know, I think our approach to the task is managerially unsound, and work is already being done (by Paul Channon I think) on looking at some of the ways in which we might change our practice. Inevitably this work will take some time to produce results, but in the meantime I do have a much more difficult morale problem than most of my colleagues. All I am saying in this letter is that it was you who stressed morale this morning and I want to put it in your mind that the problem is more acute in this Department because of its history than any other.

I am copying this just to the Prime Minister.

Yours truly
Francis Pym

Francis Pym

cc Mr. Wolfson
Mr. Lankester

PRIME MINISTER

Your Visit to the Department of Employment

Leon Brittan and Sir Leo Pliatzky will attend your briefing meeting for this visit. Mr. Priestley from Sir Derek Rayner's office will also be available if you want further clarification of Sir Derek's views on the organisation of the DE group of offices. But you may prefer to keep the meeting quite small.

You have agreed to focus on six subject headings suggested by Mr. Prior. His office have provided notes on each of these. I also have a list of questions on each from the Civil Service Department. Further, there are papers from Sir Leo Pliatzky and Sir Derek Rayner which are relevant to organisational issues. I will put these papers back to you over the weekend. I submit them now to enable you to see what material is available in advance of the preparatory meeting tomorrow.

Mr. Prior proposes a morning session with his Ministers, Permanent Secretary, four Deputy Secretaries and a couple of other officials, including Rob Shepherd. He suggests taking up their topic (i), the industrial relations scene, (ii), pay, (iii), the unemployment problem and (iv) the organisation of the DE group.

Before lunch, you would have a drink with a larger group of senior officials. The working lunch would be with the morning group, plus one or two others, to discuss topic (v) labour market problems, and (vi) the unemployment benefit service. After lunch, you will visit one or two open-plan areas of the Department's new headquarters building, Caxton House, and then meet a cross-section of staff - including union representatives - over coffee. As Mr. Prior mentioned in Cabinet, there are proposals for substantial cuts in DE complement, and the Staff Side will be nervous and perhaps aggressive on this. The announcement is now postponed until next week, but there must be a considerable risk that the National Staff Side will have wind of the Cabinet decision by Monday.

/ You may want

You may want to give most attention to only two of the topics: the industrial relations scene; and the organisation of the DE group.

On the industrial relations scene, I doubt whether you need much new briefing, given today's Cabinet discussion. Flag A below is the Department's note for this discussion. I imagine that you have asked Mr. Brittan to join the meeting mainly to pursue these aspects.

On organisation of the DE group, there is also a note from DE (flag B). You have previously seen Sir Leo Pliatzky's paper on MSC (including the industrial training boards), together with his supplementary note to you on the subject. These are at flag C. The recommendation in his report is that MSC is not amongst the bodies to be wound up but should be continued on a reduced budget, and subject to further review on some aspects including the future of ITBs and liaison between placement service and the unemployment benefit service. (Sir Leo reported to you that the intended reduction in MSC subordinate bodies would save "the better part of £100,000 a year". As with your personal study of BBC External Services, he found a different figure buried in some marginally relevant papers and MSC have now revised that figure to an estimated £40,000 a year!) Derek Rayner is still very unhappy about MSC. He recognises that the future of this "quango" form of organisation within the Department is a policy decision for the Minister, not an "efficiency and waste" issue for Sir Derek or Sir Leo. He summarises his view in paragraphs 4-9 of his note at flag D. (I also have a longer note of his views, which I will put in to the weekend box.)

Sir Derek's note also outlines the projects he has undertaken within DE this year. He does not yet have final reports.

The DE notes on their four remaining topics are also attached.

/ Flag E: Pay

Flag E: Pay. You may think that this claims a greater role for the Department - and by implication for the Government - on pay than you have given it. The Treasury's monetary management, not DE pay policy, is the key to Government strategy in the field.

Flag F: The Unemployment Problem. You might again find that the Department's brief implies a more interventionist policy than you have defined for the Government.

Flag G: Labour Market Problems.

Flag H: The Unemployment Benefit Service. This subject is another area on which Sir Derek Rayner has strong views. He argues that its recent separation from the employment service means that there are now three sets of staffs, offices, and overheads: unemployment offices, MSC's job centres and DHSS's social security offices. He finds the UBS good at paying benefit but now seriously hampered in its attempts to check abuse.

Flag I is Sir Ian Bancroft's note on questions for your visit to DE. You may prefer to leave this for the weekend.

MAD

22 November 1979



M
MAD

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

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M A Pattison Esq
Private Secretary
10 Downing Street
Whitehall

21 November 1979

Dear Mike

PRIME MINISTER'S VISIT TO DE - 26 NOVEMBER

1 You asked to have in advance short notes from us on the broad topics which the Prime Minister has approved for the discussion sessions. The ... topics are as set out below and I attach notes on each of them:-

- 1 The industrial relations scene
- 2 Pay
- 3 The unemployment problem
- 4 Organisation of the DE Group
- 5 Labour market problems
- 6 The Unemployment Benefit Service.

... 2 I also attach a list of the people the PM will be seeing at the morning discussion session and over the working lunch and brief details of what they do. The PM will be meeting the Department's remaining Under Secretaries and certain other Senior Officials over drinks before lunch.

Yours sincerely

I A W Fair

I A W FAIR
Private Secretary



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21 NOV 1979



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DE OFFICIALS ETC WHOM THE PRIME MINISTER WILL MEET ON 26 NOVEMBER

1. Morning Discussion Session (with Secretary of State)

Lord Gowrie	-	Minister of State
Mr Lester	-	Parliamentary Under Secretary
Mr Mayhew	-	Parliamentary Under Secretary
Sir K Barnes	-	Permanent Secretary
Mr I Hudson	-	Deputy Secretary: Manpower and Employment Policy
Mr D B Smith	-	Deputy Secretary: Pay and Industrial Relations (incl. ACAS & CAC)
Mr D Derx	-	Deputy Secretary: Industrial Relations (General Policy and Legislation)
Mr G Penrice	-	Deputy Secretary: Statistics and Research
Mr A Larsen	-	Under Secretary: Economic Policy (Manpower) Division - Employment Policy, special Employment Measures;
Mr R Dawe	-	Assistant Secretary: relations with MSC
Mr R Shepherd	-	Special Adviser to Mr Prior
Mr I Fair	-	Principal Private Secretary to Mr Prior

2. WORKING LUNCH

(in addition to some of the above)

Mrs D Kent	-	Under Secretary: Manpower General Division (Equal Pay/ Discrimination Legislation/Careers Service/ Youth Employment/ Unemployment Benefit Service)
Miss M Green	-	Assistant Secretary: Unemployment Benefit Service
Mr E Whybrew	-	Assistant Secretary: Skillshortages/Mobility of Labour/Youth Employment

THE INDUSTRIAL RELATIONS SCENE

The Annex identifies the main current features.

2. The Department's role is:-

(a) to inform Government's decisions generally from its knowledge and judgements of industrial relations;

(b) to carry through agreed changes in the statutory framework; and to continue to assess the possible need for further changes;

(c) to ensure that the means for the avoidance and resolution of disputes are acceptable to employers and unions and, where appropriate, to encourage their use;

(d) to encourage the improvement of the conduct of industrial relations in its widest sense and a better understanding of the objectives.

3. The legislation this Session will have only very limited direct effect on the potential power of unions. The vast majority of disputes take the direct form of employees striking against their own employer; only rarely do they need to contemplate secondary action. But legislation will establish civil remedy for some unacceptable forms of secondary action, loosen the threats to the individual the closed shop can impose and encourage involvement of members in union decision making. The effects can be cumulative.

4. Is it right to be sceptical that in our society changes in the law cannot go much further in diminishing the power of trade unions, even though the use of that power can be damaging to society as a whole? Might not the greater task be to educate opinion among union members to the gravity of the economic realities? This cannot be easy: high inflation and rising unemployment strengthen individuals resolve to maintain real earnings and preserve jobs, whatever the longer term consequences. But it must help if companies can develop means of employee involvement to identify employees' interests with the fortunes of the company.

5. The responsibility for direct intervention in disputes was transferred to ACAS in 1974. Government was freed from what was often an evident conflict of roles. ACAS's acceptability became shaded (but no more) by its statutory duty to process claims for union recognition and it has been accused of prompting unwelcome settlements on other issues. But it cannot enforce its views or provide

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during the course
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for conciliation or arbitration without the express agreement of the parties. It is the Department's view that it needs to continue to fulfil its essential role of providing wholly independent third party assistance, acceptable to employers and unions alike, and that disputes may well arise in which the Government should be ready to commend the acceptance of that assistance.

5. The Manifesto said that an attempt would be made to conclude "no-strike agreements" in a few essential services. The Department has taken the lead in reviewing the possibilities. It has so far not been possible to identify any group from which an effective pledge could be bought at an acceptable price. It has also been concluded that it would not be tolerable to bargain with unions about what services should be maintained in a dispute; this would be to accept that industrial action and the loss of other services would be tolerable.

6. Restrictive labour practices undoubtedly impede efficiency, although there are other factors. Except where the Government is itself the employer changes cannot be directly enforced. Exposure and education, eg through references to the Monopolies and Mergers Commission, can help, but finally only managements can initiate action to tackle the problems. They need to be stimulated to do so.

7. The multiplicity of unions in the same industry or company compound industrial relations problems. There is a continuing trend for smaller unions to amalgamate with larger and the proposed balloting arrangements will help the process. But there is little likelihood of major unions merging and no direct way in which the Government could stimulate such mergers. The better course is to encourage the establishment of more effective bargaining arrangements, including joint union bodies at company level.

8. In the Civil Service industrial relations problems have intensified with a readier disposition by unions to take industrial action, particularly against selected targets. The needs are to develop contingency planning to protect services where possible, to equip and support management with adequate means of response, to breed skills and experience in management and to be ready to use publicity. Improved communications directly with staff are crucial.

THE INDUSTRIAL RELATIONS SCENE

The main current features are:-

(a) clear evidence that public opinion favours the Government's commitment to secure some shift in the balance of power in industry, notably by tackling the problem of secondary picketing, protecting individuals against the closed shop and by assisting the wider use of ballots; the TUC remaining wholly opposed to such changes;

(b) union membership at a record level (13 million), with closed shop arrangements covering about 5 million employees;

(c) a union movement without effective leadership at national level and unsure of its role and purpose other than on immediate issues, but broadly united in opposition to the Government's economic and industrial policies with the more responsible leadership fearful of the issues on which militancy could breed and pressure for more direct action against their effect;

(d) employers ready to question national association for bargaining and to explore other means of mutual assistance;

(e) great uncertainty, shared by managements and unions, about the outcome of the return to free collective bargaining on pay;

(f) proclaimed union resistance to job cuts and productivity improvements, tempered by individuals' willingness to accept compensation for job loss and not infrequent union acceptance of the inevitability of some redundancies;

(g) greater resistance by some employers to strikes (not always successful in outcome) and uncertainty in unions whether to mount them; any general perception whether strikes or sustained resistance to them "pay" has still to develop in the new circumstances.

PAY

The Department:-

- (a) monitors pay and prices and is responsible for the established indices, as well as reporting monthly to E(EA) on pay settlements and prospects;
- (b) together with the Treasury, as appropriate, advises on public sector pay issues and where necessary seeks to develop a co-ordinated approach;
- (c) is responsible for the Clegg Commission, Wages Councils, the Fair Wages Resolution and the present operation of Schedule 11 of the Employment Protection Act 1976.

2. The year on year figures are:-

- (a) average earnings up 15-16% (the published figure of $14\frac{1}{2}\%$ is depressed);
- (b) the Retail Price Index (RPI) up 17%; the Tax and Price Index (TPI) up $14\frac{1}{2}\%$.

3. The current experience is:-

- (a) the weighted average level of settlements since the end of July has risen to just over 19% (21% in the private sector and $15\frac{1}{2}\%$, depressed by a $13\frac{1}{2}\%$ indexed settlement for the police, in the public sector), and has been increasing; actual earnings may prove to be higher;
- (b) lower settlements are still being reached, but many major employers now seem reluctant to court the risk of industrial action by offers less than the RPI increase and claim that increases of this order are necessary to recruit and retain labour; the TPI does not appear to be of influence in negotiations;
- (c) a number of settlements are being reached before the terminal date of existing agreements, partly reflecting the removal of pay policy restraint and partly to help maintain the real value of earnings; agreements for less than 12 months are not uncommon;
- (d) some agreements also provide for the re-opening of negotiations if increases in the RPI exceed expectation; indexation is rare.

4. In keeping with the Government's decided policy, the Department does not seek to influence directly the level of any settlement. Responsibility rests with the negotiating parties. It must be concluded that general exhortation has so far been of no great influence. The full effects of the Government's monetary, fiscal

and industrial policies have yet to bite. The central difficulty is for employers and unions to accept that some significant reduction in real earnings is necessary in many areas of employment.

5. It is against this background, that the instruments of wage determination for which the Department is responsible need to be reviewed.

6. The Clegg Commission will report on nurses and teachers' pay in the next few months. It is determined to improve its working methods and provide rigorous analysis. Ministers have agreed in principle that the major manual groups of employees of Local Authorities and the National Health Service could be referred to the Commission on a longer term basis. For these groups the Commission's findings would then provide a basis for negotiations.

7. Ministers will have decided on a course of action for Schedule 11 and the Fair Wages Resolution before the Prime Minister's visit.

8. On the instructions of Ministers, the Department is reviewing the case for the retention of Wages Councils. The system affords protection against exploitation for employees in industries in which collective bargaining has not developed.

Course of Unemployment

1. Ten years ago the normal level of unemployment was around 5-600,000. This was interrupted by a short recession in 1971/72 when unemployment rose above 900,000. The present recession started at the end of 1974.
2. During 1975 unemployment rose by 500,000 getting well above 1 million. It rose more slowly during the next two years when a further 300,000 were added to the total. During 1978 and 1979 the level has fallen by 150,000. Ignoring school-leavers it was 1.3 million at the last count in October.
3. Next year all commentators seem agreed that unemployment will rise sharply and the Chief Secretary has said that he expects it to go up to 1.65 million. There was some sign of this starting at the October count when the seasonally corrected figure went up by 18,000, but there was no further change at the November count. It would mitigate any future rise if activity rates for the elderly, the young and women turned out to be lower than we are presently expecting, ie labour supply turned out to be less. There are some signs that this may happen.

DE's Role

4. The main ways in which Government can influence the level of employment and, therefore, of unemployment eg through the central management of the economy and through regional policy and industrial policy, are not the responsibility of DE. The DE (and MSC) do, however, operate "employment measures" outside the mainstream of economic policies which have the purpose of reducing the level of unemployment and of improving the prospects of obtaining productive work for individual unemployed workers.
5. The DE and MSC are also responsible for the smooth functioning of the labour market, eg through the placing and training services of the MSC and for the provision of information about the labour market.
6. Most of the decisions and policies of Government have employment implications and the DE advises other Departments on those implications. For example, in the event of major closures, the DE will advise on the indirect employment effects, eg in supplying firms, on the PSBR costs of moves from employment into unemployment, on the prospects for the re-absorption into employment of redundant workers and on the industrial relations aspects of a redundancy situation.

Employment Measures

7. When it is not possible to promote employment through fiscal or monetary measures or through an increase in public expenditure, the level of unemployment can be reduced in some degree by so-called "employment measures". These do not in general aspire to create additional jobs in the production process. Their aim is partly social, ie to enhance the chances for individual unemployed workers of

obtaining real work or at least to maintain their incentive to work and partly political, ie to reduce the level of registered unemployment. Without the present programme of employment measures, registered unemployment would be some 220,000 higher than it is.

8. The gross cost of employment measures in public expenditure terms per individual taken off the unemployment register (£2500 a year) is much less than the cost of creating a job through reflationary measures (getting on for £20,000 a year). The net cost after allowing for savings of unemployment pay is much less again (£1000 a year). But each employment measure is limited in scope and there could be no question of solving the unemployment problem through a programme of employment measures.

9. The last Government had plans to expand the programme of employment measures in 1979. The expenditure cuts of the present Government for the financial year 1979-80 had the effect of stabilising the programme at the level it had then reached. The programme runs for a year at a time and the question of whether there should be any measures in 1980-81 and if so, on what scale, is still to be decided by Ministers. Because the programme has been extended a year at a time the practice has grown up of financing it in part from the contingency fund - and this would be true of 1980-81 when an extension of the programme in full would necessitate the provision of about £50 million from the contingency fund.

10. In the past the programme leaned heavily on employment subsidies but apart from the tiny Small Firms Employment Subsidy these have now been phased out. The main schemes in the present programme are:

- i. The Job Release Scheme under which workers are encouraged to retire before the age of 65 (before 60 for women). It is a condition of the scheme that the employer should replace the retiring worker from the unemployment register. Some 50,000 workers are being supported under the Scheme.
- ii. The Temporary Short-Time Working Scheme under which employers and workers are encouraged to introduce short-time as an alternative to declaring redundancies. 25,000 redundancies are being prevented under the Scheme.
- iii. The Youth Opportunities Programme under which young people are provided with work experience on employers' premises or specially mounted work projects. There are 100,000 filled places under the Programme.
- iv. The Special Temporary Employment Programme under which long term unemployed adults are provided with work experience on specially mounted projects. There are nearly 20,000 filled places under the Programme.
- v. The Training for Skills Programme under which some 25,000 apprentices and other trainees are being supported in industry.

In addition nearly 40,000 people are being trained at any one time under the Training Opportunities Programme.

ORGANISATION OF THE DE GROUP

1. Between 1974 and 1976 some of the functions for which the Department of Employment had previously been responsible were hived off to three Commissions comprising representatives of the TUC and CBI and other representatives - the Manpower Services Commission (MSC), the Health and Safety Commission (HSC) and the Advisory, Conciliation and Arbitration Service (ACAS). The main reasons for setting up the separate organisations were to hive off large blocks of executive work into accountable units for the purpose of management in the running of the organisations. More than half of the staff in the DE Group now work for the Commissions - about 26,000 for the MSC, 4000 for HSC and 800 for ACAS, compared with 23,000, including 17,000 in the unemployment benefit service, in the Department of Employment.

2. This note outlines the roles of the three Commissions and examines briefly their performance against the original expectations.

Manpower Services Commission

3. The MSC was established on 1 January 1974 with the responsibility for operating the employment and training services. In addition, from 1975 onwards it has operated a number of special programmes for unemployed people. The Commission is required to put proposals for the development of its policies and programmes to the Secretary of State who may approve or modify them, and the Secretary of State has a power of direction in respect of any of the Commission's functions. Finance is provided by grant in aid borne on the DE vote.

4. The MSC's programmes have developed rapidly on all fronts since 1974 with the rapid expansion of the Training Opportunities Scheme and of expenditure to promote training in industry, the modernisation of the jobcentre programme, and the introduction and fast development of special programmes for the unemployed. Expenditure on MSC programmes in 1974-75 at out-turn figures was £215 million and the estimate for 1979-80 is £631 million. Staff increased from 19,500 in January 1975 to 26,000 in October 1979.

5. The two main issues about the Commission are concern about the rapid increase in expenditure and staff and the question of the extent to which the objectives in setting up a semi-independent Commission to run manpower programmes have been met. The main point about the incessant growth of expenditure on manpower programmes is that it has not arisen from the form of organisations but from policy decisions

of both the Government of 1970-74 and the succeeding Government to give priority to the rapid development of manpower programmes. When the MSC was set up it inherited existing plans already approved by the then Government to modernise the employment service, to double training opportunities, and to switch the financing of Industrial Training Board operating costs to the Exchequer. On top of this, as unemployment increased in 1975 and beyond, the Commission was asked by the Labour Government to operate and rapidly develop new programmes for the unemployed. There has been constant pressure on the MSC until recently to expand their programmes and no lack of resources for the purpose so there has been little need for the Commission to consider priorities or make hard choices within or between programmes. This position has already been changed by the large reductions in staff and in planned expenditure which the MSC will have to find on its programmes in the years ahead.

6. On the second question, it cannot be claimed that great progress has been made as a result of the direct involvement of the CBI and TUC in tackling some of the more intractable manpower problems such as local union resistance to TOPS trainees. But some progress has been made and it is helpful to have, for example, the commitment of the TUC and CBI to the training for skills programme which is designed to improve the flexibility of training arrangements. And on some other programmes, for example work experience for unemployed young people, the direct involvement of the TUC and CBI has been a definite advantage in launching and promoting them.

7. Our view is that while the benefits can be exaggerated, there is advantage in having an independent body with direct involvement of the TUC and CBI operating the manpower services in which they have such a close interest and where their co-operation is often essential. There is, however, now need for a period of consolidation and assessment of priorities within the MSC's field which the expenditure and staff reductions on the Commission's programmes will require.

Health and Safety Commission (HSC)

8. The Health and Safety at Work Act, and the Health and Safety Commission and Executive were the Government's response to the three fundamental concepts of the Robens Committee on Safety and Health at Work which were that the statutory provisions scattered amongst some 30 separate Acts should be brought within the unifying ambit of a single comprehensive statute, that a separate, self-contained and autonomous organisation in which the 'user interests' were fully involved

should be the authoritative body responsible for safety and health at work, and that the hitherto separate and specialised safety inspectorates should be integrated into a single all-embracing safety inspectorate.

9. The present organisation meets these objectives. Government also has the benefit of an independent view on health and safety matters, which can be valuable to Ministers (c.f. Moss Moran in Scotland, where the Secretary of State for Scotland was able to rely upon the independent advice of the Health and Safety Executive in reaching his decision on a crucial petro-chemical planning application).

10. HSE staff number 4200 - 1550 in its Inspectorates, 2400 in administration, research, statistics, and laboratory services, and 250 in the Employment Medical Advisory Service. This is an increase of 2200 since inception, but half of this results from Inspectorates being transferred from other Departments. HSE's current cost is £56m p.a. The resource costs to the economy of industrial accidents were estimated in 1976 at £900m. Moreover DHSS pay out some £275m p.a. in industrial injury and death benefits. Since inception there has been an 8% improvement in the incidence of reported industrial accidents.

11. Although there have been and still are complaints about the impact of the modern health and safety legislation upon industry, surveys of firms' attitudes towards employment protection legislation have shown that the health and safety element is not a major source of complaint.

12. Although Ministers are no longer in direct control of the work of the Commission and Executive they can exert influence through budgetary control, by approval of the Commission's programme of work, by departmental contributions during the Commission's consultative process, by the fact that the Commission's proposals for regulations are subject to Ministerial approval, and, in the final analysis by the Ministerial power of direction.

Advisory Conciliation and Arbitration Service (ACAS)

13. ACAS was established in 1975 as an independent statutory body (not subject to Ministerial power of direction) under the direction of a Council constituted on a similar pattern to the MSC and HSC. It has an HQ and regional organisation with some 800 staff. Within its general duty of promoting the improvement of industrial relations it provides conciliation, arbitration, inquiry and advisory services on an essentially voluntary basis.

14. It is a fact of industrial relations experience that such impartial services are in frequent demand; and also that their direct provision by Government involves the inherent difficulty of combining industrial peacekeeping with other

Government policies. The establishment of an independent ACAS, with the support of the CBI and TUC, has enabled Government more readily to resist parliamentary and media pressures for direct Ministerial intervention in particular negotiations and disputes.

15. In 1978 ACAS dealt with over 3,000 requests for conciliation in industrial disputes, of which 40% were made by employers or by employers and unions jointly; as well as substantial volumes of inquiry and advisory work. These are much higher levels of activity than when DE provided similar services, and represent a significant contribution towards resolving disputes and improving industrial relations.

5

Item 5. Labour Market Problems - especially Labour Shortages

1. The extent of the complaints of labour shortage at a time when for every notified vacancy there are almost five people registered as unemployed and following a rapid increase in public expenditure on training is prima facie puzzling. Another problem is the impact of new technology.
2. The CBI regularly report about 20% of firms as expecting output to be held up by shortages of skilled labour; many studies show shortages of electronic, production and design engineers, draughtsmen and computer staff; the Employment Services report difficulty in filling vacancies in most skilled engineering trades; British Rail, the Post Office and Fords are some reporting shortages of semi- and unskilled staff.
3. This paradoxical and worrying situation must be seen in the context of other facts, eg
 - The proportion of firms reporting potential skill shortages as a constraint on output is much lower now (20%) with unemployment at 5.2% than the 50% reached in October 1973 when unemployment was 3.2%.
 - Many alleged shortages disappear on closer examination. In DE a survey of notified vacancies suggests that the number of manufacturing establishments showing persistent shortages is equivalent to less than 5 per cent of all such establishments employing more than 100 people.
 - While most of the unemployed register only about a third of all vacancies are notified. Moreover nearly half the registered unemployed are in regions with high unemployment but only one-third of the vacancies are in those regions.
 - More than two-thirds of all vacancies notified to employment offices are filled by them; the proportion of craft vacancies filled is only slightly lower. Most of the rest are cancelled by employers.
 - 90% of vacancies for general labourers filled by ESD are filled within 6 working days. For skilled workers 90% of vacancies filled are filled within 13 working days.
 - With some of the lesser skilled vacancies the problem is not filling them but keeping them filled given very high staff turnover.
 - Many of the unemployed are only on the register for a short time. Others may be unsuitable for the available vacancies on grounds of age or health.

Some shortages are both persistent and worrying. Causes and cures of these vary. For graduates the problems are persuading bright young people to take engineering courses, then to enter industry and to stay there (over 40 per cent of engineering and technology graduates in 1970 who entered the mechanical engineering industry had left it by 1977). Attitudes in society, pay, status and career progression in industry are all important. The Finniston report will provide a background for action here by Government, Education and Industry.

5. For skilled manual workers - especially in engineering and some construction trades - there is a shortage of trained workers willing to use their skill. Reasons include the low level of apprentice training in the early 1970s; wastage into other occupations because of dissatisfaction with pay, prospects or conditions or following redundancies; and the restrictions on adult entry to skilled work. Shortages could be alleviated by making better use of existing skilled labour eg on maintenance work. Government policy on freeing collective bargaining, facilitating labour mobility and concentrating MSC's training efforts on industrially important skills can help but most remedies are in the hands of industry. Several NEDC Sector Working Parties are helping companies.
6. It is often suggested that at the less skilled level there is a reluctance by some of the unemployed to take such vacancies because of the relative attractions of unemployment benefits. Up to 5% of the unemployed are better off on benefit than in work. We estimate that up to 10 per cent of employees in work are no more than £5 a week better off than if on benefit. Other important factors in keeping such vacancies filled relate to difficulties of low pay, poor working conditions and awkward hours. Some firms also operate hiring standards often unrelated to the requirements of the job. Again remedies lie mainly with industry.
7. The impact of new technology on employment is the subject of a forthcoming report from a DE study group. It will say that failure to adopt new methods will have a more serious impact on employment than adapting to them. It will not attempt to quantify employment consequences but will outline developments in particular industrial sectors and express views on ways of smoothing the introduction of new technologies.

WHY IS THE UBS LOCATED IN DE ?

- 1 Until the 1946 National Insurance Act came into operation in 1948 the Ministry of Labour (now the Department of Employment) was responsible for policy and administration of the unemployment insurance scheme. Both the employment and benefit functions of the Ministry of Labour were carried out through its network of Employment Exchanges.

- 2 The 1946 Act implemented the proposal in the Beveridge Report for a comprehensive national insurance scheme covering retirement, sickness and unemployment to be administered by a new Department, the Ministry of National Insurance (now DHSS). The latter took policy responsibility for unemployment benefit, but the Ministry of Labour remained responsible for day-to-day administration, through the existing employment exchange network on an agency basis.

- 3 During the 1960s there were attempts to improve the Employment Service and make it more effective. Little advance was achieved and a number of studies, including one by an OECD team, concluded that the integration of the employment and benefit services was a fundamental obstacle although the need to retain strong links between the benefit and employment services was recognised.

- 4 The final decision was taken in late 1971 to set up an employment service physically and organisationally separate from the benefit service. The question of the future departmental responsibility for unemployment benefit administration was left open. The DE considered that a transfer of responsibility to the DHSS would be damaging to staff morale at a time when consultations were going forward on the 'hiving off' of the employment and training services to the MSC (under the Employment and Training Act 1973). The DHSS was in the process of integrating its supplementary benefit and contributory benefit local office network and was also heavily engaged with implementation of a new pensions scheme. They were not enthusiastic about wedging a further reorganisation into their programme of work during the 1970s. It was finally agreed that departmental responsibilities should be left as they were for at least five years and to look at them again at the end of the 1970s. The two departments are now proposing to set a review in hand of all the arrangements for administering unemployment benefits.

IS THE UBS AN EFFECTIVE SERVICE?

5 The Unemployment Benefit Service has no control over its basic workload. Whatever the level of unemployment and however the number of claims fluctuate during the year it must process its claims and get payments out. If it does not the applications for help will overburden the DHSS Local Offices adding to their problems. Apart from local and sporadic difficulties with postal services and occasional industrial action, it has not failed in its objective over the past five years when the claims load has more than doubled.

6 The number of payments made weekly has risen from 480,000 in 1974/5 to 1,080,000 in 1978/9 - an increase of 125%. The staff numbers in UBOs rose however only by 73%, from 11,000 to 19,000 (the number currently in post is 17,000). DE administration costs as a percentage of benefit paid have fallen from 8.4% in 1974/5 to 6.0% in 1978/9.

7 The UBS at local office level is manned through a staffing basis scheme negotiated with the unions, which relates staffing requirements directly to volumes of work over about 60% of the work load. This staffing basis has been adjusted to take account of the extension of computer processing of claims office by office since 1974, and computerisation has given a saving over manual processing of 15% - 16%. Further savings of about 5% are being achieved from the introduction of fortnightly (as against weekly) attendance and payment of claimants this September. This change was carried through in the teeth of opposition from the Civil and Public Services Association (80% of UBS local office staff are in the clerical grades).

8 The UBS does not only have to cope with year on year changes in the trend of unemployment. A particular and difficult feature of its operation is the extent to which the claims load fluctuates through the year peaking sharply in the summer months when school leavers (approximately 250,000) and adult students make their claims (150,000).

CHECKING FRAUD AND ABUSE

Fraud

9 Policy on unemployment benefit fraud investigation and prosecution rests with DHSS. DE investigates UB fraud through fraud staff based in UBOs and Special Investigators, who look into more difficult and complex cases. DE fraud investigation is concentrated mainly on cases where a claimant (or his wife) is suspected of working while drawing benefit.

10 Staff engaged on fraud investigation in DE have risen as follows:

	<u>UBO fraud man years</u>	<u>Special Investigators complement at end year</u>	<u>Total</u>
1975	170	45	215
1978	305 (+ 79%)	79 (+ 76%)	384 (+ 79%)

The number of cases investigated and prosecuted has risen as follows:

	<u>Investigated</u>	<u>Prosecuted</u>
1975	11,583	1,947
1978	24,695 (+ 113%)	3,942 (+ 102%)

The UBO fraud complement is being increased by a further 80 to allow for more checks on fraud now that we are paying benefits fortnightly. This 80 was found from the savings flowing from the fortnightly system of payment.

11 Although the number of cases prosecuted has risen so sharply we are still obtaining a conviction in 98% of cases. Penalties imposed by the courts however tend to be small - usually a fine plus costs of less than £100.

12 Over the past four years we have completely revised our instructions to staff on fraud work; improved staff training; improved control of the fraud effort from both HQ and regional offices. We have also made all girocheques we issue payable only at a nominated Post Office. This has cut girocheque fraud by two-thirds and enabled staff resources to be used to investigate the more serious offence of working and drawing.

Abuse

13 Abuse of the benefit system which falls short of a prosecutable offence is much more difficult to control.

14 Every claimant signs a declaration on each attendance that on the days he claims for as unemployed he was able and willing to do any suitable work but was unable to get any. The only satisfactory way to test this declaration is to offer him a job. If such a job is offered and refused there are procedures for imposing benefit sanctions. The fall over recent years in the number of cases where this has happened is a cause for concern:-

Referrals for refusal of employment

1974	11,822
1975	6,144
1978	6,845

15 The majority of such referrals come from the Employment Service. In the light of the Conservative Party Manifesto commitment that "the rules about the unemployed accepting available jobs will be reinforced", the Department of Employment and the Manpower Services Commission have agreed to set up a small Working Group of officials chaired by Mr Lester (Joint PUSS) with the following terms of reference:-

"To consider what could be done, within the existing statutory framework, to improve liaison between the Manpower Services Commission and the Unemployment Benefit Service in the application of the rules about the unemployed accepting jobs which are suitable and available".

It is hoped that the Working Group will complete its discussions in the New Year.

Original G/R. RESTRICTED



Prime Minister
✓ MAP
2 ✓ CS

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RESTRICTED

MO 17/3

B/F 30-11-79, 21st November 1979

Dear Prime Minister,

I am delighted to hear that you are going to visit the Ministry of Defence on 4th January and we look forward to welcoming you. I will let your office have an outline programme by the end of next week.

When I heard of your plan I was just on the point of asking whether you would possibly be free to attend a Christmas party your team of Defence Ministers are giving for staff in the Ministry of Defence on Thursday 20th December (from 6.00 to 7.30 pm). It would be very good if you could join us then, but, of course, we shall readily understand if it is not possible. If you can fit it in it would be a great fillip for us.

*Yours ever
Francis Pym*

Francis Pym

The Rt Hon Margaret Thatcher MP

RESTRICTED

Mr PATTISON

na
MAP 26/25

PRIME MINISTER'S VISIT TO DE ON 26 NOVEMBER

This supplements Sir Derek Rayner's minute of 16 November to the Prime Minister with some data on incentives to work and notes on the DE Group's proposals for the scrutiny programme (cf Mr Fair's letter to me of 16 November which I copied to you).

Incentives to work

2. The attached memorandum to Sir DR from within Marks & Spencer was sent to me by him just before going abroad last Friday. He had intended to make use of it in his note on Labour Market Problems.

3. The note is based on talks with M&S suppliers in the textile industry and is self-explanatory. It shows the narrowness of the margin between net take-home pay for a single girl and two married men at work and not at work respectively, but suggests that the aim should be "to increase productivity so that pay levels can be raised to provide a real incentive to work".

The scrutiny programme

4. My comments on the proposals are these:

a. DE (jointly with DHSS)

"Whether the organisation and methods by which Unemployment and Supplement Benefits for unemployed people are delivered can be further simplified."

This is a good-looking project as it stands. It also opens up the question of the separation of the Unemployment Benefit Service from the Social Security Service and it would be as well to register this. There is also the question of the UBS's other frontage, that with the MSC's Employment Service (see paras. 5-10 of Sir DR's note on the UBS), which it might also be useful to register.

b. MSC

"Present practices in relation to energy conservation throughout the MSC."

This is not good. The "Rayner project" included the Property Services Agency's policy and practice on energy conservation. In any case, the use of fuel

ought to be dealt with as a matter of normal management by a repayment body like the MSC. Although the MSC can take credit for two good subjects in the "Rayner project" (the Skillcentre network and training allowances), they could do another substantial subject, eg frontage with the UBS; or regional organisation; or Saturday closure of Jobcentres; or balance of training under TOPS. Of these, I think that Sir DR's preference would be regional organisation (cf para. 9 of his covering minute to the PM).

c. HSE

"Ways of estimating the costs and benefits of new proposals for health and safety regulations, approved Codes of Practice, etc."

This is another good-looking project. It follows on very aptly from paras. 7 - 17 of Sir Leo Pliatzky's note on the HSE/E sent you with his minute of 19 November.

Cp

C PRIESTLEY
21 November 1979

Enc: Internal M&S memorandum from Mr Bullock to Sir Derek Rayner on incentives to work.

21 NOV 1979

9 10 11 12 1
8 7 6 5 4 3

GROUP 5

HOME FURNISHINGS

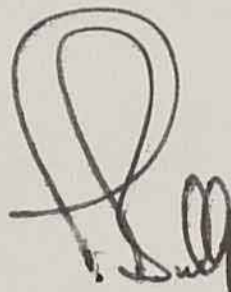
TO : SIR DEREK RAYNER

At your Priority Meeting we discussed how the level of Social Security payments removed incentives to work and you asked me to investigate further and prepare a note.

Following discussions with Mr. Stuart Elliott of the Suppliers' Services Department, I have set out in the Appendix the situation of four typical employees in the Textile Industry.

The figures show that in themselves the Social Security payments offer little incentive to stay home unless "moon-lighting" work is available. However, as unlike wages, the benefits are not taxed, the total amount received by the single girl and by the married men vary little whether they are working or not.

I have discussed the issue with several of our suppliers and although it was felt that adjustments should be made to the present schemes, either by taxing benefits or by replacing the existing system with some form of negative Income Tax, the general comment was that our aim should be to increase productivity so that pay levels can be raised to provide a real incentive to work.


P.J. BULLOCK

Copy to :

Mr. David D. Sieff
Mr. M. Wilcockson
Mr. S. Elliott

PJB/LG
1st November 1979

APPENDIX

1. SINGLE GIRL EARNING £45.00. P.W. GROSS (27% of full-time women over 18 on manual work earn less than this)

a) Working	- Net Take Home Pay	- £36.00
b) Not Working	- Unemployment Benefit	£18.50
	Earnings Related	£ 6.90
	Total Social Security	<u>£25.40</u>
	Income Tax Rebate	£ 6.00
	Total Receipts	£31.40
c) Average weekly pay based on working 6 months and staying home 6 months each year		£32.00

2. MARRIED WOMAN

Irrespective of earnings, a woman in this category would be unlikely to benefit financially from unemployment, since reduced rate National Insurance Contributions would render her ineligible for earnings related/unemployment/sickness benefits.

3. MARRIED MAN - 2 CHILDREN - £60.00. P.W. GROSS (10% of full-time manual workers aged 21 or over earn less than this)

a) Working	- Net Take Home Pay	- £49.35
b) Not Working	- Unemployment Benefit	£18.50
	Dependants Benefit	£11.45
	Earnings Related	£ 8.95
	Total Social Security	<u>£38.95</u>
	Income Tax Rebate	£ 6.75
	Total Received	£45.65
c) Average weekly pay based on working 6 months and staying home 6 months each year		£45.25

4. MARRIED MAN - 2 CHILDREN - £75.00. P.W. GROSS (25% of full-time manual workers aged 21 or over earn less than this)

a) Working	- Net Take Home Pay	- £58.00
b) Not Working	- Unemployment Benefit	£18.50
	Dependants Benefit	£11.45
	Earnings Related	£11.12
	Total Social Security	<u>£41.07</u>
	Income Tax Rebate	£11.25
	Total Received	£52.32

- c) Average weekly pay based on working 6 months and staying home 6 months each year £52.31

NOTES :-

1. EARNINGS RELATED BENEFIT

- a) The figures assume that there was no significant absence in the previous year and that a wage increase of 10% was received.
- b) If only 6 months are worked in each year, this benefit is halved.
- c) The benefit is paid for 6 months.

2. INCOME TAX REBATE

This assumes 6 months work in the Financial Year.

3. In examples '3' and '4' Rent and Rate Rebates may be available, closing the income gap between working and not working still further.

Visits to Depts file

Subject file - Eton PA - 2
Disposal of Assets - P & J
PRIME MINISTER



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

A step - hedged about
with qualification -
in the right direction

Good - at least MS
They tried and
action not

Good done 20 November 1979

Nick Sanders Esq
Private Secretary
10 Downing Street
London SW1

Dear Nick

DISPOSAL OF SURPLUS NHS LAND AND PROPERTY

You asked me to follow up the Prime Minister's questions during her recent visit to this Department about what could be done to help ensure that local hospitals disposing of land or property benefit directly from the proceeds. The current advice to health authorities is contained in a publication called the "NHS Handbook on Land Transactions".

11

The Secretary of State has now agreed amendments to this handbook which provide for the hospital or other institution to benefit whole or in part from the proceeds; a copy of the relevant paragraphs to the handbook is attached.

11

This change will be promulgated by means of a circular to be distributed early in the New Year not only to Regional and Area Health Authorities, but also the District Management Teams that are concerned in the running of the local hospitals. My Secretary of State will seek opportunities to refer to this in speeches and articles. He hopes, with the Prime Minister, that the prospect of actually benefitting from releasing land and property will stimulate local hospitals to re-evaluate their real estate holdings and to realise those that are surplus to their requirements.

Yours ever
D.

D BRERETON
Private Secretary

Enc.

2.3.3 Use of Receipts from Land Sales - Local Interests

Except as mentioned in paragraph 2.3.1 [any special arrangements in particular circumstances] the region will retain the proceeds of sale. The RHA should normally arrange for the hospital or other institution whose land or property is being disposed of to benefit in whole or in part from such proceeds in order to promote and sustain local interest in a continuing review of land holdings and property surplus to requirements. In arranging the disposal of proceeds in this way account will need to be taken of benefits a disposing body may already have received, eg. where disposal is possible because new facilities have been provided. Where it is not practicable or equitable to arrange for the proceeds of disposal to be devoted wholly or partly to the hospital or other institution concerned, the possibility of providing some benefit to the district or area should be considered.

2.3.4 Use of Receipts from Land Sales - Hospitals for the Mentally Ill

The same general principles as in paragraph 2.3.3 should apply in disposing of land and property at hospitals for the mentally ill and mentally handicapped, but in circumstances where receipts from sales cannot be wholly or partly devoted to the disposing hospital, the RHA should ensure that, unless there are exceptional reasons, such receipts should be used specifically to develop services for the mentally ill and mentally handicapped. This might be through the improvement of health services - for example, in the provision where possible of a psychiatric department on a DGH site - or the receipts might be used, through the joint financing arrangements for the development of local authority personal social services in the community, such as hostels for the mentally ill or mentally handicapped.

this might
be very
useful
ms



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

M A Pattison Esq
10 Downing Street
LONDON SW1

20 November 1979

Dear Nick,

... As requested in your letter of 29 October to David Laughrin, I attach some briefing for the Prime Minister's visit to the Department of Employment. As you will see, it consists of questions or points for use in discussion followed where appropriate by some explanatory matter in square brackets. The headings and numbers correspond to items in the agenda contained in Mr Hardman's letter of 22 October.

*Yours sincerely
Toby Churchill*

TOBY CHURCHILL
Assistant Private Secretary

*Enc in PM's
Folder
na MAF*



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20 NOV 1979

1. The industrial relations scene

- Special problems of the Civil Service

Increasing union and politically motivated militancy in the Civil Service threatens to interfere with the Government's policy-making process and to prevent it from carrying out its policies efficiently and effectively. How can this trend be reversed?

[The Civil Service cannot expect to be insulated from counter-inflation policies, but fairness of treatment is an important protection against extremists. Selective legislation, eg no-strike areas, might increase recognition of the Government's special position as employer.]

2. Pay

- Standing Commission on Comparability

We have yet to consider the future of the Commission in its wider context. But is the Department satisfied with the way the Commission is approaching its current tasks? There are strong indications in the case of the teachers' reference that the approach to this task is less adequate in terms of independence, objectivity, discipline and coverage than could be desired.

[The data base for the study rests on a very small sample of jobs, processed on a consensus basis by the consultants, the teachers' management and unions, and a minority of independents. The majority of those concerned in this vital process will have no direct knowledge or experience of the work of the jobs being examined.]

3. The unemployment problem

- "Special measures"

Very large resources have been poured into the Youth Opportunities Programme (YOP) and other special temporary employment measures (approaching £400m in 1979-80 including costs of administration). How far have they been cost-effective? Is the Department satisfied that it has been able to measure reasonably accurately their actual impact on the level of employment?

[These schemes can be expensive to run in manpower terms, though to the extent that they do in fact reduce the number of claimants to unemployment benefit there are offsetting savings in the Unemployment Service. The guarantee under YOP of a place in the programme for all school-leavers may be over ambitious. At the inception of YOP it was hoped that work experience schemes arranged with employers would provide on average at least 3 places. In practice the MSC have been able to achieve an average of only about 1½ places per scheme. As each scheme has to be separately monitored this has considerably increased the costs of operating YOP.]

4. Organisation of the DE Group

- Hiving off of functions

(i) The main reason for hiving off these functions was a belief in the value of establishing a "tripartite" approach by the Government, CBI and TUC in these areas. How far have relations with the CBI and TUC on these issues improved in practice as a result of these organisational changes? Has any value in this direction been offset by the need for a complicated process of formulating policy as a result of having to involve these non-departmental bodies?

(ii) There is always a risk with non-departmental bodies that they pursue their own "corner" from a narrow standpoint; a Minister has to take a broader view of his responsibilities. Has hiving off led to excessive pressure from these bodies in terms both of policy and demands on public expenditure? How far has resource control over the large expenditure programme of the MSC been made more difficult? Or has its high level of expenditure by MSC represented no more than deliberate policy by the previous Government which present Ministers can reverse as they wish?

(iii) Is ACAS more acceptable to industry as an instrument of conciliation than the D/Em itself? Have its activities proved inflationary through inadequate attention to the "national interest" and a more single-minded concentration on securing settlements?

6. The Unemployment Benefit Service

(i) Location in DE - To what extent could duplication of effort be cut out if the responsibility for both unemployment benefit policy and administration were concentrated either wholly in DHSS or wholly in DE?

[There is no doubt that the present arrangements involve duplication of effort. About half the unemployed receive supplementary allowances in addition to unemployment benefit and the DE and DHSS local offices have to make similar enquiries and calculations. From the claimant's point of view, this means that he often has to keep in touch not only with the Unemployment Benefit Office - and the Job Centre - but with a separate DHSS office as well. The case for integration has been considered several times in the last decade. On each occasion, action has been postponed for a mixture of practical and policy reasons. Clearly, careful studies would be needed of the administrative costs, the possible impact on staff and the extent of any interim reduction in efficiency before a wholesale transfer of responsibility to one or other department might be seriously contemplated. The key policy issue for consideration is whether unemployment benefit should be seen as a labour/market scheme, analogous to other DE schemes; or whether it should be more closely integrated with the rest of social security policy.]

(ii) Is there scope for producing a more effective service, by closer liaison between the Unemployment Benefit Offices and Job Centres? And does not the split of placement services from the Unemployment Benefit Service make it harder to detect scroungers?

[A recent article in the 'Guardian' has highlighted the fact that since placement services were hived off to the MSC in 1974 the number of references to Insurance Officers of unemployed people refusing suitable employment has nearly halved. DE have aimed to keep the placement service quite separate in order to rid it of the image of the "dole". But this separation may have been carried to a point where it is leading to too much effort being given to less essential placement work (eg placing of people voluntarily moving between jobs, seeking temporary employment etc) rather than to reducing the unemployment register.]

PRIME MINISTER

YOUR VISIT TO DE ON 26 NOVEMBER

1. I attach some notes on the Organisation of the DE Group and on the Unemployment Benefit Service, as requested. I also offer a very simple one on Labour Market Problems. As I am abroad next week, I cannot attend your briefing, but Mr Priestley knows my views and is available.

"Rayner projects"

2. I have yet to receive the DE's reports. One is on the "peaking" of work in local offices of the Unemployment Benefit Service (UBS), while the other is on the use of part-time staff. I visited a local office, in Stepney, some weeks ago. My impression is that the UBS is good at paying benefit, but seriously hampered in its attempts to check abuse by its separation from its old stablemate, the Employment Service, now part of the MSC. As suggested in the attached note on the UBS, I think that there is a good case for re-integration.

3. I am considering the MSC's reports now. One is on Skillcentres. It bravely recommends curtailment, including closures in such difficult areas as Clydeside. The other is on the allowances paid to TOPS and other trainees. It suggests both simplification of structure and added inducements to certain types of potential trainee. Both reports raise in my mind wider issues as to the direction and scale of the Government's training effort which I shall want to discuss with Mr Richard O'Brien and probably with the Secretary of State.

DE Group Organisation

4. The employment and training services offered by the Government should certainly be effective, otherwise there is no point in offering them. But the Quango form of organisation is not the only way to make them so.

5. The MSC is in some respects an impressive (it is plainly a determined) organisation. But it shows a big-spending Quango can be difficult to control; the last Government's spending policy did not help. The MSC has been too interested in big numbers (not entirely its own fault). The TOPS and Jobcentre programmes are good examples of the dangers of the "big" approach.

6. If the MSC is kept, rather than the Employment and Training Services being brought back into the DE, it should be more subject to Ministerial discipline, its expansionism curbed and its very considerable talents and energy re-routed to more limited and economical goals.

7. The present composition of the Commission places a mistaken faith in the capacity of the CBI and TUC to deliver. Neither is representative of its "side" of industry.

8. The MSC is probably overmanned - that is, its many staff may be busy but I am not sure that they are productively busy, notably in Jobcentres and the administrative organisation.

9. Its regional and field organisation is ludicrously elaborate (see attachment to my note on organisation) and is grievous to the staff. I suggest that the Government should take an early opportunity to specify the scope and scale of MSC activities and administration.



Derek Rayner
16 November 1979

ORGANISATION OF THE DE GROUP

Has the hiving-off of functions to the Manpower Services and Health & Safety Commissions and ACAS justified itself?

General

1. I am not qualified to comment on the HSC and ACAS, of which I have no direct experience.
2. It is arguable whether hiving-off the employment and training services to the MSC has justified itself.
3. I begin with the prior question, why have a public employment and training service at all?
4. We can argue that we need a State service to help those who have no other resort, ie the disabled and the less competent job-seeker. This is not simply altruism; it saves the taxpayer money by reducing unemployment benefit payments and it helps the economy.
5. We can further argue that the State can and should lubricate the working of the labour market, eg through improved information and training services.
6. It follows that the State ought to play the part it has chosen effectively.

7. It is then a matter of judgment whether one can hope to be effective only through the Quango method (or substantially more effective than through the conventional Ministerial department) and how far "effectively" means pushing to enlarge the State's share of the employment and training business. (Why, for example, should the MSC be offering training in the art, education and social service fields?)

Commentary

8. Judgment is of course coloured by economic circumstances and by the fact that the last Government unloaded so many millions on the MSC. On the credit side, the MSC and its officials have attacked their objectives with energetic determination. The officials are intellectually inventive and fertile. They have done a very creditable job in trying to specify their objectives and to introduce accountable management. Many Whitehall departments could take a leaf out of their book.

9. On the other hand, it is not necessary to separate the functions from Ministers in order to achieve results. Doing so makes the economical use of resources harder. Too many MSC objectives have been about getting the MSC's name known and about bigger numbers, notably of Jobcentres and of TOPS (Training Opportunities Scheme) trainees.

10. I feel that the MSC's activities show to a marked degree that economy has not been the prime consideration in achieving the objectives set. Jobcentre siting policy is an important example. I do not object to the MSC having well-sited properties; the issue is whether as many as planned are needed and whether they must be in prime sites. Jobcentres are not trading but information organisations. If the MSC argues that they must be among the main shops, this can only be by reference to the fact that shops are at their busiest on Saturdays. Jobcentres are closed on Saturdays, however. This means that the MSC is paying a rental based on "Saturday opening" prices to offer a facility which looks like a shop but is not open for trading on the critical day. This invites ridicule, since the most obvious characteristic of the Jobcentre to the largest number of shoppers is that it is closed.

11. This produces my central worry about hiving-off, namely whether anyone is in real control. The Secretary of State has the power to direct the MSC. He is responsible for the size of its grant-in-aid. But the MSC, its Chairman and its senior officials have the psychological advantage and are very difficult to stop.

12. Ministers can control the use of resources either by having functions directly under their own hand or by trying to keep a grip on them at one remove. In management terms direct control is obviously better. Using reserve powers is always difficult. If one cannot have direct control, then one must be absolutely specific about what it is that is delegated and absolutely determined in holding one's delegate accountable. Human nature being as it is, direct control is easier to operate.

Recommendations

13. I doubt whether there is a substantial political advantage in reversing the hiving-off decision taken by the present Conservative Government. Equally, there is no substantial political advantage to be had from keeping the present arrangement, beyond avoiding upsetting the TUC.

14. Even so, one should be clear-minded about the limited value of the "Commission" technique. In terms of industrial effectiveness, especially in relation to Trades Union acceptance of Skillcentre trainees, it is plain that the MSC device has made only slow progress. It is questionable whether confining "industrial" membership of the MSC to the CBI and TUC stage armies is producing the hoped-for benefits. The CBI "bureaucracy" is not highly regarded by industry. Equally, although the TUC bureaucracy have a clear idea of what they want the MSC to do, there is no

gainsaying the fact that the TUC can no more deliver its constituents than the CBI can. Moreover, far too much time and energy is consumed by keeping the Commissioners sweet, especially the TUC ones.

15. In terms of Ministerial control, I suggest that Ministers should make it clear that they are responsible for both manpower policies and for the State's contribution to the working of the labour market. If one retains the MSC, it is right to look to it for the effective delivery of employment and training services. But one should be absolutely clear that the share of the market to be sought by the MSC is limited and that it is not a policy but an executive organisation.

16. This emphasis should include devising training policies which meet the real needs of the economy, along the way shaking off the bureaucratic top hamper and mannerisms of the Industrial Training Board (ITB) machinery and the lusher parts of the TOPS programme (see note on labour shortages).

17. I think one should recognise the quality of the officials responsible for running the MSC. They are dedicated and able people. I would not be inclined therefore to castigate them for what they have done so far in pursuit of prescribed policies agreed with Ministers. Rather, Minister should now

be clear about the policies they want and about the importance of economy of effort in pursuing them, ie they should point the MSC in the right direction. The watchword should be "Optimum, not maximum".

18. Equally important however many MSC rank-and-file believe that hiving-off has been a gravy train. Jobcentre complementing is now under review by the MSC. The field organisation is far too elaborate, involves far too many senior posts and is intelligible to nobody. I attach a plan of HQ and regional organisation which shows you how complicated it is.

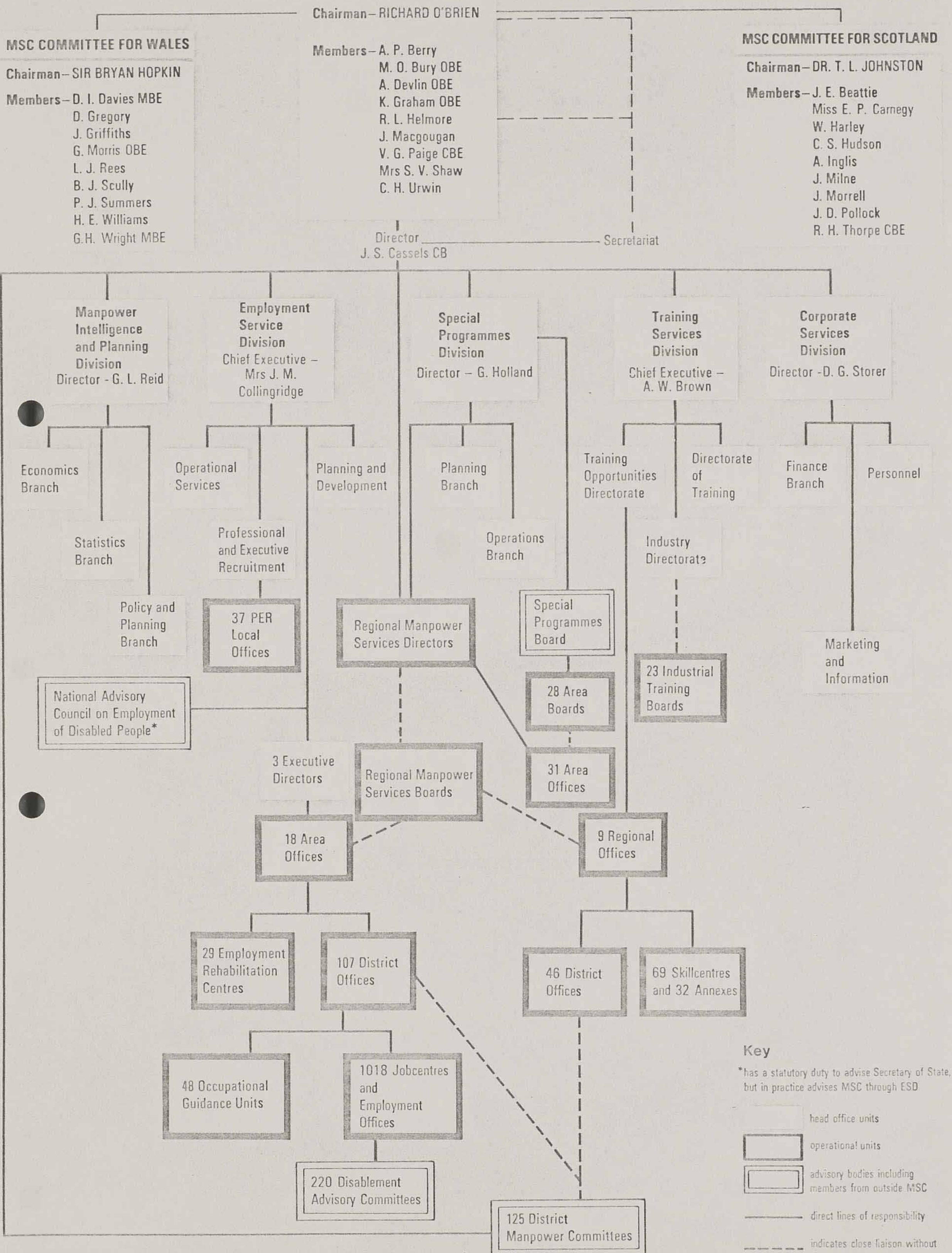
19. This is the unacceptable face of the "accountable management" philosophy, which has run riot in the field organisation of the MSC's three operating divisions, the Employment Services, Training Service and Special Programmes Divisions.

20. This question of organisation illustrates very well the difficulty of relationship between Ministers and bodies like the MSC. Do you wash your hands of them and let them rip or do you reserve to yourself certain decisions about organisation and management?

21. Subject to the views you yourself form, I would advise that the Secretary of State should specify certain requirements as to the scope and scale of MSC activity and administration.

Manpower Services Commission

Headquarters and regional organisation.



UNEMPLOYMENT BENEFIT SERVICE

Why located in DE? Is it an effective service?

Checking fraud and abuse

1. Unemployment Benefit (UB) is part of the Social Security system, which sprang from the old Ministry of Labour and National Service. The money it pays out is from the Social Security Vote, but the administrative cost is borne on the DE Vote. UB was intended to be administered by the former Ministry of Pensions and National Insurance but has remained a separate service. It is operated by the DE as the DHSS's agent.
2. This means separate staffs, offices and overheads, although the UB Service (UBS) uses DHSS computers.
3. A more recent separation is that of the UBS from the Employment Service. There are now three sets of staffs, offices and overheads: DE's Unemployment Benefit Offices, MSC's Jobcentres (or Employment Offices) and DHSS's Social Security offices.
4. It is a good question whether this is the most cost-effective arrangement:
 - a. If the MSC was re-integrated with the DE, it would be sensible to re-merge or at

least re-co-ordinate the associated functions of paying UB and helping people to find work: both the DE and the MSC have the unemployed as their clients. The divorce was intended to free the Employment Service of the "dole queue image", but it was not in my view essential to its upgrading. Now both are being upgraded separately which will of course tend to lock them into their separation.

b. If the MSC is not returned to the DE, it is certainly necessary to re-build the broken bridges between the UBS and the Employment Service (see below).

c. It is problematical whether the UBS should be integrated with the DHSS. Logically, it should be. It would take tremendous determination to do it. It would be sensible if one was reforming and upgrading the administration of Social Security, so that one was just sticking the two things together in their present forms. It would take a long time and some expenditure, eg to produce joint offices. But there would be substantial savings in the end.

d. It might be argued that the logic of combining UB and Social Security is not the only possible logic and that UB is a single, relatively simple benefit, which works and should be kept separate because:

- administration is simple, with two-weekly signing and two-weekly payment;
- the claimants are by and large orderly; whereas
- every Social Security client looks different, benefits and allowances are different, the counter work in DE and DHSS is so different that one would probably need a different counter for UB in merged offices.

e. This view neglects the fact that a large proportion of the people on UB, about 60% I believe, also receive Supplementary Benefit. US is simple in respect of the single person, not the family man. When the claimant of UB is also entitled to Supplementary Benefit, he is passed on by DE to the DHSS, who first make a complicated calculation of entitlement and then inform DE what it should be . DE then authorise the DHSS computer to pay!

Effectiveness

5. The UBS seems very effective in calculating and paying benefits.

6. It seems less effective in checking fraud and abuse. I see that more effort is being put into this, but one of the main defects in existing arrangements is organisational in origin.

7. Each UB Office (UBO) checks all those on the Unemployment Register in the course of the year by means of interviews each week with 2% of those listed. This is in itself salutary for some claimants. It checks the identity and circumstances of the claimant and how actively he is looking for work. (The fortnightly declaration that claimants must make is that they are unemployed and available for work.) The information on which the interviewing officer depends is that provided by the claimant; nothing is available from the Jobcentre, with whom the claimant must register for work.

8. In theory, Jobcentres conduct "Review Interviews" with people on the Unemployment Register and tell UBOs if claimants "Refuse Suitable Employment". This is the only thing

in practice that calls the claimants' entitlement into question, apart from the test check or the numerous anonymous letters sent to the UBS by friends, relatives and neighbours of the "unemployed". The Jobcentre staff do not like the "policeman" image any more than the "dole queue image". So the "RSE" procedure has largely lapsed. Those registered for work are not called in and Mr Richard Layard of the LSE has recently alleged that the Employment Service "increasingly serves the easy-to-please" (GUARDIAN, 5 November).

9. This is a clear disadvantage of the separation of the DE and the MSC. It seems to me reasonable to require the MSC to re-instate the procedure. I believe there is a joint DE/MSD working party looking at things like this. But, on a larger plane, there must be substantial operational and administrative improvements and savings to be had from:

- a. re-merging the UB and Employment Services into a single "Employment Service"; or
- b. merging the Benefit Service with the Social Security Service to produce a reformed system of benefits and allowances and an organisation at once more intelligible to the claimant and more economical for the taxpayer.

10. Either of the possibilities at 9 a. above would make an excellent subject of a "scrutiny" in the new programme.

LABOUR MARKET PROBLEMS

1. My thoughts here are completely impressionistic. They derive from recent visits to manufacturers in Wales, the North East, the North West and Lincolnshire. Many are specific to such occupations as stitching and other textile work in Lancashire. One interesting conclusion is that there are limited numbers of unemployed, except on Merseyside.

2. A recent talk with a go-ahead manufacturer in the North West gave me a microcosmic view of a general problem. He has saved labour by investing in advanced machinery (not British, I am afraid) and has a full order-book. But he cannot get engineers trained to look after his machines. Pay is not the problem. It is getting people with the right skills who are prepared to move and work in a particular industry. (It has to be said that the textile industry has got such a bad reputation as an employer that people will not re-enter it. My own company has a very definite policy about the care of staff. We do not reckon to use supplying firms which do not provide a decent working environment. I am afraid that much of British industry is still very bad at this. I think it an important part of economic management to press employers to invest in such working conditions as make for a loyal and committed work force.)

3. No manufacturer to whom I have spoken regards the MSC's training schemes as helpful. This may be an extreme view and is probably coloured by ignorance of the complete range of what is on offer. My overall impression is this:

a. Firms are willing to recruit and to train staff, but cannot attract sufficient people for permanent work. I think that such shortages are due to the new phenomenon that the advantages of being in full-time work are not sufficiently outweighed by the benefits attaching to either not working at all or working on or off.

b. Workers are very leary of joining traditional industries, with a traditionally bad name, even if they are introducing new technologies and much improved working conditions.

c. MSC occupational training is not yet sensitive enough to changing technologies and is not convincing people to take up appropriate courses. Its Skillcentre procedures can be cumbersome and off-putting, eg the time it takes to recruit instructors and the "pay parade" method of paying trainees. Because of recruitment problems, the Skillcentres' staff are ageing physically and technically.

d. But the MSC is just one of many culprits and, I suspect, less blameworthy than most.

Employers, Trades Union hostility to the acceptance of Skillcentre trainees and human nature ("Why move?, why train?" are all at fault.

4. The new phenomenon at 3 a. above is a matter of economic policy, social security rules and social policy. Working should be so much more rewarding than not working that the latter becomes the mug's game. People on Unemployment Benefit must be more vigorously encouraged to obtain work. The workshy must be consistently presented as plundering those who do work.

5. On the economic policy front, there must be important questions about the future thrust of MSC training policy and the use of its training resources. The Skillcentres are much affected by shortages of instructors, shortages of trainees and Trades Union hostility (as above). I believe that the policy should be to move away from the present concentration on a capital- and labour-intensive plant to providing a high-quality and peripatetic cadre of instructors doing training in employers' own premises. The MSC is already well into this, providing "Direct Training Services" to industry and commerce (on a repayment basis except in assisted areas). I think that this should be further expanded.

6. On the Further Education side, I have serious doubts about the cost-effectiveness and utility of some of the TOPS training provided because:

a. I suspect that the drop-out is high. No published data appear to be available on this.

b. The expense of tuition and allowances is high. It is not obviously right that some people should have allowances as well as free tuition.

c. The relevance of some training to employment appears limited. MSC data on the post-training experience of recent adult TOPS trainees from FE colleagues shows that 34% had had no job since completion and that less than half (46%) were in jobs using what they had learned.

7. There must therefore be a good question whether some of the resources on the FE side can be diverted to a more productive use.

8. In conclusion, I should say that it is somewhat ironic that some of the TOPS effort is devoted to making up for the inadequacy of secondary education. I hear complaints about literacy and numeracy everywhere I go. If war is too serious a business to

leave to the generals, I am convinced that education is far too important to leave to the teaching profession and local government. A determined drive by the Government on behalf of ordinary people and their children is, I am sure, very much needed.

Prime Minister
1. (F)

PRIME MINISTER

YOUR VISIT TO THE DEPARTMENT OF EMPLOYMENT

This visit is scheduled for Monday 26 November from 1130 until 1500. We have also set aside time for a briefing discussion at 1500 on the previous Friday.

Are you content to confirm these arrangements, subject to any over-riding Government business? The Department now need to put firm arrangements in hand if you wish to go ahead.

You have agreed that Sir Leo Pliatzky should come to your briefing, to speak about the papers on MSC and HSE which he recently submitted. Sir Derek Rayner will be away, but will also give you a paper to look at over the coming weekend. Are there any other people outside No. 10 whom you would like to include in the briefing?

MAP

Leon Brittan - if he

can come

as.

B-h invited.

ep.

13/11

12 November 1979



DEPARTMENT OF HEALTH & SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Duty Officer
 10 Downing Street
 London SW1

9. November 1979

Den Det Office

PRIME MINISTER : VISIT TO DHSS

As you may know there were two matters outstanding, resulting ^{for} at the Prime Minister's visit here on 26 September, namely the Disposal of Surplus Land and problems at Milton Keynes. We held up our reply on the latter in the hope that we might have something on surplus land this week; unfortunately this will not be available now until next week. I am however attaching a copy of Dr Vaughan's letter to Lord Campbell of Eskan on Milton Keynes District General Hospital as we promised.

*Your sincerely,
 R. Woollcombe-Adams*

R WOOLLCOMBE-ADAMS
 Private Secretary

*No action PM
 MPA 12/xc*



10 DOWNING STREET

THE PRIME MINISTER

7 November 1979

Original in GR

Dear Sir Michael

The Home Secretary has forwarded your letter to him kindly inviting me to visit the Intelligence Centre at Templar Barracks, Ashford. Although this is an engagement I would like very much to take on, I am afraid it will not be possible at the present time due to my already overcrowded diary for the foreseeable future. However, I am most grateful to you for asking me and if I should visit Kent in an official capacity in the future I shall certainly bear your kind invitation in mind.

With best wishes and in the meantime could you kindly pass on this reluctant refusal to all concerned.

Yours sincerely
Roger Douglas-Scott

Lieutenant-General Sir Michael Gow, K.C.B.

Top Copy on: GOVT. MATCH,
PEB, QUANG GOES

SIR LEO PLIATZKY

The Prime Minister has seen your minute to me of 1 November, about the Manpower Services Commission, with which you enclosed material on other non-Departmental bodies responsible to the Department of Employment.

[See
MAP & PM - 2.11.79]

Pliatsky to

MAP + enc.

~~1.11.79~~

both on

Quang goes

file

She is grateful for this report, and especially for the separate note about MSC. She will find these of great value in preparation for her proposed visit to the Department of Employment later this month, when she will wish to pursue the policy issues which arise from your study.

The Prime Minister proposes to have a small internal briefing meeting shortly before she visits the Department of Employment. This will be in the week beginning 19 November, and she hopes that you will be able to attend. I will ask Caroline Stephens here to get in touch with you when the timing has been settled.

MAP

5 November 1979

1.

PRIME MINISTER

Here is a paper from Sir Leo Pliatzky on the Manpower Services Commission. Flag A is his personal comment, copied only to Sir Ian Bancroft and Sir Derek Rayner. Flag B is what he intends to include in his report on the Department of Employment, and Flag C is a separate note on ACAS. by the Dept.

His message seems to me to break down as follows:

- (i) MSC has been embarrassed by too much money in recent years;
- (ii) Public expenditure retrenchment is already removing that problem;
- (iii) Underneath the ostentatious wealth over the last few years, MSC has actually been more competent than one might expect. Its functions are unavoidable in some form, although there is scope for argument about the strategy it adopts to fulfil them, and about whether these functions should be re-absorbed into the Department, or even put into the private sector in some cases;
- (iv) The scope for changes is not a subject which ought properly to be resolved in the Pliatzky exercise. It is a part of policy issues for the Secretary of State to resolve.

MSC activities are an area where signs of firm Government action would be welcomed by many Government supporters. The same is true of the Industrial Training Board activities, also mentioned in these papers. Sir Leo draws attention to Departmental work in hand on the latter, which he cannot anticipate. For MSC, I judge Sir Leo's message to be that no obvious re-organisation option would guarantee to deliver the required services within the public sector more efficiently, now that MSC is having to live within appropriate financial constraints.

for his response now
At this stage, should I reply to Sir Leo that you have noted his views, which you will find of value in preparation for your talks at the Department of Employment later this month? You may like to include Sir Leo in the briefing discussion you want to have before that 26 November visit.

are very practical
Yes please.

MP

2 November 1979



Report
~~Are you following up the~~
~~last despatch point?~~

BT
5/11

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister of State (Health)

The Rt Hon Lord Campbell of Eskan
 Chairman
 Milton Keynes Development Corporation
 Wavendon Tower
 Wavendon
 Milton Keynes
 MK17 8LX

20 November 1979

Dear Lord

MILTON KEYNES DISTRICT GENERAL HOSPITAL

When the Prime Minister visited Milton Keynes in September, two matters were raised with her informally and, as you know, she has asked me to follow them up and advise her as to the outcome.

First of all, there was the question of the design of Phase 1 of the hospital. I think it was Evelyn de Rothschild who expressed particular concern about the use of the "Oxford Method" of design and construction. You spoke about this with my predecessor last Autumn and we have talked about the matter again more recently. The position is now that the design is very far advanced, work is on schedule for a start on site in the Autumn of 1980 and the first "packages" will shortly be going out to tender.

To have abandoned the "Oxford Method" design last Autumn would have imposed delays which might have run into several years. I know that your view then was that work should continue on the basis of an "Oxford Method" design because you wanted the hospital started and built as rapidly as possible.

Essentially, the position is unchanged, except that to abandon the "Oxford Method" now would involve even greater cost and time penalties. You did say quite recently that, notwithstanding aesthetic objections, you were not in fact pressing for any change. Before I discuss the matter again with the Prime Minister, I would be grateful for confirmation that I am correctly interpreting the Development Corporation on this point. Am I right in saying that, it is your wish that work should proceed now as fast as possible on the basis of the planned "Oxford Method" design?

Then quite apart from the question of the design, there is the matter of funding. The Oxford Regional Health Authority as a whole has to cut back spending by an estimated £7.5 million in this financial year in order to remain within cash limits.

Buckinghamshire Area Health Authority, for its part, has to reduce overspending by about £1.75 million and has, as you know, had to impose severe economies across the board. If these measures appear likely to be insufficient, the Region will be forced to look for additional economies and, inevitably, they would be obliged to re-examine the capital programme.

This possibility will be a matter of particular concern to the Development Corporation because Milton Keynes hospital is much the largest project in the Region's immediate capital programme, and there would be much logic, from the Region's point of view, in deferring the start of the scheme. In the short term this would enable capital to be transferred to revenue account and, consequently to postpone the impact of the revenue consequences of opening the completed hospital until more favourable conditions prevail.

You indicated that the Development Corporation might be willing to contribute towards the cost of constructing the new hospital for Milton Keynes, and might also help the health authority with the initial revenue costs associated with bringing the hospital into use. Can I press you to be specific on this offer? The Prime Minister has asked for clarification and I need to know whether the Development Corporation is able to make such help available, and if so, whether the proposal has the agreement of the Department of the Environment? If the answer to the first question is "yes", and if the need arises, would the Development Corporation be prepared to assist in this way?

A handwritten signature in dark ink, consisting of a large, stylized initial 'G' followed by a horizontal line and a small flourish.

DR GERARD VAUGHAN

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FROM SIR LEO PLIATZKY

MR PATTISON

Non-Departmental Public Bodies

The Manpower Services Commission (MSC)

.....
1. In my discussions within Whitehall about the Manpower Services Commission the view has emerged that I ought to let the Prime Minister see my findings on this body in advance of my report as a whole. May I therefore let you have the enclosed appraisal, which is intended to appear as an Annex to the published report.

2. This follows a series of discussions with the Department of Employment, DHSS, the Treasury, Sir Derek Rayner's office, the MSC, the CBI and the TUC. It is largely factual (and I hope that this fairly brief digest of a great deal of material will be useful) and is an agreed document vis-à-vis the other Departments; which I have now discussed with Mr Prior, but of course it has not been seen outside Whitehall. It does also express some judgments but it stops short of a policy recommendation on the future of the MSC. May I in this minute add some further comments not designed for publication.

3. The point which stands out, of course, is that the MSC has in the past had too much money in the sense that it did not have to make hard choices about priorities; it did not have to put economy first; and even then it could not spend its full expenditure allocation. It not only got all the money it asked for but had funds pressed upon it. The previous Conservative Government sowed the seeds of this expansion, but it blossomed under the last Labour Government.

4. It is rather difficult to abstract from that situation and form a judgment whether, given the tasks and the funds allotted to it by the Government of the day, the MSC has been a well-managed organisation. Having gone into the matter quite carefully, I consider it a better managed organisation than I had expected to find, and one which, even in those special circumstances, has satisfied the public service criteria for propriety and accountability in the use of public funds.

5. The era of largesse in the MSC's affairs is now being remedied by the cuts in public expenditure and in manpower. I have not been able to anticipate how far the public expenditure exercise by itself would go beyond cutting away all planned growth (and that it will certainly do) but the manpower

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cuts, which apply to the MSC because its staff have retained Civil Service status, can be expected to produce an absolute reduction in staff numbers and, as a consequence, in total expenditure.

6. Because the staff are civil servants, and mostly engaged on work previously done by the Civil Service, it would be technically possible to go beyond this and legislate to bring the organisation back into the Department of Employment, as a "Departmental agency", with little if any physical disruption. The principal effect would be the disappearance of the Commission itself as the body of people in charge of the organisation, and an end to the direct involvement of both sides of industry in its policies and management.

7. This course would have to be seriously considered if either the organisation were incapable of adjusting to the new and more stringent regime or if the industrial members of the Commission were not prepared to make it work. But the MSC staff are competent people - a view in which I think Sir Derek Rayner concurs - and I judge that the capability and systems are there for deciding on priorities and managing within a predetermined budget. The CBI attach importance to retaining a direct industrial input into the organisation, while the TUC attach importance to maintaining the involvement of government and both sides of industry in all three Department of Employment bodies, ie the MSC, the Health and Safety Commission and ACAS.

8. I have been told specifically that the TUC's commitment to the Manpower Services Commission is not undermined purely by the fact of cuts in public expenditure and manpower. Some of them would prefer the MSC to be exempt from the staff cuts, but that is of course not negotiable, and I think that a person such as Len Murray accepts this. This does not mean that the Trade Unions would go along with anything and everything - the jobcentre programme, for instance, could be a sticking point - but in practice, though there are issues still under discussion between the Department of Employment and the MSC about the incidence of the cuts, there does not appear to be any issue at present so intractable as to require the TUC to withdraw or to give the Government any reasonable grounds for disengaging.

9. Of course there are a number of further issues to be resolved in this field, and a good deal of further work to be done, but this would be the case irrespective of whether the organisation remains outside the Department or is brought back into it. There is, for instance, the question of the Industrial Training Boards which the MSC inherited and which they are now reviewing; there is no alternative but to let this review take its course, but what I have written on that

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subject is designed to encourage a critical approach to the questions involved. There is the question of the work of what are now called Skillcentres, formerly Government Training Centres, which Mr Prior is seeking to reorientate more towards meeting strictly industrial rather than commercial needs; while Sir Derek Rayner is looking into the question of training allowances.

10. There is one thing, however, which is crucial to the future of the MSC. This is continued acceptance not simply of the principle of a public employment service (I imagine that this is not seriously in question though, if it were, evidence could be brought to show that it would cost more to abolish it than to keep it) but also of the policy of separating the placement service from the unemployment benefit service. This separation has been seen as central to an employment service in line with generally accepted standards in a modern industrial society, and its abandonment would involve a great upheaval in every sense.

11. Functional separation does not necessarily entail free-standing jobcentres, still less High Street jobcentres. There are still many employment offices in the same physical complex as unemployment benefit offices. But the MSC has produced a good deal of material to show that jobcentres are the more cost effective means of getting people off the unemployment register. This material has been looked at by the Treasury, who accept it, and by an Economic Adviser in Sir Derek Rayner's office, whom I interpret also as accepting the economic case in principle for a jobcentre programme, as distinct from the size of the programme and particular aspects of it. It is worth noting that the MSC (unlike the Health and Safety Commission or, to take another example, the Water Authorities) gets good marks for consciously addressing itself to the question of costs and benefits and publishing material on this aspect of its work.

12. Sir Derek Rayner among others has been critical of the cost of High Street locations for jobcentres, especially when they do not open on Saturdays - which, incidentally, is because the MSC have not so far been able to negotiate Saturday opening with the Staff Side. More economy in the choice of sites is perfectly compatible with a continued jobcentre programme; it is something which Mr Prior is pressing on the MSC and I think that they have got the message. My view is that, within their new expenditure and manpower constraints, there should be a place for a jobcentre programme at a level to be worked out between the Department of Employment and the MSC, with whatever further input Sir Derek Rayner's exercise can contribute.

13. This is not to deny that the separation of the placement service from the unemployment benefit service, as operated at present, has drawbacks from the point of view of checking whether people are taking up jobs genuinely on offer but, as reported in the enclosed note, there is now a working party (chaired by a Department of Employment Minister) to look at ways of improving liaison between the two services. In the longer run some of us feel that there may be greater dividends to be secured from the embryonic work now being started on the interface between the DHSS and the unemployment benefit service.

14. As regards the MSC's subordinate bodies, my note reports a planned reduction from 125 to 88 in the number of District Manpower Committees. This should save ~~the better part of~~ £100,000 a year. I hope that further consultation will lead to the merger with these bodies of 200 Disablement Advisory Committees, with a further saving of over £80,000 a year.

an estimated £40,000

15. The front page of the enclosed text links the MSC with the other two Department of Employment bodies, the HSC and ACAS; a short note on ACAS, provided by the Department itself, has been added to the set of papers. I am not yet sufficiently advanced on the health and safety front to offer a considered appraisal, and also I have to take account of the separate CPRS exercise on this. But I am already clear that the issues as regards the Health and Safety Commission and Executive are in some ways more complex than those relating to the MSC, and the set-up there is probably in some ways more unsatisfactory. I am exploring whether there are any administrative improvements which could be effected within the existing legislation.

16. There is no doubt that the hiving off of all these bodies has greatly reduced the capability of the Department of Employment itself. This is more noticeable on the HSC front, where the Department seems to me to be in a weak position to monitor the HSC's activities, than on the MSC front where there is still the capability for a dialogue. In the main part of my report, a general inference which I propose to draw from these and other case studies is that, while there is still room for selective use of non-Departmental instruments, in general we should not go further down the road indicated by the Fulton Committee's Report on the Civil Service in 1968, which said that the possibility of a considerable extension of "hiving off" should be considered.

17. As regards the MSC itself, it will be implicit in the presentation which is envisaged for the report as a whole rather than an explicit statement of intent, that - since the MSC is not to be listed among the bodies to be wound up - it is to continue but on a reduced budget, and subject to further review of a number of aspects, such as the future of the Industrial Training Boards and liaison between the

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placement service and the unemployment benefit service; meanwhile the report would take credit for a reduction in the number of MSC subordinate bodies. It will be for Departmental Ministers, in this case Mr Prior, to answer questions on the decisions about individual bodies. As I said at the outset, the purpose of this minute is to report in advance that, subject to any decision to the contrary, this is the way in which this important aspect of the exercise is moving.

18. I am sending copies of this to Sir Ian Bancroft and Sir Derek Rayner. I am not sending a copy to Mr Prior's office (nor to Mr Patrick Jenkin's, though he too has an interest) but Mr Prior knows that I am submitting my personal comments in this way; whether he should have a sight of them is, I think, a matter for the Prime Minister.

h.f.

LEO PLIATZKY

1 November 1979

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DEPARTMENT OF EMPLOYMENT

The non-Departmental bodies for which the Department of Employment is responsible include three which have been hived off from the Department itself over the past five years - the Manpower Services Commission (MSC), the Health and Safety Commission (HSC) together with the Health and Safety Executive, and the Advisory, Conciliation and Arbitration Service (ACAS). The MSC and HSC are discussed in some detail below, and a briefer description is given of the workings of ACAS.

These bodies represent the biggest hiving off operation which has taken place in the sphere of a single Department and entail a substantial transfer of the Department's executive capability to the three new organisations. However, their staffs, unlike most fringe body staff, have remained part of the Civil Service, but under non-Civil Service and non-Ministerial direction. Moreover, the staff of the Department itself and of these three bodies, described collectively as the Department of Employment Group, are interchangeable and all their payrolls are administered by the Department. The number of non-industrial staff involved as at 1 April 1979 were as follows:-

Department of Employment	23,230
Manpower Services Commission	23,253
HSC	4,077
ACAS	804

Manpower Services Commission (MSC)

1. The MSC was set up at the beginning of 1974 by the last Conservative Administration to carry out a range of functions, especially in helping to place people in jobs and to promote training, which had previously been carried out by the Department of Employment and its predecessor, the Ministry of Labour. This was done under the Employment and Training Act 1973. The Department itself retained a further range of functions, including the payment of unemployment benefit as agents for the Department of Health and Social Security (DHSS) together with oversight of the MSC.

2. The MSC's principal functions are financed by a grant in aid from the Department, whose Permanent Secretary is Accounting Officer with responsibility for the processes leading up to the payment of the money to the MSC. He must also be satisfied that the MSC has the staff and systems to apply the money efficiently and properly. The Chairman of the MSC is Accounting Officer for the use of the money once it has been handed over. Both have roles to play in the framing of the employment and training policies put to the Secretary of State for Employment for approval, and both must be satisfied as to the general performance of the MSC. But this does not entail duplication of effort in management, execution of policy and detailed control, which are the responsibility of the MSC. Its accounts are audited by the Comptroller and Auditor General, who reports on them to the Public Accounts Committee.

3. The MSC has also acted as the Department's agents in carrying out job creation programmes. These are financed by the Department separately from the grant in aid.

4. At the time of its creation the MSC represented the latest in a series of moves to enhance the governmental employment and training services. A policy of replacing the old employment exchanges, known still earlier as labour exchanges, by separate offices administering the placement service on the one hand and the unemployment benefit service (UBS) on the other in different premises had already been embarked upon - the origin of the High Street jobcentre, though separate premises for the placement service need not be in a High Street and are not always located there. The system of Industrial Training Boards, largely financed by levies on companies, had been legislated for by the Industrial Training Act 1964, passed by a Conservative government and implemented by its Labour successor.

5. The principal reasons for handing over the development of these policies to a new form of organisation were, first, the doctrine of establishing accountable units for the purpose of management, whether within Government Departments or hived off from them, which was favoured by the Fulton Committee's Report on the Civil Service in 1968 (Cmnd 3638); and secondly the desire to involve both sides of industry in the running of the organisation, by placing it under a Commission which could include people from industrial management and the Trade Unions.

6. But it was never the sole intention that the MSC should merely provide a different organisation for administering a given amount of money. The large expansion of the Training Opportunities Scheme and the plan for the separation and modernisation of the employment service were initiated by the Conservative Government before the MSC was set up, and there was from the outset an intention to give these services a higher priority in the allocation of public expenditure. This policy was intensified under the last Labour Government

which, in response to higher unemployment, substantially increased both the grant in aid to the MSC and the funds for the job creation schemes which it administered as agents for the Government.

7. This trend is illustrated by the following run of figures for expenditure by the MSC on its own account, ie out of grant in aid, and as agent for the Department (excluding Remploy services for the disabled). The amounts up to 1977-78 are out-turn figures, for 1978-79 the figure is for provisional out-turn, and for 1979-80 the figure is the present estimate of likely expenditure:

	£ million 1979 Survey Prices					
	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
From grant in aid	212	346	426	469	518	570
As agent	3	6	42	83	103	61
	<u>215</u>	<u>352</u>	<u>468</u>	<u>552</u>	<u>621</u>	<u>631</u>

8. These figures include sums which, before the creation of the MSC, had been spent on accommodation and supplies for these services by other Departments on an "allied service" basis and not on a basis of repayment by the Department of Employment, but for which the MSC has made payment since 1 April 1975. In 1979-80 the amount involved is about £80 million. To this extent the table above overstates the increase in expenditure by the MSC, but the true increase is nevertheless substantial.

9. Under the previous Government's published expenditure plans, this rising trend in expenditure would have continued. The present Government's decisions on public

expenditure had still to be completed and announced at the time of preparation of this report, but it was to be anticipated that the previously planned further growth would be eliminated, and that total expenditure from grant-in-aid and on an agency basis, taking the two together, might continue at something like the current level, or perhaps rather below it as a result of the effects of reductions in MSC staff. This would still be a substantially higher level of expenditure than a few years ago.

10. This report does not concern itself with the political judgments involved in the previous plans for expansion or the present plans for relative retrenchment, nor with the case for and against job creation schemes, but with the questions involved in using this form of organisation. As has been said, the creation of the MSC went together with a rapid increase in expenditure, and this is something which generally causes problems of one kind or another. One aspect of this in the case of the MSC was a tendency for actual expenditure, as set out above, to fall short of the amounts approved, thus contributing to the general problem of allowing for shortfall in the management of public expenditure as a whole. In 1978-79, as compared with an approved grant-in-aid for the MSC of £595 million, provisional out-turn in current prices was £508 million, a shortfall of £87 million. Nevertheless a considerable impetus was injected into the expansion of programmes consistently with meeting the usual public service requirements as to control and audit of public funds and accountability to Parliament. No grounds have been brought to light for suggesting that in these respects there was any shortcoming in performance by reason of the hived-off nature of the organisation;

this no doubt owes something to the arrangements summarised earlier on for handling the grant-in-aid and to the fact that the staff, as civil servants, were accustomed to the procedures for dealing with public funds.

11. Until this year, because of the preference enjoyed by the MSC in the allocation of public expenditure, it has never had any significant problem of determining its own relative priorities for the use of funds, and has not in the past had to make hard choices in this respect. If it is now entering a phase in which its affairs have to be managed within a fixed budget, it appears to have the capability to adjust to this situation. The need for a more stringent approach to relative priorities does, however, present new issues in the context of the dual involvement of the Department and the MSC which has been described above. The Secretary of State is not in a position to secure an apportionment of reductions in staff and expenditure plans in this field by simple fiat to the same extent as he is within his own Department. On the other hand, it is arguable that these are functions of particular interest to both sides of industry, who would expect at least a degree of consultation on such changes, and that, given the representation of industry on the Commission itself, the dual involvement of the Department and the MSC has the effect of internalising the dialogue up to a point, so as to produce proposals more likely to be acceptable to industry.

12. It is not easy to evaluate how much has been gained, as a result of having the Commission in its present form, in terms of securing acceptance of change and support for new initiatives by both sides of industry, as compared with what might otherwise have been achieved by the Department

of Employment. Although little impact appears to have been made in overcoming localised resistance to novel or accelerated forms of training to meet particular needs, the MSC themselves are in no doubt that important gains have been made in changing the general climate of opinion towards youth training, as illustrated by the support secured for the "work experience" scheme for young people, which is said to have led to continuing employment for a high proportion of the young people who are accepted by employers on only a temporary basis in the first instance.

13. Historically there has been a great deal of mobility of labour between industries and trades in response to economic and technological change, but there is a body of opinion that, especially in the crucial engineering sector, the pace of adaptation in this country has been too slow, and that a great deal more flexibility in training and retraining will be necessary if there is even a degree of truth in the thesis that developments in micro-electronics will dramatically accelerate technological and industrial changes. The question which is relevant in the present context is the role of the MSC, and the Industrial Training Boards for which it is responsible, in helping to adapt to this situation. There is no alternative but to suspend judgment on this question until the MSC has completed the review which it is now carrying out, under the direct supervision of its Chairman, of the working of the Employment and Training Act 1973, to be completed by the summer of 1980.

14. It is understood that the review will include an assessment of the Training Board system, and the case for retaining particular Training Boards, and a further look

at the method of financing them. Originally most companies covered by Industrial Training Boards paid levies to the Boards but many received substantial amounts back as grants. Dissatisfaction with this levy-grant system led to a new system of exemptions from levy for companies carrying out a satisfactory level of training. As one consequence of this, the administrative costs of the Boards, amounting to just over £40 million by 1979-80, were accepted for financing out of the MSC's grant in aid. This change is bound to have weakened the responsibility of the Industrial Training Boards themselves. It has, for instance, entailed an undesirably long chain of command in dealing with matters relating to the staffs of the Boards. To reverse the change made in 1975 would no doubt be difficult if it took place at a time when company profits and liquidity were under strain, and in any event training levies are not altogether popular; but in principle, if the Boards are to continue, it would be desirable for them to have a greater degree of responsibility for financing and managing their own affairs. This may well involve looking at the composition of the Boards as well as the sources of their funds.

15. To turn from training to the employment service, the MSC's future role in this field presupposes not simply continued acceptance of the principle of a public employment service, but also, for practical purposes, a continuing policy of separating the placement service from the unemployment benefit service. Although in theory the two services could be re-united under the MSC, this is unlikely to be found a workable and acceptable option.

16. There has been some concern whether the separation of the two functions has weakened the arrangements for applying the rules about the unemployed accepting jobs which are suitable and available. A working party has therefore been set up under Ministerial chairmanship to see what can be done to improve liaison between the two in this matter.

17. The functional separation of the two services does not in itself lead to physical separation involving different sites, and a substantial part of the placement service is still carried out by employment offices operating side by side with the unemployment benefit service; but the objective has been to achieve physical as well as functional separation by setting up free-standing jobcentres. There has been some public criticism of this programme on the grounds that "High Street jobcentres" involve unnecessarily expensive premises. If this were the case, it would not in itself be an argument against the jobcentre programme, as distinct from the choice of some particular locations for jobcentres. The MSC have published a good deal of material which in their view demonstrates that the jobcentre programme has been cost-effective in terms of the numbers placed in employment by this method and the relative cost of each placing as compared with other methods of operation. It is to be expected that the present more stringent financial climate will be taken into account by the MSC in allocating funds for the jobcentre programme within the total available for its programmes as a whole.

18. In addition to the involvement of both the placement service and the unemployment benefit service in the complex of arrangements discussed above, there is the complication that a substantial proportion of those who draw unemployment benefit as of right, by virtue of their national insurance contributions, also draw supplementary benefit, which is not related to contributions. Under the present scheme it is not possible for the Department of Health and Social Security to devolve the handling of claims for supplementary benefit to the Department of Employment under an agency

arrangement of exactly the same kind as is adopted for the unemployment benefit service, and the local offices of the Department of Health and Social Security have to be directly involved in individual cases. It is therefore possible for three separate offices to be involved in a certain type of case - those of the unemployment benefit service, the Department of Health and Social Security, and the MSC's employment office or jobcentre. In practice this need not be so burdensome as it sounds. For instance, someone wanting work is likely to visit the jobcentre every day until he has found it, and the much more spaced-out visits to the other offices make much smaller demands on his time. However - though this is something extraneous to the question of jobcentres and the role of the MSC - it is understood that the Department of Health and Social Security, with the Department of Employment, will be giving longer-term thought to the general arrangements for administering benefits for the unemployed.

MSC Subordinate Bodies

19. The MSC has a large number of subordinate bodies. In addition to the 24 Industrial Training Boards, now subject to review by the MSC, there is Remploy, which provides sheltered employment for disabled people; Community Industry which operates schemes for disadvantaged unemployed young people; 28 Special Programmes Boards which assist in the operation of the special programmes for the unemployed; and a large number of District Manpower Committees (DMCs) and Disablement Advisory Committees (DACs). These two sets of committees provide advice to the MSC from local employer and union representatives, and others concerned at local level, on the development of the MSC's services.

20. Pending completion of the review of the Industrial Training Boards, the main scope for reducing the number of MSC subordinate bodies appears to be in the field of the advisory committees. The MSC has itself decided to reduce the number of DMCs from 125 to 88 and to reduce the number of representatives on the reconstituted committees. There is a review in process of the 200 or so DACs by the National Advisory Committee on the Employment of Disabled People. The MSC will wish to await the outcome of this review but it does not seem necessary to have two separate groups of advisory committees, one for manpower services generally and the other for manpower services for disabled people. A more effective arrangement would be to merge the functions of the DACs with the smaller number of reconstituted DMCs; these could, if necessary, have sub-committees dealing with services for disabled people. This would reduce the number of MSC advisory committees from over 300 to 88.

ADVISORY, CONCILIATION AND ARBITRATION SERVICE

1 The Advisory, Conciliation and Arbitration Service (ACAS) was established as a statutory body in January 1976 with the general duty of promoting the improvement of industrial relations and encouraging the extension and reform of collective bargaining arrangements. The Service is directed by a Council appointed by the Secretary of State but it is specifically provided that it shall not be subject to Ministerial direction as to the way it performs its functions.

2 Most of the activities currently undertaken by ACAS were previously carried out by the Department of Employment. These include conciliation in industrial disputes, arranging arbitration, and providing advice to employers and trade unions on industrial relations and employment matters. ACAS also conciliates on unfair dismissal claims and in other individual rights cases.

History

3 In the early 1970s, debate developed about the problem of reconciling the roles of economic management and industrial peace-making, and in particular about the effects of Government pay policies on the availability and standing of impartial conciliation etc services which had been traditionally provided by the DE. In 1972 the CBI and TUC advocated the creation of an independent agency to discharge these functions. In September 1974 the Government set up such a service on an administrative basis (transferring to it DE staff engaged on this work) and this was subsequently given statutory form by the Employment Protection Act 1975.

Current developments

4 ACAS currently employs 880 staff. The recent increase in the qualifying period for unfair dismissal claims will result in a reduction of some 50 staff by 1982/3.

Forthcoming legislation is likely to relieve the Service of its statutory responsibilities on trade union recognition, which have caused it considerable problems and which the ACAS Council would like to see removed. This would mean a further reduction of 31 staff by 1982/3. Some trimming of other services would produce overall savings of up to 15%.

5 ACAS services continue to be in wide demand. In 1978 ACAS dealt with over 3,300 requests for conciliation in industrial disputes, of which 40% were made either by an employer or jointly by employer and trade union. A number of substantial inquiries into industrial relations issues were also carried out, as well as thousands of advisory visits.



2 - NOV 1979

BF 16/XI

Prime
Minister

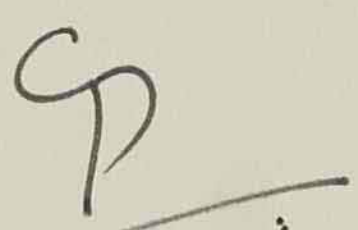
cc for information

Mr PATTISON

Sir Derek Rayner
Mr Allen (with papers)

DEPARTMENT OF EMPLOYMENT

Thank you for your minute of 29 October and its attachment.
Sir Derek Rayner will be abroad in the week beginning 19 November,
but would be glad to provide a note on the Organisation of the DE
Group and the Unemployment Benefit Service by 20 November. He will
almost certainly want to offer something as well on Mr Hardman's
item 5, Labour market problems. If you want anyone from here
for an oral briefing, Mr Allen or I will be glad to do what we
can in Sir DR's absence.


C PRIESTLEY
31 October 1979

31 OCT 1951



DEPARTMENT OF COMMERCE

Thank you for your minute of 29 October and statement.
My letter earlier will be found in the week beginning 29 October
but will be glad to provide a note on the organization of the
Board of the International Maritime Organization. It will
be about certainly want to offer something as well on Mr. Hansen's
letter of 29 October. If you wish some more from him
for an early printing, I think or I will be glad to do what we
can in Sir D's absence.

31 OCTOBER 1951



Bf 20-11-79

Prime Minister

10 DOWNING STREET

From the Private Secretary

MR. LAUGHRIN
CIVIL SERVICE DEPARTMENT

As you know, the Prime Minister is likely to spend some time at the Department of Employment on 26 November.

I enclose a copy of a letter from Andrew Hardman, setting out the topics which the Secretary of State for Employment has suggested for discussion that day. The Prime Minister has agreed to pursue these topics. I would be grateful if you could let me have any briefing that you care to offer by close of play on 20 November.

M. A. PATTISON

29 October 1979

TRC



10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
CABINET OFFICE

As you know, the Prime Minister is likely to spend some time at the Department of Employment on 26 November.

I enclose a copy of a letter from Andrew Hardman, setting out the topics which the Secretary of State for Employment has suggested for discussion that day. The Prime Minister has agreed to pursue these topics. She hopes to have time for a short in-house briefing meeting at the end of the previous week. She would particularly welcome Sir Derek Rayner's comments on items 4 and 6 in the attached letter. Is Sir Derek likely to be available for a meeting, or would it be more convenient for him to offer some briefing in writing: if so, I would be grateful if this could reach me by close of play on Tuesday, 20 November.

M. A. PATTISON

29 October 1979

TGR

TMP

MR. WOLFSON

I sent you a copy of the Department of Employment's letter proposing topics for discussion for the Prime Minister's visit on 26 November.

The Prime Minister would like to have a small meeting of non-DOE people to brief her on these matters before her visit. I have already warned Sir Derek Rayner's office of this, and I have separately asked the Civil Service Department to let us have any briefing they care to offer by 20 November. Do you have any particular suggestions as to who should be invited to the briefing meeting?

M. A. PATTISON

29 October 1979

TCR



10 DOWNING STREET

From the Private Secretary

29 October 1979

Thank you for your letter of 22 October, setting out the topics which your Secretary of State suggests should be discussed during the Prime Minister's proposed visit to the Department on 26 November.

I confirm that the Prime Minister is content with these proposals. If events in the coming weeks lead her to suggest additional points, I will pass this on to you as soon as possible.

M. A. PATTISON

Andrew Hardman, Esq.,
Department of Employment.



10 DOWNING STREET

PRIME MINISTER

cc. Mr Wolfson

You are due to visit the Department of Employment late next month. Here are the topics for discussion suggested by Mr. Prior.

If you agree these, I shall ask Sir Derek Rayner to provide some briefing on items 4 and 6: I know he has strong views on both, although the fundamental policy issues involved are outside the scope of Sir Derek's remit.

MP

Ok

I will have a small meeting 2

non 170K people to visit me or vice versa matters before me.

26 October, 1979.



DS
cc Mr Ingham
Mr Lydes
Detectives

10 DOWNING STREET

From the Private Secretary

24 October 1979

Dear George

Thank you for your letter of 4 October, enclosing the outline of a programme for the Prime Minister's planned visit to Wales.

The Prime Minister has seen the outlined programme, and is content to plan on this basis. There are, however, a number of points which will require some further consideration.

First, you have proposed Dow Corning Limited, Barry, for a factory visit. Whilst this would be suitable in many ways, I wonder whether it is appropriate to make the Prime Minister's one factory visit at a subsidiary of an American concern. An alternative which has been suggested to us is the furniture manufacturing firm of Christie-Tyler at Bridgend. I understand that this company has had considerable success with productivity agreements recently. Do you consider that this would be a convenient alternative?

Secondly, the meeting listed at 3.35 p.m. in your programme will have to be broadened. This should provide for a cross-section of staff to meet the Prime Minister, including Departmental Staff Side representatives. I suggest that we should have a further word on the telephone about this.

Third, in respect of the call on Ely Hospital, the handling of Press will require careful consideration. The Prime Minister will be happy to make the visit, but it might not be the best setting to allow photographers a free rein. This is a point which our Press Officer will take up with your Press Office nearer the time of the visit.

If time allows we have it in mind that the Prime Minister might have a session with some regional editors on the evening of her arrival in Cardiff. This will depend very much on the timing of other events, and again will be for discussion between our respective Press Offices nearer the time. For your own information, we have it in mind that the Prime Minister might wish to pay a visit to Anglesey on the previous afternoon, coming down to Cardiff in mid evening. She might then possibly fit in a session with the editors. The Conservative Welsh Area Office will also be making arrangements for a Party function after the close of the official programme on the day of the visit. Your Secretary of State may like to be aware of these additional plans.

/Perhaps

JS

Perhaps we can have a word when you have considered the points raised above. Friday, 11 January has been tentatively pencilled into the Prime Minister's diary for a trip to Wales, but there is always a strong possibility that the date will change. It is more likely to be delayed than brought forward, but you should not rule out an earlier visit.

Yours sincerely

Mike Paterson

George Craig, Esq.,
Welsh Office.



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

M Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

22 October 1979

Dear Mike,

You asked us in your letter of 1 October to let you know our Secretary of State's suggestions for the main matters which might be discussed at the morning and lunchtime sessions when the Prime Minister visits this Department on 26 November. These are as follows:

MORNING SESSION (11.00-12.30)

1 The industrial relations scene

Among the matters which might be covered are:

- How much further should we go in changing the legislative framework, eg on trade union immunities?
- Role of ACAS
- No-strike agreements
- Restrictive practices
- Developments in trade unions
- Special problems of the Civil Service.

2 Pay

Current problems and outlook; the Government's posture.

3 The unemployment problem

What should happen to the present programme of "special measures" (Youth Opportunities Programme etc)? What else should be done?



4 Organisation of the DE Group

Has the hiving-off of functions to the Manpower Services and Health and Safety Commissions and to ACAS justified itself?

LUNCH SESSION (13.00-13.45)

5 Labour market problems

Especially labour shortages, their causes and cures.

6 The Unemployment Benefit Service

- Why located in DE?
- Is it an effective service?
- Checking fraud and abuse.

You will no doubt let us know the Prime Minister's reactions in due course.

Yours Sincerely

ANDREW HARDMAN
Private Secretary

2



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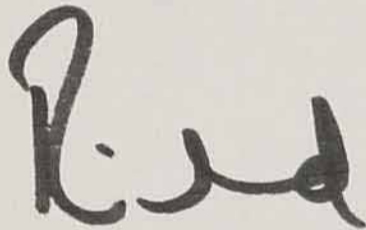
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MIKE PATTISON

I enclose observations from Derek Howe and our Welsh Area Agent, Derek Laws, concerning the draft programme submitted by the Welsh Office. I believe that Derek Laws makes some very pertinent points and I hope they will be taken into account.

A handwritten signature in dark ink, appearing to read 'Ryder', written in a cursive style.

Richard Ryder
22.10.79

Conservative and Unionist Central Office Wales Area

4 Penlline Road Whitchurch Cardiff CF4 2XS Telephone Cardiff (0222) 616031

Central Office Agent: DEREK LAWS
Deputy Central Office Agent: VICTOR SIMPSON
Research Officer: CHRISTOPHER BUTLER
Community Officer: RICHARD DIMENT

19th October, 1979

Richard Ryder, Esq.,
Political Office,
10 Downing Street,
London S.W.1.

Dear Richard

Thank you very much for your letter dated 17th October received today advising the possibility of a visit to Wales by the Prime Minister on Friday 11th January next year.

I have noted with interest the recommendations of the Welsh Office and have only two comments on same namely:-

- 1) Dow Corning Limited of Barry you will note is a subsidiary of an American Company and whilst I have no doubt about the advantage to the Welsh economy, I think there is a slight danger of appearing to ignore Welsh interests.

As an alternative the furniture manufacturing firm of Christie-Tyler, Bridgend has achieved some remarkable success by productivity agreements with groups of men working as a team and some 20 of the work force have by hard work achieved salaries in excess of £10,000.

I regret also no emphasis being placed on Small Business.

With regard to the suggestion of a visit to the Ely Hospital, the only problem here is the difficulty of T.V. images of mentally retarded patients.

The Queen Street pedestrian area is excellent for a walkabout.

- 2) Assuming that we would have the opportunity of the support of the Prime Minister from 4.30 p.m. my first thought is to suggest two areas of contact with the community namely:-

~~(1) Leaders of Voluntary Organisations within a County.~~

- (2) A reception for our helpers in the South Wales Valley seats who achieved considerable success in the last general election, yet it is always difficult to acknowledge their work in such areas. The annual Welsh Conference in 1977 was an outstanding success in this respect.

I have sent a copy of this initial reply to Mr. A.S. Garner under confidential cover.

*Prueny
Laws*
D.T.LAWS

RICHARD RYDER

With reference to Mike Patterson's note on proposed visit I hope it will be possible to go to Anglesey the day before. It would be a tremendous boost for K Best and Anglesey Tories. I do not think this is the right climate for encouraging visits to the Opera or Folk Museums, the latter in particular could be a suitable place for a Welsh Lay-Society demo.

Derek

Derek Howe
18.10.79

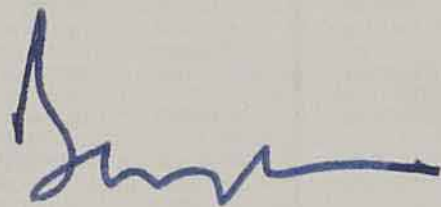
MR. PATTISON

cc. Mr. Gow
Mr. James
Mr. Gaffin
Mr. Howe

Visit to Wales

I have only one point to make on your minute of October 16 re ~~re~~ the contingency plans for the above. This concerns the evening before the visit proper.

Depending on the time of arrival in Cardiff, I would like to press the idea of, say, an hour's discussion over drinks or even dinner with editors of the main regional media - i.e. newspapers, radio and television. Such off the record briefings are very important if there is to be effective communication of the Government's policies. Whitehall tends to be too inbred and London oriented. Meetings with regional editors are a potentially important two-way flow of information, opinion and temperature and I hope you will do what you can to facilitate them.



B. INGHAM

19 October, 1979

c. Mr. Gow
Mr. Ingham
Mr. Howe

MR. RYDER

The next regional visit on the Prime Minister's programme is to Wales. This is tentatively planned for mid-January, but I asked the Welsh Office to let us have an outline programme now, to enable us to put the visit in hand at short notice if suitable dates unexpectedly come free.

I attach a copy of the Welsh Office reply, with their proposed programme.

The Prime Minister has seen this, and is content to work from this outline. On the basis of an earlier discussion with you, I also suggested to her that she might consider planning to leave London the previous day in time to pay a visit to Anglesey before going on to Cardiff. Subject to hesitations about travelling conditions, based on last year's experience, the Prime Minister is content for plans to be made on this basis.

I would be grateful for any comments you and other recipients of this minute may have, before I reply to the Welsh Office. Could I please have any responses by close of play on Friday 19 October?



16 October 1979

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

4 October 1979

Dear Mike,

Thank you for your letter of 30[✓] August in which you asked for our suggestions for a day's programme for the Prime Minister in Wales which would include some time at the Welsh Office in Cardiff.

I enclose the outline of a programme, based largely on Cardiff. The programme includes brief notes on the visits etc suggested, where additional explanation seems necessary. It takes account of the points made in your letter and of the suggestions put forward in Bob Williams' letter to you of 8 June.^{pt1} As you will see Dow Corning Ltd, Barry, is a small high-technology plant and there is a link between that suggested visit and our suggestion that in the afternoon the Prime Minister should visit the Welsh Office Industry Department.

The programme would enable the Prime Minister to meet a good range of Welsh Office staff. Over lunch she could, as you suggest, discuss major problems facing the Welsh Office with Ministers and senior officials. The afternoon visit to Industry Department would inter alia give her an opportunity to meet staff of different grades in their places of work. At tea, she could meet members of the Welsh Office Departmental Whitley Council Staff Side. Perhaps I could mention that my Secretary of State is not now inclined to press the idea of a lunch with a cross-section of the South Wales community as mentioned in Bob Williams' earlier letter.

We have not included any cultural items though such an item - say a visit to the Welsh Folk Museum at St Fagans, just outside Cardiff, or to the National Museum of Wales in Cardiff with its recently acquired collection of Rubens' Cartoons - could be substituted for one of the other items in the programme if the Prime Minister wishes.

M A Pattison Esq
10 Downing Street
LONDON
SW1



In this connection I should mention that the Welsh National Opera Company will be having short seasons in Cardiff from 30 October to 10 November 1979- from 26 February to 8 March 1980; and from 13 May to 17 May 1980. If her visit coincides with one of these seasons, and it is possible in the event for her to arrive in Cardiff a little earlier in the evening than your letter suggests, the Prime Minister may wish to attend a performance by this internationally renowned Company.

Finally, there will, of course, be considerable media interest in the Prime Minister's visit and considerable media coverage should be possible for most parts of the programme.

We have not approached any of the outside organisations suggested for involvement in the programme. While, if the Prime Minister is content, it could be arranged fairly quickly, we should therefore appreciate as much notice of dates as possible in order to make the final arrangements.

Yours ever
G C G Craig

G C G CRAIG
Private Secretary



SUGGESTED OUTLINE PROGRAMME FOR THE PRIME MINISTER'S VISIT TO CARDIFF

Late evening Arrive at hotel, Cardiff
Overnight at hotel

8.15 am Leave hotel

8.45 am Arrive at Dow Corning Limited, Barry for visit

Dow Corning Limited, a subsidiary of an American company, is engaged in the manufacture and marketing of silicone products. The Barry plant employs 400 people, and achieved sales of £34m in 1978 - a 100% increase in 2 years. A major investment is planned, costing £135m and generating a further 125 jobs and considerable balance of payments benefits. This project was secured against strong international competition, although following the decision to reduce the rate of regional development grants in development areas the previous Government's offer of selective financial assistance had to be increased to secure it.

9.45 am Leave Dow Corning Limited

10.15 am Arrive at Ely Hospital, Cardiff for visit

Ely Hospital is a 436-bed mental-handicap hospital with some new accommodation but much of it still housed in old but upgraded buildings. In 1969 a committee of inquiry (chaired by Sir Geoffrey Howe) reported adversely on allegations of staff misconduct and ill treatment of patients. Since then, the Health Authority and the staff have made major improvements in conditions. The Hospital Advisory Service now considers that there has been a complete transformation of the Hospital. The local authorities are participating with the Welsh Office and South Glamorgan AHA in an imaginative community based project for the mentally handicapped in Ely (NIMROD - New Initiatives for the Care of the Mentally Retarded in Ordinary Dwellings) and there would be an opportunity for the Prime Minister to meet some local authority members and officials.

11.15 am Leave Ely Hospital

11.30 am Arrive Queen Street pedestrian shopping area, Cardiff for walkabout



Queen Street has long been one of the main shopping streets of central Cardiff but it has fairly recently become a pedestrianised shopping area which will give access to an enclosed shopping development now under construction as part of the City's central area redevelopment. Queen Street now displays a bustling active appearance, thronged with people; a place for various open air activities.

- 11.50 am Leave Queen Street shopping area
- 12 noon Media interviews and/or Press Conference at Welsh Office, Cathays Park
- 12.45 pm Lunch at Welsh Office with the Secretary of State, Permanent Secretary, Deputy Secretaries and other Welsh Office officials
- 2.30 pm Leave Welsh Office, Cathays Park
- 2.45 pm Arrive for visit to Industry Department, Welsh Office, Gabalfa, Cardiff
- There would be an opportunity for a brief tour of Industry Department to meet staff of different grades where they work, and for a discussion on the work of the Department whose main role is to encourage the expansion and modernisation of existing industry in Wales; attract new industry; oversee the Welsh Development Agency; provide selective financial assistance; and encourage and assist exporters.
- 3.35 pm Tea with Departmental Staff Side representatives at Welsh Office, Gabalfa *(+ cross section of staff 114)*
- 4.00 pm Leave Welsh Office, Gabalfa
- 4.15 pm Courtesy call on Lord Mayor of Cardiff at City Hall
- 4.30 pm End of programme

MANAGEMENT IN CONFIDENCE

MANAGEMENT in CONFIDENCE



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Prime Minister

Replied by phone

- Employment Nov 26

Welsh Office Jan 11

Industry Jan 14

MAP 17/x

M A Pattison Esq
10 Downing Street
LONDON SW1

16 October 1979

Dear Mike,

PRIME MINISTER'S VISITS TO DEPARTMENTS

Earlier in the year we agreed that CSD would be involved in briefing the Prime Minister for her visits to departments. You then gave me a provisional list.

I would be grateful if you could now - by telephone if that is easier, - give me an up to date list of the proposed dates of visits so I can forewarn our manpower divisions.

*Yours sincerely,
David*

DAVID LAUGHRIN
Private Secretary

MANAGEMENT IN CONFIDENCE

Prime Minister

c. Mr. Gow
Mr. Ingham
Mr. Howe

MR. RYDER

The next regional visit on the Prime Minister's programme is to Wales. This is tentatively planned for mid-January, but I asked the Welsh Office to let us have an outline programme now, to enable us to put the visit in hand at short notice if suitable dates unexpectedly come free.

I attach a copy of the Welsh Office reply, with their proposed programme.

The Prime Minister has seen this, and is content to work from this outline. On the basis of an earlier discussion with you, I also suggested to her that she might consider planning to leave London the previous day in time to pay a visit to Anglesey before going on to Cardiff. Subject to hesitations about travelling conditions, based on last year's experience, the Prime Minister is content for plans to be made on this basis.

I would be grateful for any comments you and other recipients of this minute may have, before I reply to the Welsh Office. Could I please have any responses by close of play on Friday 19 October?



16 October 1979

9 October 1979

I mentioned to you on the telephone recently that ⁱⁿ the Prime Minister intends to have a word with your Secretary of State some time about her impressions after her visit to the DOE Regional Office in Manchester.

I think that she will probably raise it with Mr. Heseltine after a Cabinet or Cabinet Committee meeting here in the near future. I doubt whether there will be an opportunity to forewarn you of a precise occasion but you might like to mention this possibility to your Secretary of State.

MAP

D.A. Edmonds, Esq.,
Department of the Environment.

27A

25
Original in G/R.

pm

File

JFH



cc: JH55

10 DOWNING STREET

THE PRIME MINISTER

9 October 1979

Dear Mr. Balfour-Lynn,

Thank you for your letter of 4 October in which you express your disquiet over the pace of progress in public sector medical care.

I note that you are particularly concerned about a project in Manchester in which you are involved. I have asked Gerard Vaughan to look into the points you raise, including the particular case of the Manchester project, and to let you have a detailed reply as soon as possible.

Yours sincerely
Raymond Storer

Dr. Stanley Balfour-Lynn.

DRG

B/F 15.10.79

RESTRICTED

P.M.

HS

8 October 1979

Prime Minister's visit to the DHSS

The Prime Minister has seen your letter to me of 28 September. She has said that she would be glad to have comments from you on the two items at the head of the list: the proposed hospital development in Milton Keynes and the disposal of surplus land. She is sure that your Secretary of State will be pursuing the question of small hospitals and the tapping of local voluntary and commercial resources to aid them in the light of the comments she made during the visit.

N. J. SANDERS



Don Brereton, Esq.,
Department of Health and Social Security.

RESTRICTED

1.

PRIME MINISTER

In your meeting with Sir Derek Rayner this week, you mentioned your concern about the departmental regional offices, based on your observations in Manchester. You said that you had not a chance to raise this with Michael Heseltine - although I believe you may have mentioned it to John Stanley. Would it be useful to arrange for you to have 15 minutes with Mr. Heseltine, and perhaps with Sir Ian Bancroft, on this some time after the Party Conference?

MAD

I will see

4 October, 1979.

Michael Heseltine

after 2 Lab. Committee

one day and

BF 18/x
MAP

PRIME MINISTER

You have agreed that Wales should be the next candidate for a regional tour.

At present, this is pencilled in for mid-January, as we have cancelled a tentative date immediately before you depart for the USA. I asked Mr. Edwards' office to suggest an outline programme, ^(FLY A) so that we have one to hand if a date should suddenly become available - for example, if an overseas trip or an incoming visitor falls through. Are you content that we should plan on this basis?

If time allows, you might want to leave London in good time the previous day, and to spend a little time in Anglesey before going on to Cardiff.

MAP

Is January a good time?
Anglesey?
The weather would have predicted it this year.
Otherwise agreed. m

4 October 1979

Reply dictated
MAF 24/x

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

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01-233 6106 (Direct Line)

From The Secretary of State for Wales

4 October 1979

Dear Mike,

Thank you for your letter of 30 August in which you asked for our suggestions for a day's programme for the Prime Minister in Wales which would include some time at the Welsh Office in Cardiff.

I enclose the outline of a programme, based largely on Cardiff. The programme includes brief notes on the visits etc suggested, where additional explanation seems necessary. It takes account of the points made in your letter and of the suggestions put forward in Bob Williams' letter to you of 8 June. As you will see Dow Corning Ltd, Barry, is a small high-technology plant and there is a link between that suggested visit and our suggestion that in the afternoon the Prime Minister should visit the Welsh Office Industry Department.

The programme would enable the Prime Minister to meet a good range of Welsh Office staff. Over lunch she could, as you suggest, discuss major problems facing the Welsh Office with Ministers and senior officials. The afternoon visit to Industry Department would inter alia give her an opportunity to meet staff of different grades in their places of work. At tea, she could meet members of the Welsh Office Departmental Whitley Council Staff Side. Perhaps I could mention that my Secretary of State is not now inclined to press the idea of a lunch with a cross-section of the South Wales community as mentioned in Bob Williams' earlier letter.

We have not included any cultural items though such an item - say a visit to the Welsh Folk Museum at St Fagans, just outside Cardiff, or to the National Museum of Wales in Cardiff with its recently acquired collection of Rubens' Cartoons - could be substituted for one of the other items in the programme if the Prime Minister wishes.

M A Pattison Esq
10 Downing Street
LONDON
SW1



In this connection I should mention that the Welsh National Opera Company will be having short seasons in Cardiff from 30 October to 10 November 1979- from 26 February to 8 March 1980; and from 13 May to 17 May 1980. If her visit coincides with one of these seasons, and it is possible in the event for her to arrive in Cardiff a little earlier in the evening than your letter suggests, the Prime Minister may wish to attend a performance by this internationally renowned Company.

Finally, there will, of course, be considerable media interest in the Prime Minister's visit and considerable media coverage should be possible for most parts of the programme.

We have not approached any of the outside organisations suggested for involvement in the programme. While, if the Prime Minister is content, it could be arranged fairly quickly, we should therefore appreciate as much notice of dates as possible in order to make the final arrangements.

Yours ever
G C G Craig

G C G CRAIG
Private Secretary



SUGGESTED OUTLINE PROGRAMME FOR THE PRIME MINISTER'S VISIT TO CARDIFF

Late evening Arrive at hotel, Cardiff
Overnight at hotel

8.15 am Leave hotel

8.45 am Arrive at Dow Corning Limited, Barry for visit

Dow Corning Limited, a subsidiary of an American company, is engaged in the manufacture and marketing of silicone products. The Barry plant employs 400 people, and achieved sales of £34m in 1978 - a 100% increase in 2 years. A major investment is planned, costing £135m and generating a further 125 jobs and considerable balance of payments benefits. This project was secured against strong international competition, although following the decision to reduce the rate of regional development grants in development areas the previous Government's offer of selective financial assistance had to be increased to secure it.

9.45 am Leave Dow Corning Limited

10.15 am Arrive at Ely Hospital, Cardiff for visit

Ely Hospital is a 436-bed mental-handicap hospital with some new accommodation but much of it still housed in old but upgraded buildings. In 1969 a committee of inquiry (chaired by Sir Geoffrey Howe) reported adversely on allegations of staff misconduct and ill treatment of patients. Since then, the Health Authority and the staff have made major improvements in conditions. The Hospital Advisory Service now considers that there has been a complete transformation of the Hospital. The local authorities are participating with the Welsh Office and South Glamorgan AHA in an imaginative community based project for the mentally handicapped in Ely (NIMROD - New Initiatives for the Care of the Mentally Retarded in Ordinary Dwellings) and there would be an opportunity for the Prime Minister to meet some local authority members and officials.

11.15 am Leave Ely Hospital

11.30 am Arrive Queen Street pedestrian shopping area, Cardiff for walkabout



Queen Street has long been one of the main shopping streets of central Cardiff but it has fairly recently become a pedestrianised shopping area which will give access to an enclosed shopping development now under construction as part of the City's central area redevelopment. Queen Street now displays a bustling active appearance, thronged with people; a place for various open air activities.

- 11.50 am Leave Queen Street shopping area
- 12 noon Media interviews and/or Press Conference at Welsh Office, Cathays Park
- 12.45 pm Lunch at Welsh Office with the Secretary of State, Permanent Secretary, Deputy Secretaries and other Welsh Office officials
- 2.30 pm Leave Welsh Office, Cathays Park
- 2.45 pm Arrive for visit to Industry Department, Welsh Office, Gabalfa, Cardiff

There would be an opportunity for a brief tour of Industry Department to meet staff of different grades where they work, and for a discussion on the work of the Department whose main role is to encourage the expansion and modernisation of existing industry in Wales; attract new industry; oversee the Welsh Development Agency; provide selective financial assistance; and encourage and assist exporters.

- 3.35 pm Tea with Departmental Staff Side representatives at Welsh Office, Gabalfa *(+ cross section of staff MAP)*
- 4.00 pm Leave Welsh Office, Gabalfa
- 4.15 pm Courtesy call on Lord Mayor of Cardiff at City Hall
- 4.30 pm End of programme

55 OCT 1979

11 12 1 2 3
9 8 7 6 5 4

Original in G/R.

Prime Minister

Five

009



10 DOWNING STREET

From the Private Secretary

2 October 1979

The Prime Minister has asked me to thank you for your letter of 27 September. She was indeed glad to have the opportunity of seeing the Haven Simulator when she visited the John Wood factory in Aberdeen, and we will certainly bear in mind your suggestion that she might visit your factory in Swansea when she visits Wales - as she hopes to do before too long.

TPL

P. A. R. Ellis, Esq.

Mr. Patterson

Any action?

Copy to file on regional tours -

consider when planning

Welsh visit, tentatively set for Jan

P 3/10

MAD 2/10

CF
For Wales papers

He B
Prime
Minister

MR. THATCHER

The Prime Minister is no longer going to Wales on 14 December as she leaves for the US on the 16th. However, I have allotted Friday 11 January, with departure on Thursday 10th, as a possibility for Wales and would be grateful if you could let me know if you are able to accompany her.

CS

2 October 1979

file

Prime Minister DS

5/f 30-10-79



10 DOWNING STREET

From the Private Secretary

1 October 1979

Thank you for your letter of 28 September to Caroline Stephens about the Prime Minister's proposed visit to the Department of Employment on Monday, 26 November.

The outline you have proposed is certainly acceptable as a planning basis for the visit. It would be helpful to have your Secretary of State's views on the main matters to be discussed in the morning and lunch-time sessions. I suggest that you should get these to me by 30 October. Thereafter, we will need short notes on the points your Secretary of State will wish to raise under the various heads he has suggested, and we will need a list of those who are to attend the main sessions - this need not be necessary for the coffee meeting. We will also need a note on the sections which the Prime Minister will see when she walks around open-plan areas of Caxton House. (I take it that the timing for this part of the programme should read 1345-1415.)

The Prime Minister may have some thoughts of her own about suitable topics for discussion. I will await your Secretary of State's suggestions before seeking these. I suggest that we need not take the arrangements much further until the end of this month.

M. A. PATTISON

Andrew Hardman, Esq.,
Department of Employment.

6



DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Nick Sanders Esq
Private Secretary
10 Downing Street
London
S W 1

I have been talking to DHSS
about the followup to your visit.

They will let you have
notes on Milton Keynes
and surplus land disposal. It
will be for Mr Jenkin to pursue
the topic of small hospitals

28 September 1979

and the tapping of local
voluntary and commercial resources.
Content?

MS 5/10

Dear Nick,

Yes

I promised to put on paper for you the points of which the Department is taking note following the discussions on policy during the Prime Minister's visit on Wednesday. They are as follows:

- (1) Hospital Development in Milton Keynes. The Prime Minister reported the representations made to her by the leaders of the Corporation about the decision to turn the existing small hospital into a geriatric unit and the adoption of an 'Oxford Design' hospital for the new hospital development. The Corporation had said that it was ready to contribute from its own resources to the development of a hospital if they could influence its design and content.
- (2) Disposal of Surplus Land. The Prime Minister urged the Department to make faster progress in the discussions on arrangements to enable local hospital authorities to benefit from the disposal of land surplus to NHS requirements.
- (3) Child Benefit. It was agreed that it was important to keep the relative value of child allowances for those in employment and those on supplementary benefit under close review to ensure that disincentives to work are not created.
- (4) Simplification. The Prime Minister said that the Department should be prepared to look at radical changes in considering means of simplifying the social security operation including, for example, the necessity of keeping detailed records of all National Insurance contributions.
- (5) Industrial Action in the Civil Service. The Government might need to consider escalating industrial disputes by bringing in people from outside to prevent small numbers of staff in key installations (eg computers) exercising their power to frustrate Government policy. This and other aspects of civil service trade union action aimed at preventing Government from carrying out their declared policies would be discussed in E(CS).



6/6/71

(6) Hospital Policy. The Prime Minister emphasised the need for the Department to review policy on small hospitals, such as Chorley and Cowley Road, threatened by the development of large general hospitals. In looking at plans for closure, special attention should be paid to, among other things:

(a) the importance of many small hospitals as a focus for voluntary work in the community. The willingness of most communities to support their local hospitals both financially and through voluntary work should be used and fostered;

(b) the views of local people whose money was being spent by health authorities.

Perhaps you would let me know if you have any additions or amendments to suggest on these points.

Yours sincerely

D BRERETON
Private Secretary



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Caroline Stephens
Private Secretary to
the Prime Minister
10 Downing Street
LONDON SW1

28 September 1979

MAP
Dear Caroline,

PE1

Thank you for your letter of 13 September concerning the Prime Minister's visit to this Department on Monday 26 November.

We have considered a possible programme for the visit, and the Secretary of State has approved the outline attached.

I would be grateful to know if this is acceptable and what further information and briefing you will need.

Yours sincerely,

ANDREW HARDMAN
Private Secretary

<u>Time</u>	<u>Activity</u>	<u>DE Personnel</u>
11.00-12.30	Discussion of main policy and management problems facing the Department. (Small conference room)	Perm Sec; 4 Dep Secs; 2 or 3 Under Secs.
12.30-1300	Drinks	S of S and 3 Junior Ministers; Senior Officials as above; balance of Under Secs (5-6); selected Asst Secs (4-6)
1300-1345	Working lunch - continue morning discussion.	Perm Sec and a dozen Senior Officials down to AIS selected according to topics.
¹³⁴⁵ 1400 -1415	Walk through 1 or 2 open plan areas of Caxton House.	Perm Sec, Premises Officer
1415-1500	Meet 30-40 staff over coffee.	Cross-section by age, rank, function etc. Some staff-side representatives.

64-130-14

10 11 12 1 2 3 4 5 6 7 8 9



10 DOWNING STREET

MR. PATTISON o.r.

We have been to the DHSS
in your absence.

The Prime Minister said that
she would like to bring forward
the visits to the Departments
of Industry and Employment if
it could be done. I have not
managed to fit either of them
in before the end of the Recess,
but could you start negotiations
with them both, to see when we
could go there?

MJ

28 September 1979



Haven Automation Limited

Registered & Head Office:
Cwmdu Industrial Estate
Gendros, Swansea, SA5 5LQ

Telephone Swansea 34722/9

Telex: 48479 Haven G

Telegrams: Insomnia-Swansea

Your Ref

Our Ref PARE/LE

Date 27 September 1979

The Rt Hon Margaret Thatcher
Prime Minister
10 Downing Street
LONDON WC1

1/10

Dear Prime Minister

I was very pleased to learn from my manager, Eric Jones, about your recent visit to the John Wood Electrical factory in Aberdeen and the time you spent discussing our own Haven simulator. We are all excited about this product which currently puts us among the leaders in the field of engine room simulation technology.

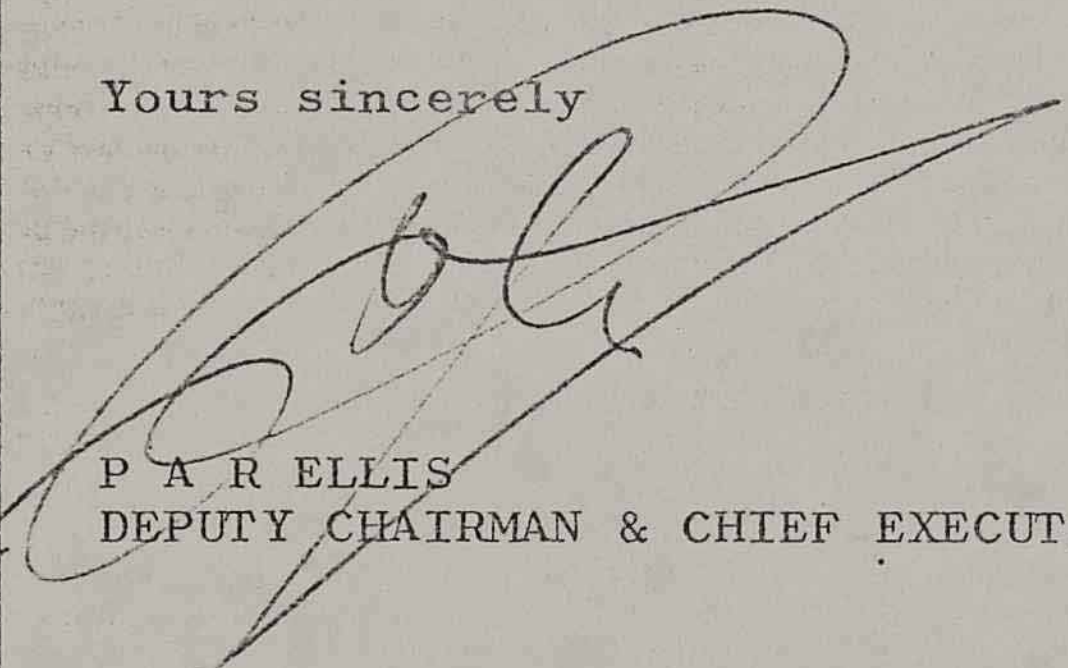
The RE400 Haven Simulator indeed represents a very good example of Britain's continuing capability in creative engineering and enterprise.

I might add that the finances for the original development were entirely found within the resources of Haven Automation Limited. However, I would have to admit that this was not necessarily due to idealism, but was more the result of a lack of time for filling out the variety of forms and for the preparation of complex proposals required by various funding agencies.

However, I am happy to say that we are now in a most useful and positive dialogue with the SMTRB. This is for the purposes of receiving finance for a further and considerably more sophisticated simulator, which will be the most advanced of its type in the world.

If among your many responsibilities and commitments you have occasion to make a visit to this area, we would be pleased and honoured if time could be found, for you to call upon us; when we could show you yet another example of the environment in which British skills continue to hold their own against anyone.

Yours sincerely


P A R ELLIS
DEPUTY CHAIRMAN & CHIEF EXECUTIVE

Directors:
I.C. Wood, P.A.R. Ellis, B.C. Smith, K. Scott,
E.C. Garrett, W.H. Carr, B.D. McLeod.
London Registration No 862544
V.A.T. Registration 125 0800 13
For terms of business see overleaf



PRIME MINISTER

You said that you would like to make visits to the Departments of Industry and Employment at the end of the Recess. There are now very few spaces left in your diary, but it would be possible for you to go to Industry on Monday 22 October if you could bear a heavy schedule on that day (which is, of course, the day the House comes back). The diary for that day would read:-

0830 Hair
1000 Media Briefing
1015 Diary
1045 Chairman, Home Secretary and Chief Whip
1115 Chief Whip
1130 Roy Jenkins
1230-1530 Department of Industry
1530 ? Statement in the House (Rhodesia - by Lord Privy Seal) ???
1600-1900 Cabinet Office exercise

No -

I think that this is the only day we could go to Industry between now and the end of October. Are you prepared to do it on a day as busy as this?

I am still negotiating with Employment and will come back to you about them.

No.

MS

27 September 1979

PART 1 ends:-

NJS to PM 25.9.79

PART 2 begins:-

NJS to PM 27.9.79

