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Work Programme for 1982

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December 1981

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CENTRAL POLICY REVIEW
STAFF

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CENTRAL POLICY REVIEW STAFF (CPRS)

List of Published Reports

<u>Title</u>	<u>Year published</u>
Energy Conservation	1974
A Joint Framework for Social Policies	1975
The Future of the British Car Industry	1975
Population and the Social Services	1976
The Future of the United Kingdom Power Plant Manufacturing Industry	1976
Review of Overseas Representation	1977
Relations between Central Government and Local Authorities	1977
Services for Young Children with Working Mothers	1978
Vandalism	1978
Housing and Social Policies	1978
Education, Training and Industrial Performance	1980
People and their Families	1980
Cashless Pay	1981
<u>Miscellaneous</u>	
Social and Employment Implications of Microelectronics:	paper prepared by the CPRS November 1978

REPORTS BY CPRS 1971-1982

Alcohol Policies

A New Framework for Agricultural Policy

The United Kingdom Computer Industry

*Government Research and Development

*Housing and Social Policies: Some Interactions

*The Future of the British Car Industry

*Services for Young Children with Working Mothers

Future of the Microbiological Research Establishment, Porton Down

*Education, Training and Industrial Performance

An Energy Policy for Great Britain

*Energy Conservation

Energy 1974 and After

The Fast Breeder Reactor

Oil Statistics

Oil Statistics, Terminology and Conversion Tables

Report of the W G on the Planning Price of Oil

*Review of Overseas Representation

A New Regional Policy for Great Britain

*Relations between Central and Local Government

Social Topic Notes (Family, Elderly, Alcohol, 16-24s, Work and Leisure,
Children under 16)

Tourism and Employment in Britain

*Vandalism

Choice between 4 and 6 Flow Turbine Designs for new AGR Power Station at
Heysham and Torness

*The Future of the Power Plant Manufacturing Industry

People and their Families

*Population and the Social Services

Public Expenditure

Presentation of Public Expenditure Survey

Race Relations

Resource Allocation

Resource Allocation and Social Affairs

Review of the Social Services

Social Affairs Strategy Group

*A Joint Framework for Social Policies

A Joint Framework for Social Policies: Initial Action Programme

*Cashless pay - Alternatives to Cash in Payment of Wages

*Social and Employment Implications of Microelectronics

Pay

Restrictive Labour Practices

Relationship between Government and the Nationalised Industries

Services for the Socially Inadequate

Merseyside

UK Space Policy

Unemployment

Labour Mobility

NI Board Salaries: Payments by Results

Electricity Prices for Industry

Youth Opportunities

Standards

Health and Safety at Work

Contracting Out Public Sector Functions

British Rail

Telecommunications in the UK: Investment and Financing

* Published

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MR. SPENCE

CABINET OFFICE

The Prime Minister has now seen Mr. Sparrow's minute of 21 July about the CPRS report on higher education. She is content that, as proposed by Mr. Sparrow, a copy of the draft report should now go to the Secretary of State for Education and Science, and that he should consider how best to take further its recommendations and proposals for action.

I am sending a copy of this minute to Richard Hatfield (Cabinet Office).

Timothy Flesher

TF

25 July 1983

Ref. A083/2179

MR SCHOLAR

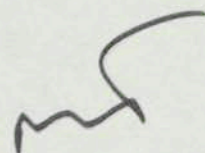
Prime Minister (2)

MUS 22/7

CPRS Work: Publication

Thank you for your minute of 21 July. The Prime Minister did indeed mention this when I had my business meeting with her this morning, and I was able to show her a copy of the attached list of CPRS Studies since 1979.

2. I said to the Prime Minister that I saw some risks about selective publications of CPRS Studies which the Government refused to publish or make available to Select Committees when they were produced. The publication of some reports would lead to pressures to publish others which the Government would not wish to publish. Many of the reports contain information obtained in confidence, and would have to be sanitised before they could be made public. There were, however, certain cases - one example was the report on the portability of pensions - where some useful work had been done and it might be possible to publish at any rate something derived from that work, not necessarily attributed to the CPRS.
3. We will review the reports, and I will make further proposals to you in due course.



Approved by
ROBERT ARMSTRONG
and signed in his absence

22 July 1983

CPRS Studies since 1979

Alcohol Policies

Education, Training and Industrial Performance

Choice between 4 and 6 Flow Turbine designs for new AGR Power Station at
Heysham and Torness

People and their Families

Cashless Pay - Alternatives to Cash in Payment of Wages

Pay

Restrictive Labour Practices

Relationship between Government and the Nationalised Industries

Services for the Socially Inadequate

Merseyside

UK Space Policy

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Labour Mobility

NI Board Salaries: Payments by Results

Electricity Prices for Industry

Youth Opportunities

Standards

Health and Safety at Work

Contracting Out Public Sector Functions

British Rail

Telecommunications in the UK: Investment and Financing

Pensions

The Black Economy

Post Office: Longer Term Objectives

Intellectual Property Rights

Electrification of British Rail

Higher Education

Information Technology

Structure of British Leyland

Planning Procedures

Gas Gathering Pipeline

FILE

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10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

CPRS Papers

You discussed with the Prime Minister this morning the possibility of publishing some of the studies produced by the CPRS. The conclusion of the discussion was that the CPRS papers should not be published as such, but that there would be no objection to publishing through other means some of the useful factual material in those papers.

E. E. R. BUTLER

22 July 1983



PRIME MINISTER

TOP COPY WITH P.M.

File No

HANDLING OF WORK ON NATIONALISED INDUSTRIES FOLLOWING
DISBANDMENT OF THE CENTRAL POLICY REVIEW STAFF

I have not been able to discuss with Ferdie Mount the attached submission from Sir Robert Armstrong since Ferdie has now gone on holiday. But I suspect that if we appoint a retired senior businessman as part-time adviser in the Cabinet Office on Nationalised Industries, we will have too many fingers in this pie. You already have Lord Cockfield, who is an experienced businessman, to look at these matters; and in the Policy Unit you will have a strengthened team including David Hobson and John Redwood as well as Nick Owen. Do you need yet another consultant in the Cabinet Office?

Agree that:-

- (i) the Nationalised Industry work previously carried out by the CPRS which does not require expertise should be taken over by the Economic Secretariat under Peter Gregson;
- (ii) that we retain the services of David Green for a few months; but
- (iii) we should not engage a retired senior businessman as a part-time adviser in the Cabinet Office?

FEAS

22 July 1983

TOP COPY WITH PM

Ref. A083/2156

PRIME MINISTER

Handling of Work on Nationalised Industries Following
Disbandment of the Central Policy Review Staff

We need to consider how to handle such work on the nationalised industries as falls to be dealt with at the centre following the disbandment of the Central Policy Review Staff (CPRS).

2. One of the recommendations in the CPRS Report on the nationalised industries which was accepted by the Government was that there should be a Nationalised Industry Review Staff with business experience located within the CPRS to assist the members of the Ministerial Sub-Committee on Nationalised Industries (E(NI)). Mr David Green was brought in specially to lead this work, and most of the other CPRS members with business experience, including Robin Ibbs and John Sparrow themselves, spent a good deal of their time on nationalised industry matters.

3. The main elements in the work have been:

- i. setting up a new policy framework and procedures with agreed objectives for each industry, considerations of strategic options and regular reviews of performance and corporate plans;
- ii. assisting the Treasury and sponsoring Departments to apply the new arrangements at i. to particular nationalised industries;
- iii. advising Ministers on nationalised industry problems by the circulation of collective briefs to E(NI) drawing attention to the main issues and by contributions to E(NI) discussions and ad hoc Ministerial meetings.

4. The new policy framework and procedures have now been established, although a good deal remains to be done to ensure that they are effectively implemented by Departments. There will be a continuing need to ensure that Ministerial discussions in E(NI) are directed to the key issues. Ministers may also want from time

to time advice available to them collectively from a senior businessman on business issues which arise in connection with the nationalised industries. These are functions which, if they are to be continued, have to be carried out at the centre; they would not be appropriate for the Treasury and sponsoring Departments, and the Treasury themselves would like to see them confirmed from the Cabinet Office.

5. I do not think we need to retain a separate Nationalised Industry Review Staff as such to carry on this work. Some of it does not require business expertise (for example progress chasing and ensuring that papers submitted to E(NI) present the issues in a way conducive to effective discussion) and can be taken over by the Economic Secretariat as a natural extension of its normal work. If however we wish to have a source of business advice available to Ministers collectively on nationalised industries' matters (and I see considerable advantage in this, particularly given the fact that Departments have not gone in for adding businessmen to their own teams), we shall need to consider how best to provide for it.

6. In my view the right solution for us to aim at ultimately would be on the following lines. The business advice, if it is to be of value to Ministers, must carry the authority of a very senior and experienced businessman, preferably with extensive private sector industrial rather than purely financial experience. The advice will be needed not on a continuing basis but as occasion arises, although there would be advantage in keeping the person concerned in touch with the general development of the nationalised industry work, so that when the need for advice arose he would be familiar with the context. I envisage that he might be asked to prepare papers and also, in appropriate cases, to attend Ministerial meetings. He would work with and be supported by the Economic Secretariat under Mr Gregson.

7. This specification would point to a recently retired Chairman of a large private sector company of the calibre of, say, Sir Maurice Hodgson or Sir David Orr. We might offer him an arrangement based on one or two days a week, to be interpreted flexibly on either side, with an office in the Cabinet Office and a suitable title.

8. If you would like to proceed on these lines, it will probably take us until near the end of this year to find the right man and get him on board. This will leave a gap of some months following the disbandment of the CPRS at the end of July. I should like to bridge this gap by retaining the services of David Green. I think that he would be prepared to stay for a few months, but not more than that. He could be attached to the Economic Secretariat to assist them in carrying on the nationalised industry work until the new adviser arrived or he himself wished to leave, whichever was the sooner.

Conclusion

9. This minute proposes:

- i. that the nationalised industry work previously carried out by the CPRS which does not require business expertise should be taken over by the Economic Secretariat under Mr Gregson;
- ii. that we should continue to have available for Ministers a source of collective advice on business issues which arise in relation to the nationalised industries, and that this might be provided ultimately by a retired senior businessman as a part-time adviser on the lines set out in paragraphs 6 and 7;
- iii. that we should retain the services of David Green, attached to the Economic Secretariat, on a temporary basis on the lines envisaged in paragraph 8.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

21 July 1983

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

CPRS Work: Publication

The Prime Minister has several times today raised the question of publishing selected CPRS reports in batches during August and September. As an example of the kinds of reports she has in mind she gives the recent study on pensions portability. She has also suggested that several Parliamentary Under-Secretaries might be charged with the task of reading the reports carefully to make a judgment about their political impact and sensitivity. I think it would be most useful if you could offer the Prime Minister quick advice on this proposal.

B/R

Mcs

21 July 1983

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Prime Minister:

You may want
to glance at the reports
conclusions (flagged at A)

Qa 06423

To: PRIME MINISTER

From: JOHN SPARROW

Yes
No
Do you agree that it should
now go to Sir Keith Joseph
for consideration (on a limited
circulation) of how to take
its recommendations further

21 July 1983

CPRS Report on Higher Education

1. I attach a copy of the Report on Higher Education which you commissioned from the CPRS. My minute to you of 16 November 1982, 22/7 Qa 06142 refers. As with the Report on Intellectual Property Rights which I sent you last week, this is still in draft form. Before finalising it we would have proposed discussing it with Departments to check points of fact and also of emphasis.

2. The past four or five years have seen considerable interest in the organisation and output of our higher education system. The House of Commons Select Committee on Education produced a major report in 1981, the Royal Society of Arts has been active and for the last two years a research project, funded by the Leverhulme Trust and under the aegis of the Society for Research into Higher Education, has held a number of important seminars on the question. A final report, "Excellence in Diversity", has now been published as the outcome of the Leverhulme project. Our own interest in this subject grew largely out of earlier CPRS work on the relationship between education and vocational training and the need to maximise the contribution of education to economic prosperity.

3. The reasons for such an upsurge of interest in higher education are easy to understand. Concern about our relative economic performance, resource constraints and a dramatic decline in the relevant population have led to decisions which challenge some of the basic assumptions and practices of all those concerned with higher education.

4. There has been a large measure of agreement among those who have studied the question that the following elements are fundamental:

- the financing and cost effectiveness of higher education;
- the contribution that higher education can make to our economic prospects;

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- the relationship between higher education and employers;
- the extent of diversity in the system both of institutions and in the education they provide;
- the respective roles and responsibilities of central government, local government, advisory bodies, the higher education institutions and their members.

Each is discussed in our report.

5. On a number of matters the recommendations in our report are similar to those of the Leverhulme project. But our report differs in three important respects. First, we have conducted our own analysis and review within the context of Government policy objectives; therefore our report can be read as a justification for accepting the main recommendations of the other study. Secondly, our recommendations, which are summarised at the end of the document, go beyond those of the other study to follow through some of the detailed implications of the possible changes. Thirdly, our report seeks to make concrete proposals for implementation particularly for changes in the way higher education is funded.

6. Some of the sensitivity of the proposals we make for changing the present arrangements has been diminished by the publicity given to the results of the Leverhulme project. Nevertheless, premature indications of how the Government might want to react to new thinking in this area could conceivably be embarrassing and provoke adverse reactions from the academic establishment. You will want to consider how best to take matters forward; I suggest that, if you agree, a further copy of the draft report should go to Keith Joseph, for his own consideration of our recommendations and his proposals for action.

7. I am sending a copy of this minute and report only to Sir Robert Armstrong.

JS.

Att

Qa 06142

To: PRIME MINISTER

From: JOHN SPARROW

16 November 1982

CPRS Work Programme - Higher Education

1. I have now had the opportunity to discuss with Keith Joseph and William Waldegrave the study on Higher Education which you have asked us to undertake as part of our continuing work in the general area of education and training. In the light of their comments, we have amended the remit very slightly to make it clear that our investigation will include some comments on Higher Education's research function as well as its teaching activities. We suggest that the final remit, which we have agreed with Keith Joseph, should be as follows:

"The CPRS is asked to examine whether the present system of higher education satisfies the national interest, and in particular:-

- to assess the extent to which it is susceptible to market forces and might become more market oriented;
- to determine how responsive its activities, including research, are to the employment needs of industry and commerce and how such responsiveness may be increased, and to see if lessons can be learnt from the further education system;
- to assess the efficiency with which it uses its financial resources and manpower;
- to investigate the financing of higher education and the scope for increasing the amount of financing within the discretion of consumers (students and employers), taking account of current Departmental work on student loans;

and to make recommendations".

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2. We are of the view, which is shared by Keith Joseph and William Waldegrave, that our work should be a wide-ranging and fundamental review; this, and the fact that time has gone by, lead us to expect to submit a report to you around February rather than, as we first hoped, around the turn of the year.

3. I am sending a copy of this letter to Sir Robert Armstrong.

B.

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DRAFT

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HIGHER EDUCATION

Report

by the

Central Policy Review Staff

CABINET OFFICE

July 1983

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HIGHER EDUCATION

A Report by the Central Policy Review Staff

PART I: SETTING THE SCENE

Chapter One

Introduction

1. At the end of last year, the Prime Minister invited the CPRS to carry out a study of higher education with particular reference to its response to market forces and employment needs, its efficiency and its financing. This report fulfils that remit.

2. Higher education contributes to the attainment of a wide variety of economic and social aims. We decided to focus on the three main objectives of our higher education system, which we have called the economic, the academic and the educational. We began our work by examining the extent to which our present higher education arrangements meet each of these objectives. On the basis of this review, we concluded that there is scope within present public expenditure provisions for improving the extent to which our higher education system meets the needs of the economy (its "economic" objective) and promotes personal and citizenship qualities in individuals (its "educational" objective) without threatening its concern for high standards in either research or teaching (its "academic" objective).

3. The second part of this report contains our proposals for improving the extent to which our higher education system meets each of these objectives. These recommendations are based on the belief that the system itself can and will develop a new balance between its objectives if and only if two fundamental changes are brought about in the conditions under which it works. First, the system must be more exposed to market forces and more able to react to them. (These forces must, in turn, be improved). Second, the government must be willing to use such levers, mainly financial, as it already has to encourage the system to adapt in ways which are better suited to the needs of the economy. Our detailed proposals are aimed at these ends.

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4. Finally, a caveat. Although we believe that the general thrust of our analysis and proposals is applicable to the higher education system of the United Kingdom as a whole, this report is concerned principally with higher education in England and Wales. We have not considered in any depth the particular arrangements which operate in Scotland or Northern Ireland and many of our detailed comments and recommendations may therefore not be applicable to the conditions which apply in those parts of the United Kingdom.

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Chapter Two

An Outline of Higher Education

Universities

5. The British system of higher education is made up of universities, polytechnics and a variety of other institutions such as the Colleges of Further Education and of Higher Education which offer a more or less limited range of advanced courses of the 'higher education' type. The Universities are the oldest and most prestigious part of the system. They are independent institutions established by Royal Charter. The oldest can trace their origins back to the great mediaeval establishments in England and Scotland; the newest (the University of Buckingham) received its Charter earlier this year. There are now 45 universities in Great Britain. All, except Buckingham, receive almost all their income from the public purse, principally in the form of a block grant from the Secretary of State distributed by the University Grants Committee (UGC). Other 'public' funds received by the universities include 'fees' for home students (a book-keeping transfer payment) and research income from the Government-funded Research Councils. In addition, universities have a certain amount of private income, including genuine fees from overseas students and funds from endowment and other private sources.

6. Universities are self-governing. Their form of government is normally stipulated by their Charters and statutes. A typical pattern consists of a largely ceremonial Court, a Council with substantial lay representation, a Vice Chancellor appointed by and responsible to the Council and a Senate composed largely of members of the academic staff. The Council is formally the highest governing body of the institution and is responsible for all non-academic matters, including finance. The Senate has responsibility for academic issues. Each institution determines its own academic policy and grants its own qualifications. Most academic staff at universities are "tenured"; that is, "established", and are removable only for a limited range of narrowly defined causes specified in their contracts of employment.

7. The University Grants Committee, the main conduit of public funds from the Government to the universities, was established in 1919 as a way of reconciling the independence of the universities with the need to demonstrate accountability for public funds. In addition to a full-time Chairman, it normally consists of about 20 members; at present, all but 4 are academics. The Committee's principal task is to allocate to individual universities the funds which have been provided for them by the Secretary of State. Although the UGC is formally independent of the DES, it operates in close contact with the Department and from time to time the Secretary of State issues letters of guidance to the Committee asking it to pay particular attention to specific policies. Nevertheless, neither DES Ministers nor officials attend the grant allocation meetings of the Committee, nor does the Government or the UGC interfere with the way in which individual universities actually spend their block grant funds.

Public Sector Higher Education

8. We have grouped together all the remaining institutions offering higher education into what we call the "public sector of higher education". Like the universities, the institutions in this group vary in size, structure and origins. They include, in England and Wales, 30 polytechnics, 95 institutions providing mainly (over 60 per cent) higher education and about 80 others providing some (10-60 per cent). They range from small Colleges of Further Education which offer only a few advanced courses to the major polytechnics in which most of the student body are reading for 'university-type' degrees. In addition, there are numerous smaller Colleges of Higher Education, many of which grew out of local authority teacher training colleges or local advanced technical colleges.

9. The polytechnics and most of the other public sector institutions are local authority institutions, owned by them and subject (with wide variations) to their controls on staffing, conditions of service, recruitment, capital expenditure and the retention of income. Their instruments of government normally provide for governing bodies containing equal proportions of local authority representatives, academics and representatives of local industry and commerce. The Further Education Regulations and the Education Acts together establish a system that controls both the funding and provision of

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courses. This report is concerned only with Advanced Further Education (AFE) courses, which in the public sector are the equivalent of what is loosely called higher education. These courses include degree and degree equivalent work, Higher National Diplomas and Certificates and the Diploma of Higher Education. The funding of AFE is through a pool to which all local authorities contribute through adjustments to their entitlement to Rate Support Grant. An individual local authority may, however, decide to increase the funding of its own institution(s) by "topping up" the pool with direct funding from rate income.

10. The rest of what we call the public sector is made up of the so-called "voluntary colleges" many of which owe their origins to religious foundations. These institutions are governed under a wide variety of arrangements but all are funded directly by the DES, which stands in relation to them much as a local authority does to its colleges.

11. Unlike the universities, which are free to determine their own curriculum and degree standards, every course offered by a public sector institution must be approved by the Secretary of State. In practice, he delegates this task to Her Majesty's Inspectorate of Education which works within the framework of policy guidelines set out in DES circulars and is advised by Regional Advisory Committees consisting mainly of academics but including some industrialists. In 1982, the National Advisory Body for Local Authority Higher Education (NAB) was established to bring together the interests of central and local government in public sector higher education and to advise the Secretary of State on its provision. In addition to these controls, the academic content of most courses in the public sector is "validated" by bodies external to the institutions, principally the Council for National Academic Awards (CNAA), the Business and Technician Education Council (BTEC), and the universities.

Students

12. The number of students in higher education has expanded dramatically over the past twenty years. The number of full-time students increased from about 180,000 in 1960 to some 450,000 in 1982/83. This represents a doubling of the proportion of the population in higher education, or "participation rate", to some 13% of 18-21 year olds. Nevertheless, our full time

participation rate remains low by some international standards; the UK rate is less than half that in either Japan or the USA, two-thirds that in France or Italy and about the same as in Germany. (In the USA and Japan the rate is nearly 40 per cent). In part, this difference is offset by our large number of part-time students - now about 260,000. Only the USA has an equivalently high proportion of part-timers.

13. Most students make their way to higher education by way of 'A' level courses which they take in 6th forms or, to a lesser extent, in Colleges of Further Education. Some apply on the basis of BTEC or other Further Education qualifications. A relatively small proportion of higher education students have had some post-school experience; only about 16% of full time undergraduates are over 21 when they enter the system, and only about 6% are over 24.

The Costs of Higher Education

14. Despite our low participation rate, however, we devote a comparatively large proportion of our national resources to higher education. Public expenditure on higher education was about £3 billion in 1982/83. This represents about 25 per cent of the total education budget and a little more than one half per cent of GDP. In part, our relatively high cost per student reflects our method of student support. The vast majority of UK higher education students pay no fees. These are paid for them by their local authorities who receive a 90 per cent Exchequer grant for the purpose. In addition, all resident students receive a maintenance award, the size of which depends on parental income. In most other countries, loans as opposed to grants are the most common form of student maintenance. Students are charged tuition fees on a significant scale only in the USA and Japan, where there is a substantial number of private institutions; but even in these countries fees account for only about half of the total income received by higher education institutions as a whole.

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15. But our student support arrangements do not explain the whole of the difference in the cost of keeping a student for a year in higher education in the UK as opposed to in many other countries. Our lower staff-student ratio is also relevant. In broad terms, our system operates on the basis of one member of staff to each 10 students, whereas the ratio is about 1:20 in both Japan and Germany. It is interesting to note that the University of Buckingham, the only private university in the UK, has chosen to operate at the general UK level. (In large part, our high cost per student is offset as far as public expenditure is concerned by the fact that our degree courses are shorter than those offered in most other countries).

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Chapter Three

The Objectives of Higher Education

16. We believe that the most useful way of examining our present system of higher education is in terms of three main objectives:

- an "academic" objective - the achievement of high standards in both extending knowledge and transmitting it.
- an "economic" objective - the ability to supply to employers in all sectors of the economy the range of manpower required (from the generalist to the specialist) and to generate new knowledge and skills which in turn produce marketable and profitable products.
- an "educational" objective - the provision of the widest possible opportunity for the promotion in individuals of those personal qualities which will enable them to lead more satisfying lives and to play a fuller part in society.

17. As we shall show, these three objectives are often mutually reinforcing; sometimes, however, they conflict. The overall shape of the system is determined by the balance between them.

18. The primary emphasis of our present system of higher education has traditionally been on the pursuit of "high standards" in both research and teaching; ie, the "academic" objective. As a result, many of our researchers are universally accepted as the best in their fields; we have won more Nobel Prizes in science than any other country of comparable size. As for teaching, there is no easy way of judging quality, but in most fields our graduates are regarded as being at least as well educated as those of our competitors.

19. But this overriding concern for high academic standards (as these are perceived and pursued by the universities themselves), has left other, less desirable, marks on our institutions of higher education. It has meant that when considering the value of a subject for study (either as research or by students) too little weight is given to relevance or usefulness to the outside

world. It has led to the development of courses which are almost always based on early subject specialisation and the assimilation of great detail, rather than on acquiring knowledge of a number of disciplines as building blocks from which later specialisation can be constructed. Most significantly, perhaps, it has encouraged the belief that academic freedom in the widest sense is the sine qua non of academic achievement so that, notwithstanding the fact that higher education is almost entirely publicly funded, academics must be free not only to pursue their own academic interests but also to determine their own conditions of employment, what courses are to be offered, how much research as opposed to teaching they should do and when they should do it. As a result, our universities are under little external pressure to achieve efficiency and are almost uniquely unaccountable for the public funds they consume.

20. Taken together, these features of our university life are what we call the "university ethos". It has largely determined admission policy, course structure and content, grading standards, criteria for appointing and promoting staff, and even the way in which public funds are allocated to universities. As we shall show below, we believe that this ethos accounts to a large extent also for the failure of our universities to achieve a better balance between their three main objectives.

21. Nor has this ethos been confined to the universities. It has permeated the public sector, too, despite the fact that many of those institutions were originally established to pursue objectives more closely related to the economic needs of their localities and are more closely connected to central and local government. An example of its effects is the steady drift which has taken place in the public sector away from part-time courses and sub-degree work towards courses of a university type.

22. As for our secondary schools, their curriculum also reflects the "university ethos". It has helped to create a highly specialised curriculum which makes the last two years of school in this country (although less so in Scotland) a significantly more academic experience than in any other Western nation so that comparatively few students enter higher education with qualifications other than 'A' level certificates.

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23. A successful economy depends on trained manpower. The most valuable skill is the ability to adapt and change to meet new circumstances. As higher education is a main supplier of highly qualified and trained manpower and a central mechanism by which these qualifications and this training can be updated and adapted, it is clearly crucial to economic performance. As we move towards an economy which is even more service and information based, and in which change occurs even more rapidly, this contribution of higher education to economic success - the "economic" objective of higher education - will become increasingly important.

24. The higher education system contributes to the economy also by performing most of the fundamental long term research needed to underpin industrial advance; in this sense, it is the nation's research laboratory. The extent to which this research is coupled to industry is of great importance and is a matter on which the Advisory Council for Applied Research and Development has recently reported to the Prime Minister.

25. It is difficult to judge how well or badly a particular higher education system meets the needs of an economy; the evidence is inconclusive. Commonsense would seem to indicate, however, that, all other things being equal, the higher the "participation rate" the better the performance of the economy. (As we have noted above, our full-time participation rate is lower than that of our principal competitors, although the figures are more equal if part-timers are included). But there does not appear to be any conclusive evidence of a direct link between participation rates and economic performance, either as between different countries or over time.

26. In addition, participation rates are only a partial measure of the contribution which higher education can make to economic success. Other factors which must be taken into account include the quality and relevance of the courses on offer, which must keep changing as the economy changes, as well as the extent to which the system permits educational "topping up" later in life. The latter may be significantly affected by government action and we make proposals about it below.

27. It is not reasonable, however, to expect "the centre" to be able to determine with any success which courses - and how much of each - should be provided at any particular time to meet the needs of a technologically developing economy. The only really effective way of securing the sort of course mix which the economy needs is through the market. Employers must be encouraged and assisted to send clear and consistent signals about their present or future needs to the higher education system. They can do this through the labour market (most unambiguously through the initial salaries which they are prepared to offer), through their corporate organisations such as the CBI and the professional institutions, through links with particular higher education institutions and through their representation on the national bodies which allocate funds to the higher education system; ie, the UGC and the NAB. To be effective, these signals must be received and understood by potential and actual students and by those responsible for managing the system. Finally, the institutions themselves must be flexible enough to be able to adapt to them. Unfortunately none of these aspects of an effective market mechanism works well in our present higher education system and, as a consequence, our system is failing to a large extent to achieve its economic objective.

28. The "educational" objective of higher education focuses on the individual, not on the economy or on some abstract notion of knowledge for its own sake. It aims to help people to lead fuller, richer lives and to play more effective roles in society. Primary and secondary schooling make major contributions to this end, too, and heredity, family and an individual's social environment all have a determining influence. But higher education has its own distinctive role. Whether taken immediately after school or later in life, perhaps through the Open University or other part-time adult education courses, higher education offers personal development through exposure to the most advanced knowledge. The wider the access to higher education, therefore, the more effectively can the "educational" objective be achieved. From this point of view, higher education should not be too costly. Entry requirements should be flexible enough to allow those of all age groups to participate. The courses on offer should include part-time and modular courses which make it possible to complete a higher education degree course over a prolonged period. On many of these counts, our system of higher education appears to be less effective at meeting its "educational" objective than it might be.

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29. A system of higher education can and should aim to meet all three objectives. The extent to which each is met will vary between different institutions and will be the subject of public debate and perhaps even of political controversy. But each is essential to justify the £3 billion per year in public funds devoted to higher education; none is an optional extra.

30. Our analysis of the present British system of higher education leads us to believe that because of the dominance of the so-called "university ethos" (as discussed in paras 19/22 above) the economic and educational objectives of higher education are not being pursued as effectively as they should. We believe also that, paradoxically perhaps, the "university ethos" has hindered the full achievement of even the purely academic objective. In our view, this situation can be put right without significant new injections of public money and without sacrificing the high academic standards which have been achieved. What is required is substantial change in the practice of our higher education institutions and the government. We describe the necessary changes below.

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PART II: OUR PROPOSALS

Chapter Four

Our Approach to Change

31. In this section of the report, we make proposals for changes in our system of higher education which we believe will help to overcome the most important weaknesses identified above. We map out the desirable pattern of change and suggest particular ways in which these changes might be achieved. Most of what we propose is not novel; it accords with the views of those who have been studying the system longer than we have. There is plenty of room for argument about detailed ways of achieving the desired goals. What matters, however, is that these goals should be adopted and actively pursued.

32. The general aim of our proposals is to achieve a new balance between the academic, economic and educational roles of higher education. Each of these is important, but we believe that our higher education system has given too much attention to academic concerns and not enough to the contribution which it could make to our economic performance or to widening educational opportunity. Our aim is to shift the balance so that higher education plays a more effective role in meeting economic needs while safeguarding and, if possible, even enhancing its educational role and without lowering academic standards or threatening important academic freedoms.

33. Our approach is through the market. We do not advocate a significant increase in the role which the government plays in the planning and management of higher education. We do, however, suggest that the government should take steps to improve the flow and quality of information essential for any market to work effectively. In addition, we believe that the Government should use the financial levers available to it more positively with a view to giving the institutions of higher education greater incentives to respond to the need to change. This would, of course, mean increasing the extent to which the Secretary of State is concerned with affairs of particular institutions, but we believe both that such an extension of his role is necessary in order to ensure that the Government's preferred balance between objectives is achieved and that it is consistent with respecting the fundamental academic freedoms on which our system of higher education rests.

34. We reject the idea that what is required is a significant increase in public spending on higher education. As we pointed out above, there is no clear evidence of a direct link between investment in higher education and economic performance such as would justify a major publicly funded expansion of the system. In addition, we doubt that the structure of our system is well enough adapted to meeting the needs of the economy for us to be confident that simply increasing our participation rate would contribute significantly to improving our economic performance unless it were accompanied by changes in funding, course provision and entry qualifications. It is questionable, therefore, whether higher education should have first claim on any extra resources for raising the general educational attainment of the labour force. It is at least as important to increase educational participation between 16 and 18 and among adults who have had no post-compulsory education.

35. Increasing our higher education participation rate would, however, be desirable in terms of widening educational opportunity. But we believe that this could be achieved within present public funding levels by increasing the effectiveness and efficiency of our system and by attracting more private finance. We make proposals below to both these ends. The first step, however, must be to move away from the present controls on student numbers which discourage universities from, and in some circumstances penalise them for, accommodating extra home students even within the same public budget. Similarly, we advise against the imposition of such controls in the public sector.

36. The main message to emerge from our consideration of the present United Kingdom higher education system is that it is dominated by what we have called the "university ethos" and that this is reflected in almost every aspect of the system. It is even underwritten by Government in the "hands off" way in which it finances the system. The main thrust of our proposals is directed at tackling this problem by making the system more capable of responding effectively to its non-academic objectives, particularly the economic. To this end it needs to have a diverse product range (different courses), it needs to

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draw its raw material (intending students) from a range of backgrounds and it needs to be responsive to demands for its final products from a wide range of customers (society as a whole, the academic world, employers, individuals). It is likely that these needs will be met most effectively if there is considerable diversity of producers (higher education institutions).

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Chapter Five

The Binary Line

37. It is largely for this reason that we do not recommend eliminating the so-called "binary line" between the universities and the public sector institutions. We recognise, of course, that the "binary line" does not separate two different and homogenous groups of institutions and that by treating each sector differently the view is perpetuated that predominantly academic institutions are superior to those which direct themselves also to wider educational and economic objectives. We believe that the binary line has thus encouraged the dominance in higher education of purely academic values and reinforced the "university ethos". The ownership by local education authorities of important parts of higher education also raises problems in terms of extending the accountability and responsibility of the Secretary of State.

38. There would clearly be advantage in treating all institutions providing higher education on the same basis; ie freeing the public sector from the operational controls of local authorities. But there are problems. Such a change would be politically controversial and would require complex transitional arrangements. In addition, as long as Non-Advanced Further Education (NAFE) remains a local authority responsibility, removing Advanced Further Education (AFE) from local control would make it more difficult to maintain the bridges between the two which we believe are important and should be strengthened. Nor should one underestimate the contribution made to diversity in higher education by the involvement of local authorities in it.

39. The proposals which we make below for changes in the way higher education is funded, for enhancing peer review in the universities and for providing more and better advice to the Secretary of State, will in practice lead to a considerable blurring of the "binary line" and to the emergence of a co-ordinated and consistent approach by government to both sides of it. This is fully in line with the Secretary of State's guidance to the NAB and UGC to promote "transbinary" co-operation and should lead to a considerable reduction in the number and intensity of the problems commonly associated with "the binary line". We therefore see no pressing need to alter the

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present position in relation to the ownership of higher education institutions by local authorities. But we think that there is much to be said for permitting a major public sector institution which has a critical disagreement on future policy with its LEA to petition the Secretary of State for independent status and we make allowance for this in our other proposals.

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Chapter Six

Funding Institutions

40. As described above, we believe that new arrangements are required for funding higher education teaching, particularly in universities. At present, the block grant allocated by the UGC to each university is meant to cover both the educational needs of students (i.e. teaching, scholarship and administration) as well as a basic "floor" of research. (The Research Councils provide the rest of the support for research). The size of this block, although it is intended to be used principally for teaching, is in practice determined largely by considerations related to an institution's research performance. We believe that this militates against the achievement of some of the wider economic and educational objectives of higher education and even against the achievement of high standards in teaching. We therefore propose that the total block grant for each institution should be separated into its research and teaching components so that the size of each part can be determined according to criteria most appropriate to it.

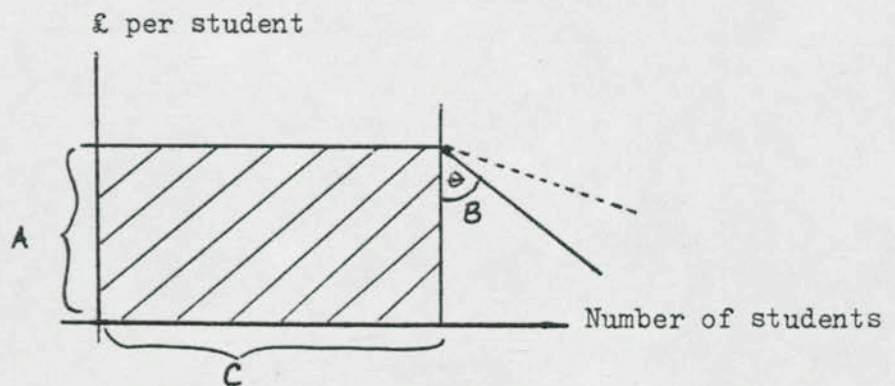
41. For research, for example, a greater degree of selectivity may be appropriate. There is certainly no prima facie reason why it is right to assume, as the UGC does, that the ratio between the amount of funds required for research and that for teaching should be the same across all subjects or that research funds should be spread evenly throughout the system. Similarly, some formal mechanism might be evolved within each institution for ensuring quality control and accountability as suggested by the Working Party on the Support of University Scientific Research chaired by Sir Alec Merison (Cmd. 8567).

42. As for that portion of the block grant distributed to universities to support teaching and related activities, we have a number of proposals about how it should be allocated and monitored.

43. The allocation of resources for teaching and course development requires a judgement to be made about the balance between, on the one hand, academic considerations and, on the other, wider economic and educational goals. We think that this is a judgement which should fall to the Secretary of State. We recommend that in making this judgement, he should be advised by two national bodies, one concerned with academic matters, the other with economic (including employment) considerations. The former, which might evolve from the UGC, would be composed of academics and would be concerned principally with academic and educational matters. It would take a system-wide view of provision in particular subjects, much as the UGC does at present. It would advise on the future growth or decline of particular disciplines and departments, recognising the importance of quality in teaching and course development as well as in research. Equally, it should be constituted so as to be able to give advice to the Secretary of State on ways of meeting the wider educational objectives of higher education. The second body, which might evolve from the Professional and Industrial Liaison Group now advising the National Advisory Body (NAB) would have a much more broadly based membership. This is because it would not be able to do its job as the Secretary of State's advisor on employment and economic matters if, for example, it ignored the position of the public sector as a major employer or represented only a relatively narrow spectrum of industrial interests. It would be the Secretary of State's role to reach a judgement as between the advice provided by each body and thus take a co-ordinated view of the higher education system as a whole. We believe that the advice provided by these bodies should normally be published so that the public debate about the shape and content of our higher education system can be as informed as possible.

44. As one of its first tasks, the academic advisory board should be invited to undertake a study of ways of evaluating the quality of university courses and how they are taught. Such a study might be expected to consider, among other things, the possibility of the advisory body appointing its own corps of independent external examiners. Such an initiative would not be popular with the universities, but we believe that in the long term it would help to raise the quality of teaching and course development and encourage the universities to respond more quickly and effectively to new demands from employers and students.

45. Finally, we suggest that the teaching grant should give each institution a degree of flexibility to respond to the pressure of demand while allowing the Government to retain central control over the total public expenditure earmarked for higher education. This might be done by applying to actual student numbers, up to a centrally determined student base number in each subject category, standard amounts per head to reflect the acceptable costs of teaching these subjects. Institutions would, however, be allowed, indeed encouraged, to accommodate more than the base number of home students and would receive a somewhat smaller (tapered) per capita amount for each student above their base. The total grant for each institution would thus reflect these three factors, as illustrated:



46. These arrangements would provide the Government with levers with which to influence the behaviour of individual institutions much as the factors which underlie the Rate Support Grant settlement permit the Government to exert influence on individual local authorities. For example, by altering the size of the standard amount per head (A on the figure), the steepness of the taper above the student base number (B) and the level of the student base number itself (C) the same total budget could be used to strike a balance between different objectives. A squeeze on basic per capita amounts coupled with a gradual taper would encourage greater efficiency as institutions would seek to spread their fixed costs over larger numbers of student; it would also encourage considerable competition among institutions for students. A steeper taper (perhaps compensated for by a higher base number), would give the Government greater control and give institutions an incentive to raise finance other than from the government. This mechanism could be used also to achieve other aims such as encouraging part-time and sandwich courses.

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47. There should be no difficulty about introducing this system for universities straightaway. The same principles should apply to the financing of the public sector, but it may be that the way in which these institutions are funded at present cannot be adapted to meet these ends without significant adjustment. The DES should be invited to consider this matter, without ruling out the possibility of transferring to central government the responsibility for this part of the financing of public sector institutions.

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Chapter Seven

Statements of Educational Policy (SEPs)

48. We believe that our funding proposals would help to achieve the diversity and flexibility which the higher education system requires. They would also give the Secretary of State a much more active role in the financial affairs of individual institutions than he has at present. To assist him, we propose that every 3 years each publicly funded higher education institution should be invited to submit to him a statement of its objectives. These Statements of Educational Policy (SEPs) would be prepared within national guidelines issued by the Secretary of State after consulting the two new advisory bodies referred to in paragraph 43 above. The guidelines would describe how the Government perceives the present balance between the various objectives of the higher education system and whether it wished to see that balance shifted in any particular direction; for example, away from academic to economic considerations. Each institution would be encouraged to strike a balance of objectives of its own in the knowledge that centres of excellence of different kinds would be encouraged within the overall balance indicated by the Government. Once an institution's objectives had been agreed, its subsequent performance and hence claim for public funds would be judged against yardsticks which reflected its own objectives as set out in its SEP.

49. The SEP, which would be published, would describe the institutions' policies on such matters as subject mix, the balance between teaching and research, training of teachers, course length, breadth and content, links with industry, entry qualifications, continuing education, credit transfer and arrangements for monitoring quality. It might even be used to encourage institutions to play a larger role in their local or regional economies.

50. In the public sector, SEPs would have to take account also of the views of LEAs. In most cases, the institution and its LEA would agree on the terms of the SEP. If, however, there were a serious difference of opinion between them on the direction which an institution wished to take or on the amount of LEA resources required to achieve its ends, the SEP might be the vehicle for the institution to petition for independent status. (See paragraph 39 above).

51. Each SEP, except an institution's first, would contain also a report on the extent to which the objectives it had undertaken to pursue in its last SEP had been met. The Secretary of State, on the advice of his two advisory bodies, would use the SEPs, particularly the reports on past performance, in deciding about the allocation of funds to individual institutions. For example, in deciding on the number of students in each subject category for which an institution would receive the standard amount per head (see para 45 above), he might take into account how well that institution had met its commitment to wider access.

52. In the university sector, SEPs would, to a large extent, simply replace and systematise the present inter-change of information between institutions and the UGCs. They would be similar to the five-year academic plans which universities had been required to submit to the UGC under the system of quinquennial funding. In the public sector, the SEP process would gradually absorb the tasks presently performed through course approval; there would be no need to maintain the present system of HMI and RAC advice on Advanced Further Education. What distinguishes SEPs from existing arrangements, however, is the degree of independence which they would give to institutions to negotiate their own objectives and the extent to which they might be used to monitor the achievement of those objectives. In this latter respect they offer the prospect of a considerable improvement on the present arrangements for the accountability of the public funds allocated to higher education.

Encouraging Innovation

53. It is important to stress that the SEPs provide a link between the Secretary of State's policy for the higher education system as a whole and each institution's perception of what it does, or could do, best. We believe that the aggregation of these statements of objectives would produce, over time, a balance of emphasis in the system which was consistent with the Government's policy. But we recognise that there are strong forces of inertia which now act to preserve the status quo. To help to overcome these by encouraging those proposals in SEPs which appear to offer the best prospect of achieving the changes in the higher education system which the

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Government would wish to see, an Educational Venture Fund (EVF) of, say, £25 million a year should be established. This money would be used by the Secretary of State to fund the testing and development of new ideas. Higher education institutions, voluntary organisations and others who wish to innovate would be eligible for EVF support. The kind of developments which might be funded are credit transfer, open access programmes, the development of shorter and modular courses, new forms of teaching, teacher training and the monitoring of teaching performance and new methods of involving industry in an institution's activities. In administering this fund, the Secretary of State would be advised by his two new advisory bodies. (This approach is similar to the new Technical and Vocational Education Initiative (TVEI) for 14-18 year olds.)

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Chapter Eight

Course Structure, Content and Access

54. In the technologically based society of the next century, higher education institutions will be called upon to provide a whole new range of courses; courses which will be broad enough to enable individuals to cope later with rapid changes in particular fields of knowledge and to acquire and exercise completely new areas of expertise. We believe that the most effective way of doing this is by the "core plus modules" approach in wide use in the USA and currently being developed here in the system of training for manual workers and technicians. In short, the "core plus modules" approach requires candidates for a degree to complete a number of "core" or essential courses as well as a number of other (supplementary) courses or "modules" from a list of those available in their institution or, in a credit system, also from other institutions. We advocate this approach principally as a way of meeting economic needs, but we believe that it would also serve wider educational objectives by providing the opportunity to introduce a broad "core" curriculum which would meet the needs of those who are not well suited to the highly specialised nature of traditional courses.

55. If a degree based on "core plus modules" is to be introduced without any major increase in the resources and time which the State and individuals devote to higher education, the "core" must be shorter than the current standard three-year degree so as to provide room and time for specialisms of adequate quality to be built onto it. We believe, largely on the basis of experience in other countries such as France, Japan and the USA where such courses have been in operation for some time, that two years of study on the basis of carefully developed complementary core courses would be enough time to justify awarding a university degree to the student who had completed it.

56. Experience in other countries also reinforces our belief that if two-year general courses are to be accepted by employers as useful screening devices for potential employees, they must be certificated and graded on the same basis as the present three-year honours degree. (This is the normal practice abroad). In addition, they must be offered by our 'best' institutions and attract the ablest students. The proposals which we make for funding institutions and students should provide incentives to the former to develop and offer such courses and to the latter to opt for them. In addition, we think that the Government, if it wishes to encourage such courses, should accept them as the basis for entry to the "fast stream" of the Civil Service.

Credits

57. Implicit in the "core plus modules" approach is that the facility should exist for people to add to their basic higher education core later in life, after they have entered employment. A prerequisite for this is a system of transferable credits which would permit a student who had successfully completed a core or module course in one institution to get "credit" for that course as part of the requirement for a degree awarded by another institution. This would permit students to choose courses with a degree of independence from their institution, recognising that it is unrealistic to expect all institutions to offer all courses. This has long been recognised as a desirable development, but progress, especially in the university sector, has been slow. The Education Credit Transfer Information Scheme (ECTIS) is a good start, but exchanging information on courses is not enough. We recommend that the Government should press for more rapid development of credit transfer.

Widening Access

58. As well as encouraging higher education to offer a more diverse product range, we believe that the Government should use the leverage of its funding to persuade institutions to open their doors to a more diverse student body by accepting a wider range of entry qualifications, including qualifications in vocational education. 'A' levels, now overwhelmingly the most commonly

offered qualification, meets the needs of the academically gifted child who has a clear idea of the interests he wishes to pursue, but should be only one element in a broad sixth form curriculum. The much discussed 'I' level should now be introduced. Given the existence of a well tried Scottish model (the 'H' grade) to build on, introduction of 'I' levels should take years rather than decades.

59. At least as important is the need to develop an additional path from school to higher education via courses and qualification in vocational education. If higher education is to be more effective in providing a corpus of highly educated but practical people motivated to work in the productive sectors of the economy it needs to tap a higher proportion of the young people whose minds have a practical bent. A path of sorts to higher education exists at present via NAFE but it lacks status and there is no clear and simple progression from school to Further Education courses or from Further Education to university, because schools do not prepare pupils for Further Education and because higher education institutions (especially universities) do not gear their entry requirement to the products of CFEs.

60. Several other approaches to developing alternative forms of entry to higher education have recently been tried and are worth noting. The Open University, is of course, the best known. In the North West, a group of universities and colleges have set up an Open College Federation which steers unqualified students through units of tuition, often while at work, on the successful completion of which they can enrol for a degree at one of the participating institutions. We think that a study should be undertaken of various entry criteria, including the use of aptitude tests and credits for relevant work experience, as a way of helping those who leave school at 16 but who would benefit from higher education later in life.

Part-time

61. In this connection, we believe that higher education institutions should be encouraged to provide more flexible study arrangements so as to attract students who are paying their own way; eg part-time and evening courses which enable people to combine study with employment. The Open University, Open Tech and Pickup programmes all have important parts to play in encouraging these developments. Their continued co-operation, straddling the division of responsibilities between DES and MSC, will be a crucial factor in their success.

62. Working adults, particularly those with families to support, face a considerable financial sacrifice - in the short term at least - if they take time away from work to study full time. We therefore think that they should be assisted to study part-time and this end, we recommend that a programme of grants for part-time study should be considered. The level of grants available for mature students should also be reviewed and extended to a wider range of sub-degree courses.

63. We do not, however, propose that adults should be given a statutory right to education leave, with or without pay, from their employer. This would increase the burdens on employers and could help to destroy jobs. The negotiation of any such right is a matter for (individual or collective) bargaining between employer and employees, who between them must decide what their enterprises can afford and what priority educational leave should have as compared with pay, job security, etc. If the government were to introduce any general fiscal incentive to encourage training, then company expenditure arising from any education leave might be an admissible expense. But, generally, we believe that the right approach is to encourage flexible patterns of learning that minimise the time away from work.

Chapter Nine

New Funding Arrangements for Students

64. As we pointed out in paragraph 14 above, this country treats its students exceptionally generously. All UK resident students on a recognised degree course, no matter what the subject, receive a maintenance grant, the size of which is dependant on parental income, and free tuition. We believe that the government should consider using this aspect of its spending on higher education as well as its funding of institutions to effect any shift it might wish to bring about in the balance between the various objectives of the system.

65. If, therefore, the Government accepts that an initial two years of higher education based on carefully planned general "core plus modules" courses is a useful way of producing manpower of the quality required to meet the needs of the economy as well as for meeting more general educational needs, it should consider adjusting its student support system accordingly; that is, by providing maintenance grants and free tuition to all qualified students only for the first 2 years of higher education. For the third and subsequent years, however, students should have to meet their own maintenance and tuition costs, although they should be eligible for Government-guaranteed loans for both.

66. We recognise that this represents a radical change to our system of student support and appreciate that any proposal which appears to treat students less generously and thus to limit educational opportunity is likely to generate strong opposition across a wide spectrum of political opinion. We therefore recommend that our proposal should be introduced gradually, perhaps over 10 or more years. At first students should be required to meet their own maintenance costs but should continue to be provided with free tuition. Gradually, fees should be introduced for all courses in such a way that at the end of the transitional period the fee payable for each course would reflect the full cost of providing it. Charging full cost fees would expose the costs and benefits of tuition beyond the second year to the test of the market so that courses which do not meet this test would decline. It would be up to employers to pay for special core qualification which they value, either by setting salary levels so that the courses attract students

or, if rigidities in their pay structure prevent this, by sponsoring courses and/or students which meet their needs. Charging for tuition would also encourage institutions to compete for students and would give students an incentive to choose carefully which of the many specialised options and post-graduate courses on offer were likely to be most relevant to their future employment prospects. By their third year, they should be in a position to do this.

67. The Government should be aware, however, that to produce the benefits claimed for them, full cost fees require a labour market which is capable and willing to adjust to take account of new circumstances. This is because unless salary levels, etc, move to reflect the cost differences between courses, the effect of full cost fees would be to threaten seriously the more expensive science and technology based courses. The Government must therefore use the transitional period to monitor carefully the behaviour of the labour market. If it appears that rigidities in it are preventing the necessary adjustments from taking place, it may be necessary to reconsider the phasing programme. But the Government must not make too much of its intention to keep a close eye on developments. If it wishes the market to make the necessary effort to adjust to full cost fees, it must present its commitment to them as firm and settled.

68. DES has previously considered a half grant/half loan system in place of existing maintenance awards. For a typical student on a three-year course, this scheme would result, assuming the loan is fully taken up, in a debt of about £2,500 per typical student on a three-year course. Under our scheme, a student on a two-year general course would face no financial burden. A student on a three-year course of the traditional kind would be required in the early years of our scheme to take a loan to cover the cost of his maintenance during this third year; typically, about £1,600. But once our scheme was fully operational, he would have to raise a much larger amount as he would have to pay also for the full cost of his tuition. The likely size of his tuition bill is difficult to assess at this stage as we make other recommendations aimed at improving the efficiency of teaching; i.e. at reducing costs. On the basis of current cost levels, however, the recurring expenditure costs for universities are estimated to be about £3,500 for classroom based subjects

and £5,500 for laboratory based subjects. For advanced courses in polytechnics, the comparable costs are about £3,000 and £4,000. In the first year of our scheme, therefore, the third-year student would have to take a loan for £1,600; ultimately, the burden on the student on a specialised three-year course could be of the order of between £4,000 and £7,000. (These sums are significantly higher than the costs now faced by students in other European countries, but not out of line with fees in Japan and the USA).

Scholarships for the Brightest

69. These funding arrangements should exert considerable pressure on the higher education system to move in the direction of meeting its economic and, through its encouragement of two-year general courses, also its wider educational objectives. We must not, however, run the risk of throwing the baby out with the bath water in the sense of going so far that the highest academic standards and, in particular, the research base, of our system are seriously threatened. To protect high standards, the academically most able students in all disciplines should be eligible for a limited number of bursaries or scholarships to cover their full-time maintenance and tuition costs beyond the second year, including post-graduate study. These should be awarded by a body largely comprised of academics, perhaps a sub-committee of the new academic advisory body proposed above. It is essential to limit the number of these scholarships, if the inevitable tendency for standards to be devalued progressively to the point where these new arrangements come to replicate the present grant system is to be resisted.

Chapter Ten

Improving the Information Flow

70. The proposals set out above have been aimed at increasing the responsiveness of the higher education system to the needs of the economy and to the more general educational needs of the country. We hope that they will have the effect of making students, too, more responsive to these needs. But responsiveness is a two-way relationship; if the higher education system is to respond as we wish it to, we must ensure that the messages it receives are clear, consistent and in line with the ends we seek to achieve.

71. As far as wider educational aims are concerned, it is mainly for the Government to ensure that the flow of information is adequate. As for the needs of the economy, employers, including the Government as a major employer, must take the lead. More particularly, they must act through the market by ensuring that initial salaries, promotion prospects and other conditions of employment reflect their assessment of the relative value of various skills. They must also express their needs clearly through the general statements issued by their trade associations, professional institutions, the CBI and other bodies. They must seize the opportunity of membership of the UGC, the NAB and other national bodies to put the employer's case on teaching, course development and other matters as forcefully as possible. Finally, they must forge close links with particular institutions by serving on governing bodies, seconding staff as managers and part-time visiting lecturers and by sponsoring courses designed to meet special needs.

73. Central to our proposals is the need to ensure that relevant information passes freely between potential students (in school and elsewhere), between institutions and employers (broadly defined) and between employers and schools. There are at present serious deficiencies in all these areas but, to some extent, our previous recommendations should improve the quality and flow of information. In particular:

- (a) SEPs will provide public information to intending students and employers about the objectives and achievements of each institution and give details of the contacts which that institution has with outside bodies;
- (b) Our proposals for student financing will provide incentives to industry and commerce to enter the market for loans or sponsorship in a cost-effective way;
- (c) The combined operation of our new economic and employers' advisory body and the Educational Venture Fund will enable best practice on information to be disseminated and, occasionally, funded.

74. But more needs to be done. One of the most important problems is the strength of the link between the traditional sixth form and higher education and the way in which this link encourages academic interests almost exclusively. In order to develop alternative links between young people and the higher education system, we propose the following:

- (a) The MSC should ensure that those on YTS and TVEI receive complete, up to date and comprehensible information on opportunities in higher education (including FE courses leading to higher education); they should use the numbers progressing to higher education as one of the criteria for judging the success of these schemes;
- (b) DES should ensure that School-Industry link programmes build bridges to appropriate higher education courses;
- (c) DES should consider exploiting the unique position of tertiary colleges. The mixing of academic and vocational streams within them can create a climate in which all pupils are aware of a wider range of possible next destinations.

CONFIDENTIAL

75. In addition, the provision of careers advice to those intending to enter higher education requires substantial overhaul. Among the proposals which we believe should be considered are the following:

- (a) The Government should fund the publication of a national compendium of information, similar to Occupational Outlook in the United States, which lists up-to-date information on graduate destinations, employment rates and salaries by degree course and institution. DES should ensure that publicly funded institutions collect this information for publication. The SEP might be used for this purpose. We commend the practice of some universities of sending to schools a report on the progress of their former pupils after their first year;
- (b) Local Careers Services should be encouraged to provide all schools with details of further education courses available to their pupils, scores needed for admission to them and the destinations of local children leaving them. We have seen some excellent examples of this;
- (c) In schools, enthusiastic and well informed careers teachers are the key to good advice. They should have clear responsibility for advice, over and above that of departmental heads. They should be appropriately graded and be encouraged to visit higher education institutions in the area and beyond. DES should consider issuing a strong circular to LEAs along these lines;
- (d) In Colleges of Further Education the quantity and quality of advice depends crucially on the Careers Service. Exhortatory efforts to increase the number of specialist officers in further education have failed. We recommend that DE considers directing each LEA to designate a certain proportion of its officers as further education specialists.

76. We are conscious that the points made in (b), (c) and (d) above may appear secondary to the problems that youth unemployment poses for careers teachers and advisors. For that reason, we would see merit in considering them in the context of a wider investigation of the place and role of careers teaching and advice to young people.

77. We mentioned the role which would be played by our new economic and employers' advisory body and by the Educational Venture Fund in improving the quality of information about the world of work coming from employers. The Occupational Outlook exercise would also help. In addition, we propose the following:

- (a) DES and DE should commission further research into the qualities which employers require of graduate recruits with a view to assisting with the interpretation of the confusing signals which are sometimes given by individual recruitment decisions;
- (b) The NEDC Sector Working Parties, as part of their continuing task of promoting best practice in British industry, should disseminate information to industries on the detailed manpower effects of technological change. The Engineering Council should undertake a similar task;
- (c) SEPs should be used as a method of increasing the importance accorded by higher education institutions to the contribution that their Appointments Boards can make to the planning of courses, etc. There is far too little feedback from employers to academics through these Boards.

Chapter Eleven

Improving the Quality of Management

78. By making higher education institutions more responsive to nonacademic considerations, our proposals would place substantial burdens on the management structure of institutions. The Government should encourage systematic management training for those with management responsibilities in higher education and should consider using public funds for this purpose. In addition, we believe that the following proposals would also encourage better management and a heightened concern for efficiency:

- (a) Government support towards the teaching costs of higher education should be based on the estimated reasonable costs of providing a particular type of course. Institutions with higher costs should have to make charges or raise private finance to cover the extra cost or make savings elsewhere; institutions with lower costs should be able to keep the "profit", provided that they can prove that their "quality" has not been lowered;
- (b) The Government should use the power implicit in setting the level of publicly funding teaching costs to exert pressure on institutions to achieve more efficient use of teaching staff and overheads; eg, lower staff/student ratios. The Public Accounts Committee in 1980 pointed out the scope for such savings in the universities when it drew attention to the range of staff/student ratios and to the fact these can vary by as much as a factor of 3 even within a single subject. In the public sector, the HMI are now specifically looking at productivity and have concluded that in many subjects a 25-30 per cent tightening of the staff/student ratio within 3 years is feasible without loss of quality;

- (c) The Exchequer and Audit Department should be encouraged to conduct a rolling programme of value for money audits of publicly funded institutions. In addition, institutions should be required to publish costs and performance indicators on an annual basis.

Easing Change

79. Better managed institutions should be able to change the mix of courses they offer more rapidly than at present. This should enable them to meet more effectively the changing course preferences of loan/financed students responding to market signals and to cope better with the effects of the greater choice of courses and institutions which our proposals should produce. To put on new courses within limited resources, they will have to be able to discontinue existing courses at relatively short notice. (Credit transfer would enable them to send students to other institutions to undertake courses which are discontinued). This will inevitably mean redundancies. These are costly in any organisation but are particularly so in universities because of tenure. We therefore recommend that the DES, when considering applications for new charters and at other times, should continue its present policy of discouraging conditions of employment such as tenure which impede restructuring so that in due course institutions will not offer tenured posts except where these are funded entirely from private sources.

80. In addition, we recommend that the Government should set up a restructuring fund to cope with the "one-off" costs of retraining surplus staff or for compensating them. The fund should have a limited life of say, 5 years; the case for extending its life should be subject to review without any presumption that it should continue. More permanent arrangements are needed also to permit DES (or some agent) to act as a kind of academic receiver for departments which, in the view of their institution, are no longer viable. This would ensure that students were able to transfer to other institutions to complete courses on which they had already embarked. (Credit transfer would help here too). The funds realised by disposing of part of an institution's assets could be used to re-finance restructuring.

Chapter Twelve

Implications of our Proposals for Public Expenditure

81. Our proposals for improved careers advice in schools, in further education and in higher education, together with our proposals for extending the coverage of maintenance grants to part-time students and in other ways all have implications for public expenditure. So do our suggestions for an Educational Venture Fund (EVP) and a Restructuring Fund. The size of the Restructuring Fund is difficult to assess, but we are inclined to be suspicious of some of the wilder estimates of the cost of restructuring. Mitigation of damages will account for much of the projected earnings of lecturers. Our best guess is that a staff reduction in the region of 15 per cent over 5 years would cost some £50 million a year. Assuming an EVP of about £25 million a year, we estimate that our proposals would in total add less than £100 million a year to public expenditure in the initial five years. The sums involved thereafter would depend largely on the success of the EVP proposal and whether it becomes a permanent and significant part of the higher education scene.

82. Our proposals for student support involved the replacement of maintenance grants beyond the first two years by loans and the phased introduction of tuition fees which would also be covered by loans. If these loans were financed by Government, public expenditure would be reduced as repayment built up. In addition, to the extent that commercial or employer sponsorship developed, expenditure savings would emerge immediately. The exact size of the public expenditure reduction would depend on the number of bursaries/scholarships awarded, but ultimately the savings would be of the order of £½ billion per year. Our proposals for reducing costs and improving efficiency should also result in savings in public expenditure.

83. In short, we believe that in the longer term, once the restructuring and adjustment costs have been incurred, the effect of our proposals, by reducing student support and lowering unit costs, would be to reduce the pressures on Government finance for higher education.

Postscript

84. Our present system of higher education has become hallowed by generations of tradition, personal loyalty, memories and myths. There is thus tremendous inertia in it, further buttressed by the mutual reinforcing links which have been forged between it and the specialised school curriculum. Overcoming this inertia so as to be able to implement the changes necessary to make the system more responsive to changing needs will require far more than exhortation. It will require sustained and strong pressure from the Government over many years. But given the almost total dependence of higher education institutions on public money, the Government has a powerful lever by means of which to exert this pressure. Many will argue that to use public funds in this way is to threaten "academic freedom". We accept that this is a test to which our proposals must be put, but we are confident that they can pass it successfully.

Summary of Main Recommendations

85. The general aim of our proposals is to achieve a new balance between the academic, economic and educational objectives of our higher education system with a view to increasing the contribution which the system makes to our economic performance and to widening educational opportunity. To this end, we propose the following:

(a) Funding institutions:

- (i) The total block grant distributed to each institution in both the university and the public sector should be separated into its research and teaching components so that the size of each part can be fixed according to criteria most appropriate to it (paras 40-41);
- (ii) The judgement as to the balance between academic considerations and wider economic and educational goals which must underlie the decision about how much money should be allocated to any particular institution should be made by the Secretary of State (para 43);
- (iii) To advise the Secretary of State in making the judgements referred to in 85(a)(ii) above, two new bodies should be established; viz, a group of academics to advise on academic and educational matters and a more widely based group of employers and others charged with advising on employment and economic matters. The advice provided by each body should normally be published (para 43);
- (iv) As one of its first tasks, the academic advisory board should be invited to study ways of evaluating the quality of university courses and how they are taught (para 44).

(b) Statements of Educational Policy (SEPs)

- (i) Every 3 years each publicly funded higher education institution should be invited to submit to the Secretary of State a statement of its educational policy of objectives (we call this an 'SEP'). SEPs should be prepared within national guidelines issued by the Secretary of State after consulting his two new advisory bodies (para 48);
- (ii) Each SEP should contain a report on the extent to which the objectives which the institution had undertaken to pursue in its last SEP had been met. SEPs would inform the Secretary of State's judgement about the allocation of funds to individual institutions (para 51);
- (iii) To encourage innovation, an Educational Venture Fund (EVF) of say, £25 million a year should be established out of which the Secretary of State would be able to fund the testing and development of new ideas (para 53).

(c) Course Structure, Content and Access

- (i) The "core plus modules" approach to course development should be developed as a way of meeting economic needs and increasing educational opportunity (para 54);
- (ii) Institutions should be encouraged to develop, and students encouraged to take, two-year "general" courses, based on the "core plus modules" approach, leading to a certificated and graded degree (para 56);
- (iii) The Government should press for more rapid development of credit transfer (para 57);
- (iv) The Government should use its financial leverage to persuade institutions to accept a wider range of entry qualifications, including qualifications in vocational education (para 58);

- (v) A study should be made of various entry criteria, including the use of aptitude tests and credits for relevant work experience as a way of helping those who leave school at 16 but who would benefit from higher education later in life (para 60);
- (vi) Institutions should be encouraged to provide more flexible study arrangements so as to attract students who are paying their own way; eg, part-time and evening courses (para 61); a programme of grants for part-time study should be considered (para 62);
- (vii) The level of grants available for mature students should be reviewed and their availability be extended to a wider range of sub-degree courses (para 62).

(d) Funding Arrangements for Students

- (i) To encourage the development of two-year general "core plus modules" courses, students should have to meet their own maintenance and tuition costs beyond their second year of higher education, although they should be eligible for Government-guaranteed loans for both (para 65). This change in our present arrangements should be introduced gradually, perhaps over ten years or more, and should be carefully monitored to ensure that the labour market was reacting appropriately (paras 66-67);
- (ii) To protect high standards, the academically most able students in all disciplines should be eligible for a limited number of bursaries or scholarships to cover their full-time maintenance and tuition costs beyond the second year, including post graduate study (para 69);

(e) Improving the Information Flow

- (i) A number of steps should be taken to develop new links between young people and the higher education system as a way of supplementing the traditional links through 6th forms (para 74);
- (ii) The provision of careers advice to those intending to enter higher education should be substantially overhauled and we make a number of proposals for consideration (para 75);
- (iii) The quality of information coming from employers about the world of work should be improved and we offer suggestions for doing this (para 77).

(f) Improving the Quality of Management

- (i) The Government should encourage systematic management training for those with management responsibilities in higher education and should consider using public funds for this purpose (para 78);
- (ii) In order to increase the ability of institutions to respond quickly to changing needs, the DES should continue its present policy of discouraging conditions of employment such as tenure which impede restructuring (para 79);
- (iii) The Government should set up a restructuring fund to cope with the "one-off" costs of retraining surplus staff or for compensating them (para 80);
- (iv) Arrangements are necessary to permit DES (or some agent) to act as a kind of academic receiver for departments which are no longer viable. This would enable students who have embarked on courses in such departments to complete them (para 80).

Cont Mach.
Dec 81
CPRS work Prog.

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21 JUL 1983

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F E R Butler Esq



CABINET OFFICE

With the compliments of
Sir Robert Armstrong GCB, CVO
*Secretary of the Cabinet
and Permanent Secretary to the
Management and Personnel Office*

70 Whitehall, London SW1A 2AS

Telephone: 01-233 8319

Ref. A083/2073

MR SPARROW

At our meeting this morning we discussed certain questions which arise in connection with the demise of the CPRS.

2. As I told you, the Prime Minister has asked me to see that proper control is kept over the papers of the CPRS when it is disbanded. Members of the CPRS are not to take away with them official papers which they have acquired or helped to produce as members of the CPRS, or any copies of such papers. There should be no relaxation of control over the distribution of CPRS papers between now and its disbandment. In particular, it will be necessary to control the distribution of papers recording the experiences of the CPRS or the state of your work in progress. I should be grateful if you or Mr Caines would have a word with me if there is any doubt or difficulty on this score.

3. As to the archives of the CPRS, my view is that they should be held together as a single archive. The Cabinet Office will retain custody of the files. Present members of the CPRS who are continuing to work in the Cabinet Office or in 10 Downing Street may have access to those files in so far as that is required for official purposes. There will be instructions that my office should be consulted before access is granted to anyone else for any purpose.

4. The CPRS archives are public records and will be held as such. I do not envisage that access will be granted to historians or others who are writing accounts of the work of the CPRS, even if those people are themselves former members of the CPRS.

5. You asked about copies of Ministerial correspondence. My Private Office will be responsible for supplying copies of Ministerial correspondence to Dr Nicholson as appropriate. Mr Pascall and Mr Young will look to 10 Downing Street for their distribution.

6. Parliamentary Questions and other inquiries about the CPRS are to be directed in the first instance to my office so that we can decide how best to deal with them.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

13 July 1983

1983



14 JUL 1983

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

1983



JWAH

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR ROBERT ARMSTRONG

WINDING UP OF THE CPRS

The Prime Minister has asked me to have a word with you and asked you to see that proper control is kept over the papers of the CPRS when it is disbanded at the end of this month.

The Prime Minister would be grateful if you would ensure that members of the CPRS do not take away with them official papers which they have acquired or helped to produce as members of the CPRS, and that there is no relaxation of control over the distribution of CPRS papers during the final stages of its operations. It will be particularly necessary to control the distribution of any papers which the CPRS prepare recording their experiences or the state of their work-in-progress at the moment of their disbandment.

F.R.B.

11 July 1983

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10 DOWNING STREET

From the Principal Private Secretary

24 June 1983

I am writing to thank you on the Prime Minister's behalf for your letter of 16 June.

The Prime Minister understands why you and other members of the CPRS should have been disappointed by her decision to disband the CPRS, and it is natural that you should take the view that the balance of the arguments pointed to a different conclusion. You will by now be aware of the reasons for the Prime Minister's decision, which were set out in the public announcement: in brief they were that, while the Prime Minister considers that the CPRS has been a valuable source of collective advice to Ministers during the twelve years of its life, she and her Cabinet colleagues felt that, as a result of developments in the meantime, the purposes for which the CPRS was set up were now being met satisfactorily in other ways.

But I can assure you that the Prime Minister was not under any illusion that only Mr. Sparrow made any contribution to the work of the CPRS. She is well aware that he is ably supported by his team in CPRS and that they do much work on their own account, which she does not see directly. She paid public tribute to this work in the announcement about the CPRS. The Prime Minister thinks that you will agree that, now her decision has been taken and announced, it would not be profitable to go over the ground in a discussion but she would certainly not want you or any other member of the CPRS to feel that her decision was any reflection on your own contribution for which she is sincerely grateful.

E. E. B. BUTLER

Robert Young, Esq.,
CPRS

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PRIME MINISTER

P1. not ~~type~~
The attached.

If you agree I will reply in the attached terms to Robert Young. As you will see from Ferdie Mount's minute, Robert Young is one of the two members of the CPRS whom he wants to take into the Policy Unit.

F.R.B.

Approved

24 June 1983

Sorry -

I started

to sign it.



CABINET OFFICE
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 6035

SECRET

The Rt Hon Margaret Thatcher MP
10 Downing Street
SW1

010
Prime Minister - to see ² /
I do not think that you
should see them. If you agree
I will prepare a sympathetic
reply, which I will clear with
you.

Thompson
FERB
20.6
16 June 1983 (recd. 20.6!)

Dear Prime Minister,

As a relative newcomer from the private sector to the CPRS I was taken
aback by the reasons for the demise of the CPRS which Mr Sparrow reported to us
all yesterday. If I understand your thinking correctly, you have become deeply
concerned about the political sensitivity of some CPRS material which has leaked,
and you perceive that only Mr Sparrow actually does anything.

As to the first point, it is, I believe, in the nature of the task we
have had that awkward matters should be brought to Ministers' attention early.
Presumably that will have to go on. Leaks are always deplorable, but are a
separate matter, and I understand that there is no evidence to suggest that the
CPRS has been responsible for them. As to the second point, CPRS members work
hard in support of Mr Sparrow, both in documents which are clearly ascribable
to the CPRS and in committee work, where our contribution frequently leads to a
realignment of recommendations before they reach Ministers.

Even after only ten weeks in the CPRS, I believe that there is value in
what the CPRS seeks to do by way of briefs and other forms of advice and analysis
for Ministers (collectively and individually). It is disturbing that no successor
arrangements are intended which might bring to bear a similar range of private and
public sector thinking on the work of Cabinet.

My principal purpose in writing to you is thus to record the reservations
I have about the effect of abolishing the CPRS. I cannot reasonably expect that
you will have time to discuss it face to face, but if that were possible I should
be extremely grateful. In the latter case, one or two of my private sector
colleagues might also ask to add their views, but in writing to you I have acted
alone and without consultation.

Yours sincerely,
Robert Young
R Young

SECRET

PRESS NOTICE

The Prime Minister has reviewed the arrangements for support to Ministers on policy analysis and advice, and in particular the role of the Central Policy Review Staff (CPRS).

2. The CPRS has been a valuable source of policy analysis and collective advice to Ministers in successive Governments since it was established in 1971. In the meantime, however, Departments have established or expanded their own policy units for long-term planning, and the Cabinet Office Secretariat's role in preparing issues for collective Ministerial discussion has grown considerably. A policy unit has also been established in the Prime Minister's office.

3. In the light of these developments, and of the development of the role of special advisers as a source of general advice to Ministers, the Prime Minister has decided, after consultation with her Cabinet colleagues, that the purposes for which the CPRS was set up are now being met satisfactorily in other ways and it should therefore be disbanded at the end of July.

4. Dr. R.B. Nicholson, who has been Chief Scientist, CPRS, will continue as Chief Scientific Adviser, Cabinet Office, with the rank of Deputy Secretary, and will continue to provide advice to the Prime Minister and to the Secretary of the Cabinet on scientific and technological matters or scientific and technological aspects of other issues which come to the Prime Minister or to the Cabinet Office. He will also continue his present role in respect of the Advisory Council for Applied Research and Development (ACARD).

NOTES FOR EDITORS

1. Mr. John Sparrow, the present Head of the CPRS, came into Government on secondment from Morgan Grenfell and Co plc in April 1982, and will return to that company when the CPRS is wound up. The Prime Minister said this afternoon:

"I am extremely grateful, as is the Government as a whole, to Mr. Sparrow for interrupting his career to come and help us in Government as Head of the CPRS. I had learnt to value his wise advice before either of us was in Government, and I have valued it even more highly in these last fifteen months. He returns to the City with my warmest gratitude and good wishes."

2. A number of other people from outside the Civil Service have been seconded to the CPRS. Their work has been invaluable. The Prime Minister is grateful to all who have worked for the CPRS, and in particular to those who have directed its work.

3. The Prime Minister is anxious that everything possible be done to see that the interests of all the staff of the CPRS, whether they are civil servants or on secondment from outside, are not adversely affected by the decision to bring the CPRS to an end, and she has given instructions accordingly.

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Wants to see the
unit.

A number of ^{other} people from outside

the unit since have been seconded to
the ZPRS. Their work has been invaluable.
~~Some work has been undertaken~~
Some work attached to the ^{Prime Minister's} Policy Unit, others

Turn into
para. 2
overleaf.

~~to the specific departmental responsibilities]~~
The ^{Prime Minister} is grateful to all who have
worked for the ZPRS ^{and} ^{to show} ^{contribution}
who have ^{been} ^{involved} in work. ~~with the unit~~
~~last year.~~

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10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

cc: Mr. Ingham
Mr. Caines,
CPRS
Mr. J. W. Stevens

CPRS

I attach Question and Answer briefing for our Press Office on the CPRS announcement, together with a list of current CPRS staff and a list of policy units elsewhere in Government with their dates of establishment.

I have agreed this material with Mr. Caines.

If you have any comments, could your office please let me or Mr. Ingham know before 4 p.m.

LEER BUTLER

16 June, 1983

CONFIDENTIAL UNTIL 4 p.m., 16 JUNE, 1983

50

CPRS: BRIEF FOR PRESS OFFICE

Has this decision been taken because of embarrassing leaks, e.g. of the public expenditure paper of last September?

No. The Prime Minister has always said that the Government would be weakened if fresh (and possibly controversial) ideas were not produced and discussed. Many ideas are produced, throughout Government and outside it, which are rejected by Ministers.

The leaks have not been confined to CPRS documents (and there is no reason to believe that they came from CPRS).

Who is going to produce new ideas?

This is indeed necessary and is best carried out under close Ministerial supervision in the Departments concerned.

Is this a weakening of Collective Government?

It does reduce the collective support for Ministers. But it is nonsense to present it as a move away from Collective Government. Ministers now receive ~~most~~ policy analysis support within their own Departments and have less need for a central policy analysis unit serving them collectively. But decisions are still made collectively. And the Cabinet Office Secretariat continues to provide collective support.

Has the decision been taken because people in the CPRS are less good than they used to be?

No. The current CPRS team is of the same high standard as its predecessors but the growth of policy analysis elsewhere in Government has inevitably meant that their special role is less necessary.

/What work

What work has the CPRS left to finish?

It has never been the practice to publish the CPRS' work programme.

What will happen to Mr. Sparrow?

He will return to Morgan Grenfell.

Was he offered a place elsewhere in Government?

He was asked what his wishes were and said that he wished to return to Morgan Grenfell.

Will there be an expansion of the No. 10 Policy Unit?

No large scale expansion is envisaged. A few extra people are likely to be added to expand the Policy Unit's coverage.

What will happen to CPRS' existing staff?

The plan is that the Civil Servants will return to their Departments. Discussions are taking place with those seconded from the private sector to see what their wishes are. Some are likely to be invited to complete their secondments in Departments or in the No. 10 Policy Unit.

Lord Hunt has talked about 'a hole at the Centre'. Won't this make it worse?

No. Policy analysis and the development can be perfectly well done away from the Centre. There needs ^{to be} both central co-ordination and support for the Prime Minister. These are provided by the Cabinet Office and the Prime Minister's Policy Unit.

/Was the

Was the decision cleared with the Cabinet?

Yes.

THE CENTRAL POLICY REVIEW STAFF

	DEPARTMENT/ORGANISATION	EXPECTED DATE OF RETURN
Mr J Sparrow	Morgan Grenfell Ltd ^{plc}	April 1985
Mr J Caines (Dep Sec)	Department of ^{Trade and} Industry	January 1985
Dr R B Nicholson	Inco Europe	November 1984
Mr D Green	ICI Ltd ^{plc}	July 1984
Mr R Young	Vickers Ltd ^{plc.}	April 1985
Mr G J Wasserman (U Sec)	Home Office	July 1985
Mr G Hart (U Sec)	DHSS	April 1984
Mr M J Elliott	London School of Economics	June 1984
Mr W E Martin (Econ Adviser)	Department of ^{Trade and} Industry	March ^{July} 1985
Mr B A Taylor (A Sec)	Ministry of Defence	January 1985
Mr J Stuttard	Coopers & Lybrand	December ^{November} 1985
Dr P Davies	Science & Engineering Research Council	June 1984
Mr C H Smee (Sen Econ Adviser)	DHSS	January 1985
Mr D Pascall	BP International	March 1984
Miss C Rycroft (A Sec)	FCO	December 1983
Mr C Williams (Econ Adviser)	HM Treasury*	June 1984



DEPARTMENTAL POLICY UNITS

- DHSS Policy Strategy Unit (AS - D.Brereton) Est. 1981
Secretariat to main policy committees. Ad hoc policy studies/analyses.
- DEn Central Policy Unit (AS J.R.Wakely, J.Whaley) Est. post 1974
- DES Planning and International Relations Branch (AS- R.Ritzema) Est.1971
Secretariat for main policy committees. Ad hoc policy studies.
- DOE Central Policy Planning Unit (AS - Mrs M.MacDonald) Est.early 1970s.
Ad hoc policy studies. Runs MINIS
- DTI Policy Planning Unit (AS - A. Duguid) Est.1982
Secretariat and policy analysis functions. To be expanded to cover policy formerly within Department of Trade.
- DTp Transport Policy Review Unit (AS - D.Moss) Est.1976
Secretariat for main policy committees plus policy studies.
- FCO Planning Staff (G.G.H.Walden) Est.mid 1960s
Policy coordination and analysis.



UNITED STATES DEPARTMENT OF JUSTICE

Mr.

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For Cabinet folder.

Prime Minister

Ref. A083/1693

PRIME MINISTER

Are you content with the attached press notice, including the quotation attributed to you in the background note? Agree that it should be published on Thursday afternoon? It is bound to leak once you have told Cabinet. FERB 15.6.

You should take the opportunity at Cabinet tomorrow to tell your colleagues that you have decided, after consultation with some of them, that the time has come to bring an end to the Central Policy Review Staff (CPRS).

2. It has been a valuable source of analysis and collective advice to Ministers in successive Governments since it was established in 1971. Developments in the meantime have, however, diminished the need for it and you have come to the conclusion that the time has come to bring it to an end.

3. Your decision has of course been foreshadowed in the press and you should perhaps say that, in order to eliminate further uncertainty, you propose to make an announcement later in the day.

4. I attach a copy of the draft press notice which has been prepared.

RA

ROBERT ARMSTRONG

15 June 1983

CONFIDENTIAL

Ref. A083/1699

MR BUTLER

Press Notice on the CPRS

I have had a number of comments on the draft I sent you
--- earlier in the day. I attach a revised draft herewith. I am also
--- attaching a second copy of the revised draft for you to attach to
the brief which I have prepared for the Prime Minister to use at
Cabinet.

REA

ROBERT ARMSTRONG

15 June 1983

610

CONFIDENTIAL



Ref. A083/1692

MR BUTLER

cc Mr Caines
Mr Stevens

I attach a draft press notice on the CPRS, revised in the light of our discussion this morning with Mr Caines.

2. The wording of paragraph 4 of the draft press notice reproduces the phraseology used in Annex A of the Government's observations on the First Report of the House of Lords Select Committee on Science and Technology (Cmnd 8591).

RIA

ROBERT ARMSTRONG

15 June 1983

CONFIDENTIAL

DRAFT PRESS NOTICE

The Prime Minister has reviewed the arrangements for support to Ministers on policy analysis and advice, and in particular the role of the Central Policy Review Staff (CPRS).

2. The CPRS has been a valuable source of policy analysis and collective advice to Ministers in successive Governments since it was established in 1971. In the meantime, however, Departments have established or expanded their own policy units to support Ministers on policy analysis and long-term planning, and the Cabinet Office Secretariat's role in preparing issues for collective Ministerial discussion has considerably grown. A policy unit has also been established in the Prime Minister's office.

3. In the light of these developments, and of the development of the role of special advisers as a source of general advice to Ministers, the Prime Minister has decided, after consultation with her Cabinet colleagues, that the time has come to bring the CPRS to an end when it has completed work currently in hand, which is expected to be by the end of July.

4. Dr R B Nicholson, who has been Chief Scientist, CPRS, will continue as Chief Scientific Adviser, Cabinet Office, with the rank of Deputy Secretary, and will continue to provide, or organise the provision

of, advice to the Prime Minister and to the Secretary of the Cabinet on scientific and technological matters or scientific and technological aspects of other issues which come to the Prime Minister or to the Cabinet Office.

NOTES FOR EDITORS

1. Mr John Sparrow, the present Head of the CPRS, came into Government on secondment from Morgan Grenfell and Co plc in April 1982, and will return to that company when the CPRS is wound up. The Prime Minister said this afternoon:

"I am extremely grateful, as is the Government as a whole, to Mr Sparrow for interrupting his career to come and help us in Government as Head of the CPRS. I had learnt to value his wise advice before either of us was in Government, and I have valued it no less highly in these last fifteen months. He returns to the city with my warmest gratitude and good wishes."

2. The Prime Minister is anxious that everything possible be done to see that the interests of all the staff of the CPRS, whether they are civil servants or on secondment from outside, are not adversely affected by the decision to bring the CPRS to an end, and she has given instructions accordingly.



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2000
ALBOK

10 DOWNING STREET

From the Principal Private Secretary

MANAGEMENT IN CONFIDENCE

SIR ROBERT ARMSTRONG

MACHINERY OF GOVERNMENT AT THE CENTRE

The Prime Minister discussed a number of matters with you this afternoon, and this minute records the conclusions.

CPRS

The Prime Minister decided that the CPRS should now be abolished. She asked you for further advice about how this should be achieved and announced, and in particular about whether Mr Sparrow would be able to return prematurely to Morgan Grenfell.

MPO

The Prime Minister decided that the MPO should be amalgamated with the Cabinet Office. This change has been announced this afternoon.

The Prime Minister also decided that Lord Gowrie should assume day to day responsibility for the functions currently exercised by the MPO, combining this responsibility with the post of Minister of State, Privy Council Office and Minister for the Arts. The Office of Arts and Libraries is to be attached to the Privy Council Office, instead of the Department of Education and Science.

The Rayner Unit

The Prime Minister has decided that the Rayner Unit should become responsible to her, through an adviser on efficiency to be appointed. She is minded to appoint Sir Frank Cooper to this post. The Prime Minister would be grateful for your advice on how this might be brought about, and on the form and timing of the announcement.

13 June 1983

*
F.E.R.B.

a GOVT MATTER
 Future of CPRS
 discussed

Note for the record:

A083/1622

PRIME MINISTER

Transfer of functions in last
 sentence of para. 11 still to be
 decided by PM. Sir Robert

Armstrong is preparing and decided
 a further submission.

FEB 15.6.

Machinery of Government at the Centre

You will want to return to the various matters we were discussing in the months before the Election.

Cabinet Office

2. I have assumed that you would envisage no change here, apart from the Central Policy Review Staff.
3. As to the CPRS, I doubt whether, if you decide that it has no future, we can pursue a policy of gradually running it down by making no new appointments. That is not a recipe for effective performance or good morale. If the CPRS is not to continue, I think that we had better disband it, and seek to minimise the costs of doing so as best we can.
4. But I hope that, before concluding that it has no future, we shall have a chance of discussing it with you, because I believe that there is a role for a collective central policy advisory staff, even if you decide to strengthen your own policy staff in 10 Downing Street.
5. Our experience of giving the CPRS a series of specific in-depth studies to undertake has not been a very happy one. This has not just been because some of them have leaked and caused embarrassment. Though you have approved the list of subjects chosen for study, it has not always been possible to give the reports the political direction and relevance which would maximise their value as pointers to Government action, or to further detailed work. The value that we have got out of them has, on the whole, not justified the expenditure and effort put into them.
6. But I do not think that we should conclude from that that we do not need something like a CPRS, in the sense of a central policy advisory staff which is available to Ministers collectively, not just to the Prime Minister. Departmental

Ministers - apart from the Treasury - tend to be ill-equipped with analysis and advice on policies in which their Departments have no departmental interest; and even where there is a departmental interest it needs to be seen in the wider context of the Government's overall strategy. The independent collective briefing and advice of the CPRS can be very valuable to such Ministers, and could with advantage be extended.

7. The strength of the CPRS lies in its independence of individual Departments, in its flexibility and ability to be iconoclastic, and its ability to bring together a wide range of different talents and skills, from outside as well as inside the Civil Service. The official Treasury welcomes the distinctive contribution which the CPRS makes to the coordination of policy advice and formulation at the centre, and would not want to see it disappear.

8. The role of collective briefing and advice is different from the role of briefing and advice to the Prime Minister. The CPRS has lately tended to try to combine both roles. But even if the role of briefing and advice to the Prime Minister is assigned to advisers to the Prime Minister's own office, the need for some body to undertake the role of collective briefing and advice will remain; and, if there is nobody there to provide it, the process of formulating Government policies and relating them to the overall strategy will be less effective.

9. I conclude from this analysis that:

- (1) You may well want some reinforcement of your advisory staff, particularly on economic and industrial matters.
- (2) Even if you do, we should retain a CPRS.
- (3) The balance in the CPRS's work should shift away from specific studies and more towards collective briefing on policy analysis and advice.

- (4) The CPRS should not be debarred from undertaking in-depth studies at your request or that of a departmental Minister (with your agreement). But we should not try to think up a programme of studies for the CPRS to do.
- (5) The CPRS in its new role should continue to be part of the Cabinet Office, though it would need to work closely with the advisers in your office.

10. If this prescription is followed, there may be scope for some reduction in the size of the CPRS, but I think not much, if it is to be equipped with a reasonable range of talents and skills. Some of those now in the CPRS might be worth considering as candidates for advisory positions in your office.

Management and Personnel Office

11. As you agreed when we discussed the future of the Management and Personnel Office before the Election, I have not taken further contingency planning to put the personnel management and efficiency functions of the MPO into the Treasury. I have however had a further word with Peter Middleton. He has confirmed that he would not wish to take the MPO into the Treasury; he has other thoughts about the areas on which the Treasury - and he himself - should be concentrating. Both he and Peter Le Cheminant and I would like to see some minor adjustments at the frontier between the Treasury and the MPO; the main change here would be to transfer the division which deals with industrial relations in the Civil Service from the Treasury to the MPO.

12. Ministerial dispositions for the MPO are for you to decide. I will only say that I think that the arrangement under which the day-to-day Ministerial responsibility for the MPO (formerly for the Civil Service Department) is combined with the leadership of the House of Lords has not worked badly over the years; it did not work so well with Lord Soames mainly because he found the CSD work boring and was longing to be more involved in foreign and European affairs. If Mr Whitelaw is to be the Leader of the House of Lords, I think that it would work perfectly well for

him to take on day-to-day responsibility for the MPO; and it would give him a Department of his own, which he may feel he will need and would like to have. *No - he doesn't want it.*

13. Equally, if you do not want to have a Cabinet Minister in the MPO, I think that it can manage well enough without one, provided that it has a suitable Minister of State. The period when Lord Soames was in Rhodesia and Mr Channon was in charge of the CSD showed that that would be a perfectly viable arrangement.

14. When you decided to break up the Civil Service Department in 1981, the original thought was that the functions that did not go to the Treasury would come into the Cabinet Office. It was eventually decided to leave those functions in a separate MPO (with the Secretary of the Cabinet also serving as Permanent Secretary of the MPO) because it was feared that bringing them into the Cabinet Office would open up the Cabinet Office "proper" to the inquisitive eyes of the Parliamentary Commissioner for Administration (whose writ runs in the MPO but not in the Cabinet Office) and of the Select Committee on the Treasury and the Civil Service. On reflection I think that we may have given too much weight to those fears. There are very unlikely to be any references to the Parliamentary Commissioner in respect of the Cabinet Office "proper"; and I doubt whether the separation would inhibit the Treasury and Civil Service Committees from inquiring into the Cabinet Office if they were determined to do so.

15. So I believe that you could, if you wished, bring the functions now in the MPO into the Cabinet Office, as a separate management and personnel division. I think that you would still need a Minister of State (who should in my view be a Minister of State, Treasury, and not a Minister of State, Cabinet Office) to relieve you of the day-to-day responsibilities and duties of Ministerial supervision of that work. The change would be as much cosmetic as real, because the functions themselves would not be changed and would still have to be performed and you would

still be, as Minister for the Civil Service, the Minister in overall charge. But it would perhaps make it easier to justify not having a Cabinet Minister in charge. It would have some administrative advantages, but there would also be some minor expenditure on new signs, badges and letterheads.

16. We are planning to take the Rayner Unit out and make it answerable to an efficiency adviser in 10 Downing Street. We could not now house the Unit in 70 Whitehall, unless there was a corresponding reduction in the size of the CPRS. Otherwise I think that the Unit will have to be located in the New Public Offices (the building now occupied by the Treasury) into which it is in any case due to move when the rest of the MPO moves later this year. That would have the disadvantage of being physically outside No 10; but that was the case when its members sat in the Cabinet Office building, and they do not need to be constantly in No 10. On the other hand it would have the advantage of being under the same roof as the Treasury and MPO divisions concerned with efficiency, with whom the Unit would need in any case to keep a very close working relationship.

17. No doubt you will want to discuss all these matters as soon as you have a moment to think about them.

ROBERT ARMSTRONG

10 June 1983

Pl. file

CC NO

CONFIDENTIAL

Qa 06341

To: PRIME MINISTER
From: JOHN SPARROW

21 April 1983

No further work of any kind from now on
for Monday's meeting
learn folder
MS.

CPRS Work Programme

1. As I mentioned in my minute of 7 April, we have been giving some thought to our future programme of work. As a first stage, we have sought to identify the major problems that are likely to concern Government over the next five years. These are listed in the attachment to this minute.
2. In a number of the areas listed there is a continuing role for the CPRS as a result of work done during your Government's first term, and in others our responsibilities to you and to the Cabinet will require us to be involved. In a number of cases, we would not claim to be able to make a sufficient or unique contribution (or to have the time) to justify taking a lead position. Indeed, we would not want to cut across the responsibility of individual Departments to take the lead on issues which lie wholly within their field, though we would be willing to assist if any Department felt that we could make a useful contribution.
3. In the last few years we have rightly devoted less of our effort to major long-term set-piece studies. I believe that we serve the Government best by devoting our main effort to trouble-shooting and advice on day-to-day policy issues in all fields, linking them to the Government's main strategic objectives. But there is a range of work lying between these two extremes which I suggest merits some effort: relatively quick think pieces on selected topics in order to identify and clarify issues and to suggest possible paths towards solutions.
4. All this leads me to the proposal that the CPRS should, over the next few months and in addition to the normal day-to-day business and the follow-up to our work on pensions, education and intellectual

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property, give some thought to the following items out of the list in the attachment:

- (a) Economic policy measures to support and secure the recovery
- (b) Long-term prospects for employment
- (c) Public expenditure in the longer term
- (d) Taxation
- (e) Competition policy
- (f) Infrastructure investment
- (g) Inner city problems
- (h) The balance between public and private research.

Examination of some of these might lead us to put forward proposals for some more major CPRS study.

5. There are five further possible topics (not included in the list) which fall short of 'major' but on which we might play a useful part, again possibly leading to further study:

For H.O (a) Prisons (will demand outstrip supply? How can balance be best achieved?)

For AUK (b) Performing rights (a request from the Lord Chancellor)

For Agri Fi (c) Agriculture and food (balance between consumers and producers, impact of innovation, balance between agriculture and environment, trade implications)

For DOE (d) Housing (home ownership, public sector housing, implications for mobility)

(e) Pollution and industry.

6. When we meet on Monday it would be useful to have your reactions to these suggestions and to know whether you have other items which you want us to cover.

7. I am sending a copy of this to Sir Robert Armstrong.

BS



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MAJOR ISSUES FOR THE NEXT FIVE YEARS

1. Economic policy - measures to support and secure recovery.
2. Long-term prospects for employment.
3. Measures to improve labour market inflexibilities (e.g. wage rigidity, labour immobility, poverty and unemployment traps in the tax and benefit systems).
4. Public expenditure in the longer term (commitments, priorities, 'good' and 'bad' public expenditure).
5. Taxation (in particular the interaction of taxation with other policies such as industry, housing).
6. Trade policy (the costs and benefits of protection and the interaction between trade policy and industrial policy).
7. Competition policy (is there a need for clearer guidelines?)
8. Continued efforts to reduce the size of the nationalised sector and to improve its efficiency.
9. Railways (the issues raised by Serpell).
10. Is investment in the UK's infrastructure commensurate with the nation's future needs?
11. Regional policy.
12. Inner cities.
13. The balance between public and private research.
14. Measures to make the European Community work more consistently with UK interests.

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Main Issues cont'd.

15. Family Policies (continuing work to strengthen the social fabric through emphasis on the individual and family).
16. Education (e.g. the issues to be identified in our report, plus the links between education, training and the world of work).
17. Pensions (e.g. the issues identified in our report).

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10 DOWNING STREET

File 16
cc Mr Owen

From the Private Secretary

MR. SPARROW
CPRS

CPRS WORK PROGRAMME

The Prime Minister was grateful for your minute of 7 April about the CPRS work programme.

She would be grateful if you would send the Reports on Education, Pensions and Intellectual Property Rights to her before circulating them elsewhere; indeed, she has commented that it might be as well if she saw the Reports in draft.

M. C. SCHOLAR

11 April 1983

CONFIDENTIAL

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Prime Minister

cc/no 1

Are you happy with A ?

or would you prefer the reports to come first to you before being circulated to anyone else?

Qa 06324

To: PRIME MINISTER

From: JOHN SPARROW

7 April 1983

First to me.

CPRS Work Programme

Indeed it might be as well if I saw a draft.

LM
8/4
ms

1. Towards the end of last year you agreed to three major study topics for the CPRS - Education, Pensions and Intellectual Property Rights.

2. The work on all of these is well advanced and the purpose of this minute is to let you know when I now think that each will be completed.

3. The Pensions Study should be available before the end of this month which is in line with the "first half of next year" forecast which I made last October.

4. The next report to be ready should be that on Higher Education. End-May is now the target date for that, as against the "around February 1983" which I indicated in my minute of 16 November last year when the detailed remit was finally agreed. The field work and subsequent analysis have taken longer than we expected. To have tried to stick to the original target date would have meant producing a document of little value to Ministers.

5. The Intellectual Property Rights report should be available in June, one month later than the date which I forecast to you on 8 December when setting out the remit for the work.

A | 6. Subject to your agreement I propose, when each report is completed, sending it to you and to the other Ministers mainly concerned with the subject.

7. I am meanwhile working on a possible future programme to discuss with you.

BS.

CONFIDENTIAL



8 APR 1983

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COMPLAINTEUR



CONFIDENTIAL

P.0951

PRIME MINISTER

CPRS Report on State Monopolies
(E(NI)(83)1)

BACKGROUND

As part of the work programme for 1982, you asked the Central Policy Review Staff (CPRS) to consider how the power of the state monopolies might be reduced. The minute of 26 March 1982 from the then Head of the CPRS accordingly proposed a work programme, which you approved (Mr Scholar's minute of 7 April 1982). The results of that work, which included brief reviews of the coal, electricity, water and telecommunications industries, are set out in the report circulated with the note by the CPRS (E(NI)(83)1).

2. The main recommendations of the note and report are as follows:
(paragraph numbers refer to the report)

- a. The first objective should be to increase competition wherever possible, by the measures outlined in paragraph 82.
- b. The more radical options described in paragraph 83 (privatisation; new regulatory agencies; regionalisation; extension of franchising and contracting out) should be examined, particularly for those industries which have to remain as monopolies.
- c. Steps should be taken to reduce union power (paragraph 84).
- d. The statutory and financial context should be changed by encouraging private finance and joint ventures; removing Government guarantees against bankruptcy; removing the statutory duty to supply; and making any cross-subsidisation more explicit (paragraph 85).

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E(NI)(83)1 proposes that studies on this basis should be set in hand by sponsoring Ministers for each of the industries for which they are responsible, and the results reported within six months for further consideration by E(NI). Treasury Ministers should also be invited to consider further the proposals for removing Government guarantees against bankruptcy and for encouraging joint ventures with the private sector. Finally, it is suggested in paragraph 7 of E(NI)(83)1, that there may be a need for greater coordination with current studies of privatisation and contracting out.

MAIN ISSUES

3. The main issues before the Sub-Committee are as follows:

- i. Do Ministers agree with the general tenor of the CPRS recommendations? Are there any points to which they attach particular importance?
- ii. How should further work be organised?

The recommendations

4. Your colleagues are likely to agree in general with much that is in the CPRS report. There are, however, a number of qualifications and complications which they may wish to bring out, for example:

- a. The relationship between the problem of state monopolies and the problem of excessive trade union power in these industries is not a simple one. Privatisation or regionalisation may help to reduce trade union power but cannot be guaranteed to lead to this result. The same trade unions are likely still to be involved when a concern has been privatised and may also be involved in new private sector enterprises set up to compete with the monopoly. Regionalisation will not necessarily put an end to national pay negotiations if the unions insist on organising themselves in this way. Structural and organisational changes may therefore be able to make only a modest contribution to the problem of reducing union power. This problem is

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probably therefore best dealt with, as now, partly in the context of changing employment legislation generally and partly by a series of specific studies (which are already in hand) of how to withstand or deter strikes in key industries through whatever means are appropriate (stockbuilding, duplicate facilities etc).

b. Although the report demonstrates that the present extent of state monopolies goes beyond what is strictly necessary on operational and economic grounds, there are undoubtedly some areas of activity where monopoly will be inevitable and the problem will be one of mitigating its adverse effects. There is therefore a wide range of different situations each requiring its own tailor-made set of remedies.

c. The proposal for removing Government guarantees against bankruptcy of state monopolies raises very difficult issues. As the report recognises there would be little to be gained where there is a strong monopoly which can ensure its own solvency at the expense of its customers. Where however the state enterprise is not commercially viable, removal of the Government guarantee would have much the same effect as cutting off the supply of Government funds; it could not continue trading. The problem is therefore essentially whether the Government is prepared to see extensive loss-making activities (eg uneconomic pits, large parts of British Rail's network, some of the BSC's major plants) brought to an end.

Future work

5. These points support the CPRS suggestion that the next step is for the possible detailed application of their proposals to individual industries to be studied. The CPRS paper envisages a report from each sponsoring Minister in six months. Depending on the discussion, this may not be the best way forward, and a more selective approach may be more productive. Mr Sparrow will be able to speak on this point. The right course might be to invite him to have a series of discussions with sponsoring departments (Ministers and officials) with a view to identifying for each department a few specific areas where one or more of the ideas set out in the State Monopolies report could usefully be applied.



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From this a well-defined and effectively targetted programme of work could emerge. This would avoid the risk of a large number of long, rather general and perhaps not very positive reports from sponsoring Ministers requiring collective consideration in July.

6. It may also be better to consider the possibility of removing guarantees against bankruptcy and encouraging joint ventures with the private sector in the context of individual industries rather than as independent general issues. You will wish to seek the views of Treasury Ministers on this point.

HANDLING

7. You will wish to ask Mr Sparrow to introduce the report. At some stage he may wish to give Mr Green (Head of the Nationalised Industries Staff within the CPRS) the opportunity to add a few comments. The Chancellor of the Exchequer may have some general points. You will then wish to ask the main sponsoring Ministers for their views.

CONCLUSIONS

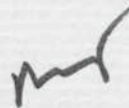
8. You will wish to reach conclusions on the following points:
- i. whether the Sub-Committee endorses the general analysis in the CPRS Report, subject to any reservations brought out in the discussion;
 - ii. how the Report might best be followed up, (for example by a series of discussions between the CPRS and sponsoring departments, designed to draw up a programme of action in some specific areas, as suggested in paragraph 5 above).

PLG

P L GREGSON

31 January 1983

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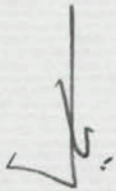
Prime MinisterPRIME MINISTERcc Mr Mount
Mr WaltersE(NI), 1 FEBRUARY: CPRS REPORT ON STATE MONOPOLIES

(attached) This report has an unhappy history. When you first saw it, last October, you said it had insufficiently clear proposals for action. We analysed the recommendations and suggested seven which the CPRS should take further. John Sparrow came back with a note in November saying that should be left to individual Departments. You saw him on 30 November, agreed to discuss the paper at a small meeting of Ministers, and asked him to consider circulating a note on points for action. The paper, unchanged, is now to be taken in the full E(NI), without further analysis by the CPRS of what can actually be done, and with the original recommendation for "specific studies" to be done on each nationalised industry. We are back where we were three months ago.

Our view remains that the best outcome of this meeting would be for the CPRS to be instructed to work up, in consultation with the relevant sponsor Departments, detailed and practical recommendations for action in the seven areas we identified earlier (these are described in my note of 26 October, of which I attach a copy). There is no point in asking Departments to make further generalised reviews of how to reduce the monopoly power of their industries: your colleagues will all say they have done that several times in various contexts already, and we wouldn't blame them for resisting another similar exercise. By contrast the seven suggestions we have picked out do have some prospect of action at the end of them, provided that responsibility for pursuing them is not left to the Departments themselves.

One new thought. The water industry is very much in our minds. Two of our suggestions - splitting monopolies into regional corporations,

and decentralised wage bargaining - are already relevant. But you may feel that this is the right context for work to be done on no strike provisions. As you know, Peter Gregson (and I) would not expect such work to produce helpful answers - no strike agreements mean offering either comparability or indexation as a quid pro quo; no strike legislation for particular groups is ineffective because the employer will not want to force his workforce to give notice. But in view of current circumstances and wide public interest in such provisions, it is right to make sure we have not overlooked some other way of keeping workers in essential jobs from striking.



31 January 1983



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ccld

10 DOWNING STREET

From the Principal Private Secretary

STAFF IN CONFIDENCE

MR SPARROW

CPRS STAFFING PLANS

The Prime Minister has seen and noted your minute of 5 January about proposals to reduce the staff numbers in the CPRS.

I am copying this minute to Sir Robert Armstrong.

Angela Horden

F.F.R. BUTLER
(signed in his absence)

7 January 1983

AH

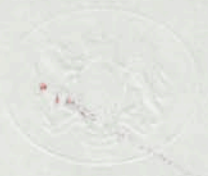
010
Qa 06205To: PRIME MINISTER
From: JOHN SPARROWms
5
5 January 1983CPRS Staffing Plans

1. During our conversation on 24 December, I told you of my proposals to reduce the staff numbers in the CPRS and I am now writing to confirm what I then told you.
2. Our present establishment is 20 which in formal terms represents 17 CPRS and 3 Nationalised Industry Review Staff: in practice, the boundaries implied by this formal distinction are less clearly drawn.
3. I propose to reduce the combined establishment to 17 by the middle of 1983, which I can do without disturbing the arrangements under which people already here are seconded to us. Apart from making the CPRS a more manageable unit, closer in numbers to its traditional size, this will enable us to integrate our accommodation and so improve internal communications. A further consequence is that it will enable us to reduce the complement of secretaries by three, making a total staffing reduction by the middle of 1983 of six people.
4. After the middle of 1983 I would expect to maintain the establishment at 17, although there would certainly be times when we would be operating below establishment, as we are at present. This inevitably arises when secondments in cannot be exactly married up with people returning to their parent organisation, and it will continue to be our practice in these circumstances to run below establishment for a while rather than to overlap and go above establishment.
5. We agreed that there was no need for this note to go into detail about specific staff movements, but I have covered these separately in a memorandum to Sir Robert Armstrong, to whom I am sending a copy of this minute.

B.

16 JAN 1983

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



[Faint, illegible text covering the majority of the page, likely bleed-through from the reverse side.]

^(CRS)
Mr Butler to see

Govt Mach



10 DOWNING STREET

Note for file

CPRS staff

At his meeting with the PM
today Mr Sparrow undertook
to report to her, in outline,
his plans for reducing CPRS
staff numbers from 20 to
about 17 "or a bit below"
(PM's words).

PLS 24/12/82



10 DOWNING STREET

Prime Minister

For your meeting with Mr
Sparrow you may find this
list of CPRS staff useful.

MCS 23/12

CONFIDENTIAL

26 AA
Govt Mach

NOTE FOR THE RECORD

ROLE OF THE CENTRAL POLICY REVIEW STAFF

This note records points made at the Prime Minister's meeting on 30 November with Sir Robert Armstrong and Mr Sparrow about the role of the CPRS.

The Prime Minister said that she was not happy at present about the way in which the CPRS was working. Their recent reports had been too general and not based on sufficient research: she found it difficult to derive specific points for practical action from them. She thought that the CPRS was at present too big for the role it performed.

Mr Sparrow said that the role and staffing of the CPRS were very much as he had inherited them. He agreed that the CPRS was too large and top-heavy at present: once the work programme for the CPRS had been clarified he would want to think further about its staffing. He felt that the CPRS had become involved in more major studies than was desirable or had been the intention when it was first set up. He pointed out, however, that the CPRS were involved in a large amount of work which the Prime Minister did not see directly. He suggested that there should be a clearer idea of the benefits to be derived from such studies before they were launched and that the CPRS should devote more of its efforts to briefing on the flow of papers coming forward for Ministerial decision day by day.

The Prime Minister said at the end of the meeting that she would want to think again about the CPRS following the next election and would want to consider whether it should be abolished in its present form and replaced by some expansion of the policy unit in No 10.

1 December 1982

F.R.B.

CONFIDENTIAL



File Art

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR ROBERT ARMSTRONG

CENTRAL POLICY REVIEW STAFF

I attach a copy of the minute which I have sent to Mr Sparrow recording the conclusions of today's discussion on the role of the CPRS.

There is one point, which I think that I should record separately in this note to you, although the Prime Minister made it in Mr Sparrow's hearing. That is that she will want to review again the role of the CPRS if she remains in office after the next General Election.

F.R.B.

30 November 1982

ATA



10 DOWNING STREET

From the Principal Private Secretary

MR SPARROW

CENTRAL POLICY REVIEW STAFF

This minute records the conclusions of the meeting which the Prime Minister had this morning with Sir Robert Armstrong and you about the role and staffing of the CPRS:-

- i) The Prime Minister agreed that the CPRS should go ahead with the higher education study proposed in your minute of 16 November, which was supported by the Secretary of State for Education and Science and Mr Waldegrave.
- ii) The Prime Minister concluded that the CPRS should not proceed with the study on the unions about which you had expressed reservations in your minute of 25 November.
- iii) The Prime Minister would hold a small meeting of Ministers, similar to the meeting which she held on the unemployment study, to consider what action should be taken on the CPRS report on state monopolies: please will you let me know whether you would wish the note attached to your minute of 12 November to Mr Scholar to be circulated as a basis for that meeting, and whether you would like to cover it with a note pulling out specific issues for Ministerial decisions on future action.
- iv) The Prime Minister said that she did not herself endorse some of the recommendations in the report on the black economy, particularly those which would increase the administration of the tax system, but agreed that you should discuss the report with the responsible Ministers in the Treasury and DHSS and report to her what was happening about them.
- v) The CPRS should devote more effort to briefing on papers coming forward from day to day, as recommended in your minute of 25 November, and to "fire-fighting" activities, particularly on industrial questions.
- vi) The Prime Minister asked Sir Robert Armstrong and you to prepare plans for the future staffing of CPRS, in the light of these conclusions about the future work programme, and to submit them to her: the Prime Minister

CONFIDENTIAL

- 2 -

expects that these will lead to a reduction of the current numbers in the CPRS.

- vii) The Prime Minister agreed to your suggestion that you should have more frequent meetings with her.

I am minuting Sir Robert Armstrong separately about the decisions made by the Prime Minister about senior appointments at the conclusion of the meeting.

I am copying this minute to Sir Robert Armstrong.

F.R.B.

30 November 1982

CONFIDENTIAL

PRIME MINISTER

C P R S

YOUR MEETING WITH SIR ROBERT ARMSTRONG AND MR SPARROW TOMORROW

There are two separate, but connected, categories of question to be discussed at this meeting:-

1. The CPRS Work Programme

You have just had Mr Sparrow's note of the discussion at Sunningdale - FLAG C in the string immediately below.

Should CPRS be moving away from big "projects" in the direction of more briefs on day-to-day issues ?

Should they be collective briefs or briefs for you individually ?

What is to be done on the four outstanding specific questions about the CPRS work programme - state monopolies report, further education, trade unions and the black economy - set out in Michael Scholar's minute of 19 November ? (also in this folder).

2. CPRS Staffing

Is it too big ? If so, how and at what rate should it be run down ?

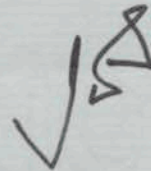
Should Mr Caines be appointed Deputy Head of the CPRS ?

F.E.R.B.

29 November 1982

MR BUTLER

I attach a list of CPRS staff as you requested. The information we have readily available about background experience is a little sparse but we have included what we have. As you will see the date of return to parent organisations is imminent in a number of cases. As is usual the CPRS top management have been head hunting for replacements and I do not yet know which areas (business, industry, Civil Service, etc) any replacements are likely to come from.



J W STEVENS

26 November 1982

Enc

CENTRAL POLICY REVIEW STAFF

NAME	DEPT/ORGANISATION	GRADE	BACKGROUND/EXPERIENCE	DATE OF RETURN
J Sparrow (Head of CPRS)	Morgan Grenfell & Co Ltd	Perm Sec level	Banking/Finance	April 1985 (if full 3 years)
A M Bailey (Deputy Head of CPRS)	Treasury	<u>Dep Sec</u>		1.12.82
Dr R B Nicholson (Chief Scientist)	INCO Europe Ltd	<u>Dep Sec level</u>	Lecturer and Professor Metallurgy then in Business	November 1984
D D Green (Head of Nationalised Industries Review Team)	ICI	<u>Dep Sec level</u>	Industry/Commerce	July 1985 (if full 3 years)
G Wasserman	Home Office	Under Sec	Economic	
G A Hart	DHSS	Under Sec		April 1985
Miss C S Rycroft	FCO	Asst Sec		<u>December 1983</u>
Miss E A Mackay	Scottish Office	Asst Sec	Regional Industries/ Housing	May 1983
C B Beauman	Formerly British Steel Corporation	between Under Sec & Dep Sec level	Commercial/City/ Nationalised Industries	Period appointment ends February 1983 *
J H Rickard	Trade/Industry	Sen Economic Adviser	Economic	29 November 1982 * to Public Enterprise Analytical Unit, Tsy
Dr R J Gibbs	DHSS	SPSO	Health Service Hospital Services	29 November 1982 * DHSS
Miss J Youde	} National Coal Board		Capital Investment, Energy Policy	February 1983 *

NAME	DEPT/ORGANISATION	GRADE	BACKGROUND/EXPERIENCE	DATE OF RETURN
G Mackenzie	Tube Investments Ltd			March 1983 *
J B Stuttard	Coopers & Lybrand Ltd		Accountant	November 1983
D Pascall	British Petroleum		Economic and Market Assessments (particularly Japan)	March 1984
M J Elliott	LSE		Legal (Labour Law, Constitutional and Administrative Law)	June 1984
B Taylor	MOD	Asst Sec		Due to arrive * January 1983 for 2 year period
Dr P T Davies	Science & Engineering Research Council (SERC)	PSO	Computing Science, Manufacturing technology background	June 1984
W E Martin	Industry	Econ Adviser	Economic	March 1983 *
C Williams	Treasury	Econ Adviser	Economic	June 1984

PRIME MINISTER

CPRS

*F3, which they are doing
this is far too heavy
staff. The sooner we cut
down the better. The Policy Unit
knows it more with
Jan Levin
people
not*

I attach this weekend's clutch of papers on CPRS:-

- (i) a minute from Sir Robert Armstrong about the appointment of Mr. Caines as Deputy Head of CPRS - Flag A;
- (ii) a list of all CPRS staff with the terminal dates of their appointments where these are fixed - Flag B;
- (iii) Mr. Sparrow's report on the outcome of CPRS' own discussion at Sunningdale about their work - Flag C.

You already have Michael Scholar's submission about the four CPRS remits on which they are asking for your approval. Perhaps I may add these comments on these papers.

Sir Robert Armstrong is pressing very hard for Mr. Caines' appointment for the reasons which I mentioned to you at lunchtime and which are set out in his minute. There is a lot in the argument that an outsider, who is Head of CPRS, needs an experienced Whitehall hand as his deputy; and it is difficult and embarrassing to hold up the appointment when Mr. Caines has been told about it and wants it. But I must in all honesty say that, as is evident from the list at Flag C, there are already two others at Deputy Secretary level in a staff of 20 in the CPRS and one between Under Secretary and Deputy Secretary; and at Under Secretary level is Graham Hart who was Private Secretary to the Secretary of State for Social Services from 1972 to 1974 and is certainly an experienced Whitehall hand.

On the list of staff, I have asterisked 6 whose appointments expire over the next 6 months and one who does not arrive until January. So there is scope for early reductions.

/ If it was

If it was agreed to get the staff down further, it would no doubt be possible to negotiate the earlier return of some of the others.

who?
On the work programme, Mr. Sparrow suggests that CPRS should put more effort into briefing on papers coming forward. If they could give you briefs of the sort so successfully prepared by Mr. Mount and Mr. Vereker, in areas not so far covered by the Policy Unit, I believe that this would be useful to you: Michael Scholar has suggested that areas on which CPRS could contribute briefs are

- Industrial Policy: comments on proposals concerning nationalised industries corporate plans, structure, ownership, strategy and specific closure or sale issues, e.g. Invergordon, Inmos, Britoil
- Trade policy
- High technology projects, e.g. fast breeder policy, cable.

On larger studies, I think your view is that, if CPRS is to do useful work, it must be based on more research and fact-finding, and not just "bright" ideas. You should have in mind that, if CPRS is to go out and find facts, their studies need to be on subjects which you do not mind it being known outside that they are working on.

I am afraid that the time has come when you need to have a talk with Mr. Sparrow as well as Sir Robert Armstrong. A decision that Mr. Caines should not join CPRS and that the staff should be reduced would represent a major change in the direction of CPRS. But there are positive points you could make:

- if the work of CPRS is to be interesting and worth while, we must decide what their contribution is to be and then staff them accordingly;

/ - there are

SENIOR STAFF IN CONFIDENCE

- 3 -

- there are natural changes coming up in their staff which we should use to get their size and composition right;
- a smaller staff would enable you to have a more personal contact with them.

It will be a difficult meeting, but I am afraid that things will get worse if the nettle is not grasped.

Yes
I happen to be having lunch with Mr. Sparrow on Monday. Shall I say ^{then} that we will fix up a meeting for Sir Robert Armstrong and him with you? Are there any points you would like me to make to John Sparrow, perhaps acting as a stalking horse?

FR.R.B.

26 November 1982

010



CONFIDENTIAL

Qa 06157

To: PRIME MINISTER

25 November 1982

From: JOHN SPARROW

1. Last weekend the CPRS held a twentyfour hour internal conference at Sunningdale. Such a conference has been an annual event for some years, normally held in the Spring but postponed this year because of the timing of the handover from Robin Ibbs to me. The session is essentially informal, its chief purpose and merit being to allow all of the CPRS to discuss a handful of topics and in so doing to strengthen team spirit and arrive at a clearer understanding of our job. I was doubtful beforehand whether the conference would prove to be worthwhile, but in fact I believe it to have been very successful, the time we had to clarify our thoughts resulting in everyone coming away with a clearer sense of what the CPRS is trying to do and how we should set about doing it. We were not seeking, and did not arrive at, any dramatic policy insights.

2. Our first two sessions were devoted to internal objectives and organisational matters. Clearly the focus for our work is the strategy which the Government is pursuing, and within that the policy objectives of Ministers. For this we need continued close contact with Ministers, and particularly with you. A major part of our work is in interpreting Government strategy to officials at a formative stage and in commenting on proposals when they reach Ministerial discussion; we should not get too closely involved in detailed departmental work or in the implementation of Ministerial decisions once made. Within a framework of priorities set by me and my senior staff, individuals should be encouraged to follow up special interests, although newcomers will obviously need rather more formal guidance.

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3. We came to the conclusion that the CPRS is most effective in helping Ministers when it concentrates on action-oriented work, such as collective briefs. We felt that we were devoting too much of our resources to longer term studies, which is a point to which I will revert later in this note.

4. We had an after dinner discussion of Britain's place in the world. This was a rehearsal of familiar arguments about our relationships with Europe, with the USA, with the Commonwealth and the Third World; and of the political and economic implications for trade, defence and aid. The discussion was stimulating but inconclusive, as perhaps one might expect.

5. Finally, we had two sessions on the creation and distribution of wealth. Given that the creation of wealth is most likely to occur when Government adopts a minimal role in providing law, defence and a welfare safety net, the crux of the discussion was the extent to which political, social and distributional reasons for greater Government involvement justified the reduced rate of wealth creation that that would cause. The debate covered taxation, trade policy, public purchasing, the provision of care for those in need, and assistance (carefully targeted and monitored) to emergent industries. This led to the question of employment and the need for a high-technology and highly-paid primary sector to be accompanied by an increase in ancillary services and perhaps by changed attitudes to employment in the household sector, together with the familiar problems of achieving wage rates that will enable the labour market to clear.

6. Over the last month or two I have been giving some thought myself to the activities of the CPRS. So far as I can tell, its original concept did not include the current practice of having anything up to half a dozen major studies in progress alongside the continuing work of reviewing particular problems and proposals in the light of the Government's overall strategy. Of course, the CPRS must continue

CONFIDENTIAL

to do major studies which are commissioned by you or which you agree are sufficiently important to be undertaken. However, where these studies are concerned, I see no virtue in numbers alone and I think that we need to have a much clearer idea than hitherto of the benefits that we are seeking from major studies - including among those benefits providing the CPRS with a clearly thought out background to future specific work. I have noticed that some of the things that we have been doing have been paralleled by public debate; some have pointed to a framework within which action decisions can be taken rather than to specific action in the first place; and some have had considerable value in terms of clarifying our own thinking without necessarily requiring a great amount of Ministerial consideration. Despite its sometimes turbulent history, I think that the Unemployment Study ended up as a fairly good model, in which a number of specific recommendations and ideas for further detailed consideration were remitted by you to the Departments most closely concerned, to be pulled together again when those Departments have reported. The Black Economy study gave an added perspective to unemployment and to other problems, and I believe that some of its recommendations are under consideration. The State Monopolies study had considerable value internally in clearing our collective mind, but needs to be followed up.

7. Of the present crop of proposed studies, I believe that the Pensions study is one in which the CPRS can crystallise Ministerial thoughts on a number of major problems, and I regard the Higher Education study in the same light. I find more difficulty in seeing where we are going with the Union study, because Ministers already have a clear idea of what they want to do in this field and we may not be able to add enough to make the exercise worthwhile. Where I believe we can make a very real contribution, on an increasing scale, is in helping to refine and subsequently put into perspective the constant stream of papers on current issues across as wide a range of Government activity and policy as we can cope with.

CONFIDENTIAL

8. I believe that morale in the CPRS is currently high and that our perception of our role is clearer than it has been. However, I want to be as clear as possible about what you want from us and, in view of the number of matters that currently need resolution (not least the identity of a successor to my Deputy), I would welcome an early discussion with you, if only to provide you with a framework within which to think further how you wish to use us. If we are to work successfully for you, I continue to think that I will need a short discussion with you every two or three weeks, in order to confirm priorities and to keep you informed of what we are doing.

JS.



File 16

10 DOWNING STREET

From the Private Secretary

24 November 1982

Michael
You may like to
read this, though
I would not give it
much priority.

Thank you for your letters of 17 November. Your paper you gave to the Manchester Statistical Society will, as the bureaucratic phrase goes, be read with interest here. As for your other letter, I will show this to the Prime Minister, and I know she will want to give Keith Joseph a chance to comment on it, before replying herself.

W
24/11

I doubt if anybody will be doing much moving here before the Election, whenever that turns out to be, but thank you for your kind words. I would say the same to you, but I am not sure there is much higher you can go.

F 100.F.S

Professor J. M. Ashworth.



Ref. A082/0257

MR BUTLER

Deputy Head of the Central Policy Review Staff

I sent you a minute on 9 November, recommending the appointment of Mr John Caines to succeed Mr A M Bailey as Deputy Head of the Central Policy Review Staff.

2. We have since discussed this question in two contexts: the future of the CPRS, and the range of appointments which we have under consideration. As to the future of the CPRS, I think that Mr Sparrow may shortly be reporting to the Prime Minister his view, following discussion with his colleagues in the CPRS, that the balance of the CPRS's work ought now to shift, so that they are less committed to major studies and do more by way of providing briefs on current issues for Ministerial consideration. In order that these briefs may be well-informed, they will still need to undertake studies and collect information; but the product would emerge more in the form of briefs, both collective briefs and briefs for the Prime Minister, on current issues for decision than in the form of the studies themselves.

3. It may well be that some reduction in the numbers of the CPRS would be consistent with a shift of emphasis of this sort. Even so, the CPRS will continue to need a Deputy Head, and will continue to need a Deputy Secretary of quality and experience in the Whitehall machine to support Mr Sparrow.

4. Mr Bailey is now due to return to the Treasury the week after next. Mr Sparrow is becoming anxious about the succession. Mr Caines is his own choice; and Mr Caines has been approached, and is ready and indeed expecting to serve. There is no doubt that it would be good for Mr Caines's career development to have experience in a central post of this kind. The discussions which we have been having on other appointments suggest that we are not likely to want Mr Caines for any of those.



5. I hope therefore that we may settle this appointment, and that the Prime Minister may agree that we should now confirm and announce the appointment of Mr Caines to succeed Mr Bailey as Deputy Head of the CPRS, and the appointment of Mr C W Roberts, as a Deputy Secretary, to take the vacancy in the Department of Trade created by Mr Caines's move.

A handwritten signature in dark ink, appearing to read 'RA' with a flourish.

ROBERT ARMSTRONG

24 November 1982

PRIME MINISTER

CPRS STUDY OF THE UNIONS

John Sparrow's proposed remit for the CPRS study of the unions raises several questions:

Do we need to start thinking now beyond our present legislative plans?

Is a CPRS analytical study the right first stage? Would it tell us anything we don't know?

Can we commission work on sensitive areas without the risk of leaks outweighing the benefits?

Future Legislation

It may be tactically premature to start planning the details of new legal reforms until Norman's proposals on trade union democracy are under our belts.

But it might be a good idea to start preparing public opinion for the need for such reforms. My impression is that at present the trade unions are unpopular principally because of their excesses on the picket line. The economic damage they do (when behaving "legitimately") is still not widely understood.

The CPRS Proposals

An analysis of the impact of trade unions on the economy might be telling Ministers only what they already know. But to the public it would be less well-trodden ground.

There is still a lack of solid published analysis from official sources of how the unions inhibit competitiveness and economic growth. After all, the last major official study was the Donovan Report, which concentrated on "good industrial relations" - and which hence has been used ever since by the trade unions as a justification of their role.

When we have doubts about CPRS reports (eg Nationalised Monopolies) it is usually because they do not take their analysis to the point of an action programme.

But in the case of the trade union study, on reflection I think there is a good case for a mind-clearing exercise. But this would be most effective if it is aimed directly at the public. If the CPRS were to work on the assumption that the first stage analysis might be published, then they would, I hope, produce a more balanced and thoughtful effort which might help to educate public opinion in the realities of union monopoly.

So I suggest that we should agree the CPRS proposals, but subject to one or two safeguards:

- (i) As already planned, the first stage should be wholly confined to analysis, and should be considered by Ministers before embarking on stage two and trying to draw conclusions for policy.
- (ii) The study should concentrate on "the impact of trade unions on the working of the economy" and not directly upon the well-thumbed topics of privileges and immunities or upon sociological aspects of trade unionism.
- (iii) The study might be carried out in close consultation with the Policy Unit, to make sure that it does not go right off the rails.
- (iv) The CPRS should work on the assumption that the first stage might be published. That would make leaks less damaging, would enable us to start a useful public debate, and put on the defensive those who have an interest in defending union monopoly.


FERDINAND MOUNT

CPRS Work Programme

There are a number of decisions for you to take. I know that you are also at the present time thinking more generally about the future role of the CPRS. The decisions outstanding are:

1. John Sparrow asks for a small Ministerial meeting on the State Monopolies Report (Flag A). Ferdie Mount doubts (Flag B) if such a meeting will lead to action but does not himself suggest what to do next. John Sparrow's note, and the State Monopolies Report, seem to me to be far too general. For example:

i) What is the good of the CPRS telling you that they recommend "that a strategy should be pursued of changing union attitudes for example, by better and more consistent management communications, both to union leaders and directly to members? Ministers should be invited to agree ^{with} their industries' plans which will lead to improvements and changes along these lines" (paragraph 8(d) of the attachment to John Sparrow's note).

ii) Is it really true to say (as John Sparrow does in paragraph 3 of his note) that "it is only if Ministers accept the framework of the State Monopolies Report that sponsor Departments can be asked to carry out the detailed work that is now necessary". // Should not John Sparrow be invited to pick out the four or five of his proposals ^{*} most likely to lead to action (and where action is ^{not} already being taken through some other policy initiative) and to make clear proposals for action in each of these cases. There would then be some point in you - with a small group of the

/Ministers

* Ideally each of these should be issues where John Sparrow's expertise could be used.

Ministers most concerned, endorsing these proposals in principal and asking the CPRS to concentrate their efforts in acquiring the knowledge to work with Departments on each of these limited number of proposals. Detailed CPRS involvement in this way might prevent the inertia which Ferdie fears taking over. Agree to this?

2. Education.

Please see John Sparrow's note (Flag C). Agree to these proposals?

3. Trade Unions.

Please see John Sparrow's note (Flag D) and Ferdie's note on this (Flag E). When you earlier discussed this study with John Sparrow you agreed that it should be a two stage process. Quoting from my record of your meeting with John Sparrow, you agreed "that the first stage, which could begin immediately, would be a dispassionate comparison of the pattern of trade unionism in this country, with a view to arriving at a conclusion about the relative success of unions in different countries at achieving what their members require of them. The second stage was at the moment harder to discern but would be concerned with the lessons which might be drawn from this analysis for trade union reform in this country. The Prime Minister will wish to consider, after the first stage is completed, how the second stage should best be approached." It seems to me that John Sparrow's approach is running together the two stages and that the reply to John Sparrow should, as Ferdie suggests, separate out the two stages. Agree to this? Agree that the first stage should be done with a view to publication? Agree the other proposals in Ferdie's note?

4. Black Economy.

We have done nothing with this report, which you received in September. Do you wish the departments concerned

(Inland Revenue and DHSS principally) to get to work,
with the CPRS, on the programme suggested by the CPRS
report (summarised at Flag F)?

Duty Clerk
pp M.C.S.

19 November 1982

CHAPTER 6: SUMMARY AND LIST OF RECOMMENDATIONS

6.1 In Chapter 1 we describe the variety of the black economy and point out how widely it is active within our society. Although the black economy is as old as taxation itself, the scope for tax evasion has widened greatly over the last 30 years with the vast increase in the number of taxpayers. One view of the black economy is that it is a pure economy, undistorted by taxes and regulations, where entrepreneurs flourish - often to the customer's advantage. The opposing view points out that the black economy fails to pay its share of taxation despite enjoying the benefits; and the extra tax burden is passed to the white economy. White economy traders have good cause to resent their black economy competitors who enjoy an unfair advantage. We point out that many people sympathise with both points of view; there is much ambivalence on the subject. This ambivalence limits the Government's freedom of action. We eschew a blanket approach; our aim is to try to build on the black economy's good points (or at least learn its lessons) while improving worthwhile controls.

6.2 In Chapter 2 we look at the composition and size of the black economy. Most of it consists of tax evasion, mainly of income tax. Much of the evasion is done by companies and self-employed traders who under-declare their profits and by moonlighters who conceal earnings from second jobs. An extreme form of evasion is practised by 'ghosts': people who manage to conceal their trades entirely and so pay no income tax, and often no VAT or national insurance contributions either. Another smaller part of the black economy comprises people with undeclared earnings who claim social security as 'unemployed' - the 'working and drawing' phenomenon. Much black economy activity appears to be in services (eg retailing and household repairs) and in construction.

6.3 Of its nature the black economy defies direct measurement. Several indirect methods have been employed, using a variety of more or less tenuous assumptions and giving a wide range of answers. However we conclude that the black economy probably accounts for between 5 per cent and 10 per cent

of GDP, or between about £10bn and £21bn in 1981. It has probably grown gradually over the last 30 years, both in absolute terms and as a proportion of GDP, as the tax net has embraced more people and more transactions. As to whether the black economy as a whole moves counter-cyclically, prospering when the white economy is in recession and suffering when it expands, or pro-cyclically, there is no convincing evidence; we suspect that some components of it react in one way and others in the opposite way. If the black economy were to pay its full taxes there could be a reduction in the tax burden on the white economy of the order of £4bn.

6.4 To measure the black economy much more precisely would require an elaborate and controversial programme of random checks on the honesty of citizens which we do not consider justified. The working and drawing component is a special case where we believe better measurement is needed and could be obtained by less controversial methods.

6.5 In Chapter 3 we look at the good and the bad effects of the black economy on the whole economy and on society. In the sectors where it is active it can lead to lower prices and increased output; but on the assumption that the cost of the black economy's tax evasion is reflected in higher taxes on the white economy, the latter suffers higher prices and lower incomes. On this basis there is no reason to expect that real national income will be higher or lower as a result of the black economy, or that the overall rate of inflation will be affected either way.

6.6 We point out that because of its very freedom from taxes, form filling and bureaucratic interference the black economy could be regarded as a nursery for small vigorous firms. But these freedoms create distortion in competition because they are not enjoyed by all. Honest traders may be forced out of business by black economy competitors even if they work harder and more efficiently. The manufacturing sector as a whole is penalised (to the benefit of the services sector) and that part of it that faces international competition is disadvantaged. And profitable firms, starting up in the black economy, may choose not to expand in order to evade detection. Finally, and most obviously, disposable income is redistributed between individuals in a way that differs from that intended by Parliament and is regarded by many as unfair; and a unhealthy climate of deception is fostered.

6.7 In Chapter 4 we look at ways in which the energies of the black economy might be diverted to the white. Part of the black economy could be legitimised by changes in the tax and benefit system that would remove people from tax or reduce the marginal rates they face. But the scope for change here is limited. Large tax concessions aimed deliberately at sectors most deeply penetrated by the black economy would obviously have much greater effects but there is no good economic or social reason why these sectors should enjoy such favourable treatment, which would be at the expense of other sectors.

6.8 The black economy will also be affected by actions that the Government could take to increase the numbers and activity of small businesses and self-employed traders. Sometimes the effect will be to shift activity from the black economy to the white, eg when traders come out into the open as a result of the regulatory burden being lifted or in order to benefit from Government-financed schemes. More often the effect will be a net growth in the black economy, by virtue of the greater numbers of small businesses and self-employed traders who, as a group, are prone to evasion. Thus there need to be adequate measures to limit tax evasion but without stifling enterprise.

6.9 In Chapter 5 we look at the steps taken by the revenue and benefit departments to improve the effectiveness of their enforcement work. We suggest that further desirable improvements could be made at little or no cost, by action in four areas:

- a. deterrence by means of publicity;
- b. declarations of secondary earnings by moonlighters;
- c. exchange of information between Departments;
- d. co-ordination of work between Departments.

Our specific recommendations are listed in 6.11 below. The main aim of the suggested action is to improve the Departments' ability (both real and perceived) to detect evasion so that would-be black economy operators may be deterred at the outset and may choose to enter the white economy instead. In two of the areas (b and c) the suggested action would, among other things, remedy some situations in which some people may at present be evading tax or national insurance contributions more by accident than by design.

6.10 Sometimes better enforcement of the tax regime will suppress economic activity (though this will be offset by greater activity elsewhere, in the white economy, if its tax burden is lightened). This is an inevitable feature of any tax regime. Of their nature direct taxes reduce incentives to work and indirect taxes reduce demand. The question for government is how to spread the burden between different parts of the economy, having regard to incentive effects, among others. We note that Inland Revenue have studied the effect of enforcement on a small sample of self-employed traders where evasion had been revealed by investigation; in these cases there appeared to be no sign of a subsequent reduction in trading activity. We suggest that Inland Revenue conduct more studies of this kind, over a wider range of their enforcement work, in order to assess its disincentive effects and to consider the implications, if any, for tax policy.

Recommendations

6.11 Our recommendations are listed below; the paragraphs where they appear in the report are shown in brackets.

- a. Ministers should sanction an experiment to measure the extent of working and drawing either by a direct survey approach or by extending progressively the scope of Specialist Claim Control investigators (2.16).
- b. On black economy grounds increasing the earnings disregard for Supplementary Benefit for the long term unemployed is to be preferred to paying them the long term benefit rate (4.5).

c. Recent and continuing improvements in the enforcement work of Inland Revenue and DHSS are to be endorsed and the cost-effectiveness principle should apply down the management line so that effort is concentrated on 'ghosts' and more serious benefit fraud where the concealed earnings are greatest (5.9 and 5.10).

d. DHSS's plan to extend the scope of Specialist Claim Control work should be endorsed (5.11).

e. In order to improve the deterrent effects greater publicity should be given to the Departments' successes in detecting cases of non-compliance; in particular consideration should be given to:

i. Inland Revenue giving local publicity for some of their successes but without identifying offenders (5.17);

ii. Inland Revenue devising a scheme for publishing the identities of some of the more serious cases of tax evasion (5.20);

iii. Customs and Excise giving greater publicity to compounding cases (though not necessarily identifying individual offenders) (5.21);

iv. DHSS giving advance local publicity to the impending arrival of Specialist Claims Control teams, on an experimental basis (5.22).

f. Inland Revenue should devise a scheme, for Ministers' consideration, in which moonlighters not now receiving tax returns would have to make a declaration about secondary earnings on a simple form (5.24).

g. Ministers should consider the case for increasing the exchange of information between Departments, particularly information gained from investigations and routine national insurance and Schedule D data (5.29 and 5.31).

- h. If Ministers are attracted to any of the recommendations e. ii., f. and g., which would require changes in the statutes under which Inland Revenue operate, they should consider the case for these changes in the context of their consideration of the report of the Keith Committee, due later this year (5.16).
- i. The recommendation of the official Working Group for co-ordinating the work of national insurance Inspectors and PAYE Auditors should be accepted and implemented swiftly (5.35).
- j. The case for a full merger of national insurance Inspectors and PAYE Auditors should be re-examined after sufficient experience of the co-ordinated work scheme, (5.37).
- k. The Departments of Employment and of Health and Social Security should examine the demarcation between them of benefit fraud work (5.38).
- l. Inland Revenue should monitor the effects on taxpayers of its improved enforcement in order to assess how far it leads to a reduction in their activity and to consider the implications, if any, for taxation policy (5.41).
- m. The revenue and benefit departments should conduct more studies that assess the effects of compliance work on offenders' future behaviour and should exploit the results to improve the overall value of their enforcement work (5.43).



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From the
Vice-Chancellor

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JMA/HP.

17th November, 1982.

Mr. W. Rickett,
Private Secretary to
the Prime Minister,
10 Downing Street,
LONDON.

replied via 28/11
Dee Willie,

In view of this morning's item in 'The Times Diary', I thought you might like to have a copy of the enclosed. Whether you wish to show it to anyone else I leave to your good sense and judgement.

I have been meaning to write for some time along the lines of the attached letter which I would be grateful if you could forward. It is not every day that Salford finds itself in the exclusive company of Oxford and Cambridge (although it is a sign of the times to see them join us in the "Top Ten" of The Financial Times's University employment league table). I hope the Prime Minister is pleased by the increase in the 'A' level scores of our entrants - presumably this was one of the objectives of the present policies. I am rather ambivalent about it all - it is unlikely that anyone else can do as well as we used to do for those poorly prepared by the schools (see the last column of the FT table) and it is by no means obvious to me that we will be able to cope with those better prepared by the schools in ways that are significantly better than say the universities of Leicester, Liverpool etc., where they have traditionally gone.

I hope everything goes well with you. Isn't it time you moved on to other (higher?) things?

Yours truly
John

ON THE GIVING AND RECEIVING OF ADVICE (IN WHITEHALL AND SALFORD).

PAPER FOR THE MANCHESTER STATISTICAL SOCIETY, 16TH NOVEMBER, 1982.

J.M. ASHWORTH.

In the past 14 months I have had the unusual experience of being translated from the post of Chief Scientist in the Central Policy Review Staff (CPRS) in the Cabinet Office - where I was responsible for seeing that the Cabinet obtained, when appropriate, suitable scientific and technological advice - to the post of Vice-Chancellor of Salford University - where I have had to shoulder the responsibility for managing an Institution in the crisis that resulted from the decision of the University Grants Committee to cut its recurrent grant by 44% two months before I became Vice-Chancellor. I have thus experienced a sudden transformation from being an adviser to those (Cabinet Ministers) who have to manage crises to being, myself, a recipient of advice on how to manage a major crisis. I do not think there can be many who have had such a rapid translation from a position of power without responsibility to what, as any Vice-Chancellor will tell you these days, often seems like a very visible position of great responsibility without some very necessary powers! When I was invited by your Secretary to talk to you tonight it occurred to me that this was the perfect excuse and stimulus to reflect on the problems of giving and receiving advice in crisis situations and - if they will forgive the presumption - for offering a series of "do's and dont's" to those who find themselves either at the giving or the receiving end. But first, let me begin by briefly describing the job of Chief Scientist, CPRS, since I imagine that whereas most of you have at least some idea of what a Vice-Chancellor is and does, you have only the haziest of notions of what the CPRS is and does.

Many of the misunderstandings about the CPRS stem from the unfortunate way in which it has become known as the "Government's Think Tank". Think Tanks are an

American invention. The first was the RAND Corporation which was brought into being to help the United States Military (particularly the Air Force Staff) work out the strategic doctrines appropriate for the design and deployment of nuclear weapons. Subsequently, the remits given to the RAND Corporation widened and others - such as the Brookings Institution in Washington - were set up to address specifically civilian tasks. The characteristics of a classical Think Tank of the RAND/Brookings Institute kind are:-

- 1) a commitment to objective, interdisciplinary analysis of policy and policy making
- 2) a critical mass (say 15-20) of full-time professional staff working in teams with full access to all or nearly all of the existing information on the issues under examination
- 3) considerable, if not quite complete, freedom to carry out research focused on the evaluation of basic policies rather than the more efficient implementation of current policies and to publish the results and
- 4) dependence on a variety of funding agencies for research contracts with Government(s) as only one (if often the major) client.

The Central Policy Review Staff (CPRS) satisfies the first two of these criteria but not the last two. It is, I think, best considered as a hybrid organisation mid-way, as it were, between a Think Tank sensu stricto and the kind of "Brains Trust" or informal ad hoc group of "wise persons" that rulers have traditionally gathered about them. Professor Yehezkel Dror (to whom I am indebted for this analysis) has called attention to the proliferation of such units (which he terms "policy analysis units") amongst governments in the past twenty years.

The distinction between:

Think Tanks
Policy Analysis Units
Brains Trusts

is a useful one and has been somewhat confused by referring to the CPRS as the "Government's Think Tank". It is interesting to see, by the way, how in recent weeks the Prime Minister has been seen by a number of commentators to be complementing the CPRS by a traditional "Brains Trust" comprising so far, a trusted economist (Professor Alan Walters), diplomat (Sir Anthony Parsons), management expert (Sir Derek Rayner) and defence expert (Sir Frank Cooper). But I am being carried a little away from my main theme for tonight; let me return to the CPRS - what it is, what it does, and how it does it.

Giving Advice - the Central Policy Review Staff (CPRS).

The CPRS was created by Mr. Heath who had been struck by the contrast between his harrassed existence in office as a Minister, when he found himself "bogged down" in administrative detail, and his comparatively tranquil existence when out of office in Opposition and was able to think widely and strategically. His notion of the CPRS was very much that of a body whose role was to remind a Prime Minister and Cabinet harried by day-to-day problems of Government that they had a collective, strategic view formed whilst they had been in opposition and to which they should cleave whilst in Government. The White Paper "The Reorganisation of Central Government" (Cmd.4506) published in October, 1970, said of the CPRS that:

"Under the supervision of the Prime-Minister, it will work for Ministers collectively; and its task will be to enable them to take better policy decisions by assisting them to work out the implications of their basic strategy in terms of policies in specific areas, to establish the relative priorities to be given to the different sectors of their programme as a whole, to identify those areas of policy in which new choices can be exercised and to ensure that the underlying implications of alternative courses of action are analysed and considered.

The new staff will not duplicate or replace the analytical work done by departments in their own areas of responsibility. But it will seek to enlist their co-operation in its task of relating individual departmental policies to the Government's strategy as a whole. It will, therefore, play an important part in the extended public expenditure survey process described below, and it will also be available to promote studies in depth of inter-departmental issues which are of particular importance in relation to the control and development of the Government's strategic objectives."

It is interesting to reflect that of all the organisational innovations described in Cmnd.4506 only the CPRS is still in existence. The reason for this is partly that the remit described above is, in fact, extremely general and has thus allowed the CPRS to adapt as circumstances, and Prime Ministers, have changed but mainly, I believe, because the first Head of the CPRS, Lord Rothschild, established certain conventions and working practices which have meant that that potential for flexibility has been seized on and exploited by his successors.

Size and Composition.

The first of these conventions is size. The CPRS usually has between 15 and 20 members (a number which can be fitted conveniently around the large table which dominates the Head of the CPRS's office and which provides the focus for much of its activities as well as for the regular Monday morning staff meeting). About half of these are career civil servants on secondment from their departments and the other half are recruited from outside the Civil Service - from universities (as I was), industry, the City, local government and international organisations. This results naturally in a number of disciplines (scientists, social scientists, accountants, economists) being represented and also in a non-hierarchical structure. The normal length of stay in the CPRS is between two and three years and, most important, at the end of this time members return to their parent organisations (or departments in the case of Civil Servants). For practical, career reasons this means that the average age of the CPRS will be in the mid-thirties to early forties.

The staff members of the CPRS are thus not in competition with one another for promotion; the CPRS is not, of itself, a promotional posting (although the subsequent careers of members of the CPRS suggest that few careers have been harmed by the experience!) and thus a mutually supportive and collaborative work style has evolved naturally. Further, since it has not proved possible

to develop any rational means of calculating what a member of the CPRS should be paid the decision was taken to adopt the rule that whilst in the CPRS its members should "neither win nor lose" financially. Since a 35 year-old whizz-kid banker or accountant is usually paid far more than a 35 year-old University lecturer (or even Professor) this has resulted in some curious anomalies but another potential source of friction, rivalry and tension has been thereby removed.

Traditionally and, on occasions notoriously, the CPRS has also tried to ensure that between a quarter and a third of its staff are female. In part this reflects the way in which the Civil Service has been a career of choice for clever women graduates in the past decade but, in part, it is a recognition that such a policy provides a useful counterbalance to a bureaucracy which at its highest levels is virtually exclusively male.

I would strongly advise any ruler or top executive/decision-taker who wanted to establish near him/^{her} a policy advice unit of the CPRS kind to think seriously of emulating what I believe to have been the key features of the composition of the CPRS namely:

- (1) small size, i.e. 15 - 25
- (2) average age in the mid thirties
- (3) average residence time short (2-4 years)
- (4) a non-hierarchical and non-competitive work environment
- and (5) at least a quarter of the staff members should be female.

Work Programme.

Let me turn now from the size and composition of the CPRS to the work it does. I find it much more difficult to make useful generalisations on this topic. In part this is because in the five years that I was a member of the CPRS I served under two Prime Ministers (Mr.Callaghan and Mrs.Thatcher), two

Heads of the CPRS (Sir Kenneth Berrill and Mr. (now Sir) Robin Ibbs and two Secretaries of the Cabinet (i.e. Civil Service Heads of the Cabinet Office; Sir (now Lord) John Hunt and Sir Robert Armstrong). The day-to-day life of a member of the CPRS is determined by the relationship between the Prime Minister, the Secretary of the Cabinet and the Head of the CPRS; how they see their roles; what sort of help they want or need (by no means the same thing) and how they interact together. In addition, of course, events take their course; there is a natural rhythm to a year's work (building up to a major "panics" before budgets, or recesses or Summits or Fridays or whatever) as well as to an administration's life cycle (elections cast long shadows, in all directions and relationships, between the Prime Minister and his/her Cabinet colleagues or between the colleagues themselves are always changing as reputations are mysteriously made or lost). All this makes generalisation difficult or trite. But let me try.

A Unit like the CPRS should be given a wide range of tasks and it should always be kept very busy. The broad remit of Cmnd.4506 enjoined the CPRS to "work for Ministers collectively" - not for the Prime Minister notice, or any sub-set of Ministers, but for the Cabinet as a whole. All other civil servants work within a departmental framework and work ultimately to and for an individual Minister and within his/her policy framework. The CPRS is thus uniquely privileged in being able to transcend this limitation but it nevertheless has, in offering advice, to be seen to be helping individual Ministers to relate their policies and decisions to the Government's strategy as a whole. This task can be carried out in a variety of ways with the balance, or mix, varying from time to time and from administration to administration.

Strategy reviews.

At regular intervals the CPRS attempts to take stock, across the board, of

the problems facing the Government both in the shorter and longer term. The results of this exercise can be presented to Ministers in a variety of ways depending on taste and circumstances. Alternatively these reviews can be used merely to keep track of the CPRS's own work programme and to highlight gaps, tensions or omissions in the policy making process. Often such reviews suggest subjects which may require study in depth; or they can give early warning of decisions which are likely to be coming before Ministers and on which the CPRS should be prepared to offer specific advice.

Major studies.

Normally the CPRS is involved in two or three major studies at any one time. The subjects and results are usually kept confidential but examples of exceptions to this general rule are Energy Conservation (1974); the Future of the UK Power Plant Manufacturing Industry (1976); Population and the Social Services (1977) and Education Training and Industrial Performance (1980). These reports are similar to the output of a Think Tank of the classical RAND/ Brookings Institute type and their production helps build up, amongst the members of the CPRS, a specialist competence in certain policy areas. This is necessary both for other activities and for the maintenance of a degree of professionalism in certain kinds of policy analysis. The initiative for these in-depth studies may come directly from Ministers (often a Cabinet committee) or from the CPRS itself.

Programme analysis and review.

Cmd. 4506 initiated a formal system of stock taking (the PAR system) whereby major policy areas, often defined in budgetary terms, were to be reviewed by the relevant department(s) in conjunction with Treasury, the Civil Service Department and the CPRS according to a regular cycle. Enthusiasm in Government for a formal PAR system has waxed and waned with the years but the need for

some sort of regular review process is generally accepted. The difficulty has been to find a device (or set of devices) whereby enthusiasm for the review process can be kept alive and periodically rekindled. The trouble is that such reviews are often technically very difficult to do, take up an immense amount of time and frequently produce results which are of no great Ministerial interest. At present there seems to be a distrust for the formalities of the PAR system and a greater reliance on ad hoc reviews and individual entrepreneurship as encouraged by Sir Derek Rayner's efficiency audits - with their "Rayner's Raiders" overtones. It is sad, but I suspect inevitable, that these two styles should be seen as mutually exclusive.

Preparation of collective briefs.

The CPRS sees the papers prepared for discussion in Cabinet and in Cabinet committees and it decides whether or not to prepare a brief for Ministers on any issue raised in these papers. Much of the excitement and a lot of the tension of being in the CPRS stems from the work involved in the preparation of these briefs. The aim of collective briefs is to ensure that discussions in Cabinet and Cabinet committee meetings do not degenerate into arguments between the two or three Ministers with a departmental axe to grind whilst a silent majority - insufficiently briefed by their own departments to realise what the fuss is all about or to appreciate the consequences a decision one way or the other may have for the Government's general strategy - looks on. An important part of the CPRS's task is to generate amongst Ministers a demand for briefing of this kind - and no more presumptuous (or potentially dangerous) task can be imagined. For on any one issue there will be at least one Minister who will not regard the CPRS brief as a help to good Government and, in time, all Ministers (including the Prime Minister) can be expected to harbour the thought that the CPRS has outlived its usefulness. The fact that the CPRS has survived demonstrates, I suppose, better than anything else that the

algebraic sum of these positive and negative Ministerial reactions has been positive. It all makes for a certain (creative) tension, however!

Other activities.

The CPRS is physically and constitutionally part of the Cabinet Office and depends on the Cabinet Office secretariat for much routine information. In return the Cabinet Office secretariat sometimes will look for help from the CPRS in areas where there might be particular expertise - this was especially, but by no means exclusively, true of scientific and technological matters. In addition members of the CPRS are in constant contact with the civil servants in other departments; obtaining information; following up Ministerial decisions; keeping in touch with policy developments and so on. All this takes time, and valuable time, away from "Think Tank" activity but without it much of the CPRS work would appear even more peripheral and remote from the day-to-day hurly-burly of departmental administration than it does at present to the hard-pressed Minister or civil servant.

Special role of the CPRS in Science and Technology.

I was unique amongst members of the CPRS in having a special title: Chief Scientist. It is, I suppose, a tribute to the perceived importance of science and technology and the strength of the science lobby, that I should have been singled out and that we did not also have a Chief Economist, Chief Sociologist etc. - although it would often have been possible to identify amongst colleagues in the CPRS those who could have been so described. It was true, of course, that the special title carried with it some special responsibilities. I had a specific responsibility for some aspects of our scientific relationships with foreign countries, for example, and also had a particular responsibility for overseeing the work programme of the Advisory Council for Applied Research and Development (ACARD). I was also ex officio a member of a number of

committees responsible for various aspects of our national scientific and technological policy such as the Advisory Board for the Research Councils (ABRC) and the co-ordinating Committee of Chief Scientists and Permanent Secretaries designed to fill that "gap at the centre" which has been identified as a fundamental weakness of the highly decentralised policy making system established as a consequence of the Rothschild Report in 1972.

In acquiring a Chief Scientist the CPRS thus got much more than another scientifically qualified member with a fancy title. It now had formal access to a standing Council (ACARD) of extremely distinguished (and, as it proved, hard working) industrial technologists and representation on ABRC as well as the co-ordinating Committee of Chief Scientists and Permanent Secretaries and a diversity of international bodies. In bureaucratic terms this carried with it the opportunity for a different kind of influence as well as the implication of a changed style of work - at least as far as scientific/technological issues were concerned. In 1976 the members of the CPRS were rather apprehensive about what this would mean for the Unit as a whole but, as things turned out, I believe that this added dimension to the CPRS's activities strengthened the organisation considerably. The ACARD reports:

The Applications of Semiconductor Technology (1978)

Industrial Innovation (1979)

Joining and Assembly : the Impact of Robots and Automation (1979)

Technological Change : Threats and Opportunities for the United Kingdom (1980)

Computer Aided Design and Manufacture (1980)

R & D for Public Purchasing (1980)

Information Technology (1980)

Biotechnology (1980) - a joint report with the Royal Society and ABRC.

Facing International Competition (1982)

The Food Industry and Technology (1982).

are a tribute to the industry of those concerned and a good indication of the sorts of issues which were occupying the CPRS in the field of science/technology policy at the time. The knowledge built up during the work leading up to those publications was of great value to the CPRS in its other work as, in my view every bit as useful, was the public response to ACARD reports. It is often forgotten that Ministers read newspapers as well as official papers and the message of the latter can often be usefully complemented by the opinions of the former (especially when amplified by TV as happened in 1978 with the brilliant BBC Horizon programme "When the Chips are Down" on the possible applications of semi-conductor technology to our social, economic and industrial infrastructure). This influence was reciprocated. I was scrupulously careful to avoid being seen to set up a sub-unit within the CPRS and so the scientific/technological work of the Chief Scientist and ACARD often strained a strict definition of "applied R&D". This led to some tensions within the bureaucratic machine but, fortunately, those who argued for a strict and narrow interpretation of ACARD's remit lost the argument. At this level of policy making there is, in my opinion, no point in pretending that it is possible to draw a clear distinction between 'fundamental' or 'applied R&D' and between the latter and great chunks of 'industrial/energy/environmental policy'.

Work style.

The above makes a forbidding list of activities and different Cabinets (and Prime Ministers) or the same ones at different times only required a selection. Individual members of the CPRS always tried to keep a balance between their work on short, medium and long term policy issues - even if Cabinets did not. A number of rules for conducting studies were also discovered (sometimes painfully) which I would recommend to anyone trying to emulate the CPRS.

These were:

- (i) never have a one person team;
- (ii) never let a study take longer than three months (at the very most);
- (iii) never forget the opportunity costs of having a third or more of the CPRS involved in any one study and avoid such studies if you can (or get someone else - like ACARD - in to help);
- (iv) always ensure that an individual has a mix of types of work;
- (v) ensure that someone who is a "senior" in one team is simultaneously a "junior" in another;
- (vi) nourish the contacts individuals have with genuine "Think Tanks" outside the bureaucracy - especially where they are looking at policies or areas which go against the declared policy interests or prejudices of Ministers i.e. be a little "counter cultural" but do not invest much CPRS staff effort or time in this;
- (vii) be resigned to the fact that for a body like the CPRS there can be no rules and that all of the above will be broken at one time or another.

It is difficult for a player to see much of the game or to judge how effective his team is really being. Certainly I would not presume to judge how effective the CPRS has been over the five years I belonged to it. It was extremely hard work, tremendous fun and a marvellous education - I wouldn't have missed it for worlds but that is hardly an evaluation. I think the best I can do is quote Sir Kenneth Berrill's words at the conclusion to his article on the CPRS in 1977: "CRPS believes that in various ways whether by long-term strategy papers, major studies, collective briefs, participation in PAR's or interdepartmental committees it has, at a relatively, small cost, both helped to improve the machinery for decision-taking at the centre and helped departments to relate their individual policies to the Government's strategy as a whole."

Receiving advice.

So much for the CPRS and the problems associated with giving advice. What about the problems of someone receiving advice? The people I have in mind are those who are visibly and publicly accountable and responsible for a discrete organisation - the Rulers of countries, the Bosses of commercial firms, Vice-Chancellors of universities, Headmasters or Headmistresses of schools and so on.

The first, and in some ways by far the most important point to make is that such people have to be answerable for an enormous range of different activities - investment decisions, personnel management, customer/client complaints, marketing/PR policies and so on and on and on. They will, of course, be helped to cope with managing most, if not all, of these activities but if something goes wrong (or right) they are the ones who will carry the blame (or receive the congratulations). A number of things flow immediately from this. Such people - let me call them "rulers" for the sake of brevity - receive or are told an immense amount, disparate facts, opinions, rumours, gossip, etc., which they must keep or discard and then shape or fit into some sort of manageable form. They will be offered and will need help with this but only they can know all the information that comes in and, in the last resort, only they can integrate it. Much of it will be confidential (personal records of employees, secret service reports, marketing information of competitors' products etc.) and a frighteningly high proportion will be uncertain, of doubtful or unknown veracity or just plain wrong. This means that rulers are inescapably lonely and thus are usually given kinds of support other than the purely intellectual. Thus the Prime Minister, Vice-Chancellors, Directors of Marks & Spencers, etc. have houses and chauffeur driven cars provided for them. They embody or personify the organisation they "rule" and thus have to participate in representational or ceremonial functions for which they are often given special clothes, (e.g. academic or ceremonial dress), a special life style and are effectively

prevented from certain kinds of acts or ways of living. The apocryphal "perfect" newspaper headline "Bishop in Sex Change drama dashes to Palace" expresses what I mean perfectly. I do not think that such people need our sympathy - after all presumably they chose their jobs knowing what was in store - but they do need to recognise that because of their position they will be offered (and need) support of a variety of different kinds - intellectual, administrative/managerial, physical, emotional, political (with a 'p' or a 'P') - and nothing is more fatal than for them to muddle these up. Thus the CPRS was set up to give intellectual and administrative support to the Cabinet. It is ill-equipped to give political advice. Yet Cabinet Ministers have to deal with problems which always have a political dimension and are frequently tempted to expect that from the CPRS - especially if they have come to rely on and appreciate the intellectual advice they have been getting. There is one further, very significant aspect, of this symbolic role and the loneliness and responsibility that goes with it. All need some sort of emotional comfort and support and the spoils of office have traditionally always included the possibility of personal indulgences - power, as Henry Kissinger has recently pointed out, is the greatest aphrodisiac known - and President Kennedy was neither the first nor the last to capitalise on this. The temptation to look to wives, lovers, husbands, chauffeurs, hairdressers, old school chums and especially family relatives for advice and support in fields other than the emotional/personal is ever present and often disastrous. The temptation for a 'ruler' to trust his intuition or instinctive 'gut'feelings is always strong because of the uncertainty inherent in the data on which he or she has to base his or her judgements. Those who offer emotional/personal support and advice, whether they do it consciously or not, pander to that temptation because what they are interested in is the 'ruler' as a person not as the centre of a decision taking and making process.

There is a surprising lack of academic study of and advice directed at

political rulers, although rulers of companies and similar organisations are somewhat better served by business schools and other organisations. Let me, therefore, try and draw up a list of "do's ; and dont's". The most important I have already discussed -

- 1) distinguish and differentiate between the various kinds of support your organisation will provide (intellectual, emotional/physical, political, administrative/managerial) and never muddle them up
- 2) don't trust your intuitive judgements or gut reactions blindly - always check them with those whose job it is to give you intellectual support

It follows from the above that you should establish near yourself a group designed to give you this intellectual support and analysis. The CPRS was set up to help do just this and most large organisations now have some kind of corporate planning staff within their ruler's office. Smaller organisations can adopt less formal devices but woe-betide the ruler who does not follow this advice - unless he is unusually far sighted or lucky he is condemned to be permanently surprised by events.

- 3) interact closely with your staff, trust them and invest a significant part of your time in them. They must know your strengths and weaknesses, be sensitive to your worries, feelings and preferences and be privy to as much of your thinking as the conventions (or rules) of confidentiality allow.

This is easy to say and very difficult to do because all rulers like to give the impression of omniscience. Yet you have to admit to your staff that you

have made mistakes and errors (even if by hard work and opportunism you have turned them to ultimate advantage) because you and they must learn from them. There is also another danger in this process. Rulers, by definition, are confident (usually over-confident) people and thus will tend to constrain and restrain their staff to work within their own intellectual boundaries. These are always too narrow for the solution of the problems that will arise and, hard though it is, a ruler must insist on his staff doing at least a modicum of unconventional even apparently crazy thinking - a "Think Tank" that does not think the unthinkable from time to time is useless.

4) do not despise formalised methodologies

Just as the eye needs a telescope or microscope the better to see the distant or the small so the brain needs intellectual tools and instruments to handle complexity, face uncertainty and impose some sort of structure on "reality". Rulers distrust such things - it is a rare politician, corporate chairman or even Vice-Chancellor who is happy to expose his strategic thinking to sensitivity analysis, econometric modelling, simulation and gaming, decision tree analysis, alternative scenarios, issue mapping, breaking point or critical path analysis and so on. Often rulers are right to be distrustful yet such techniques can be powerful aids to policy analysis and to identifying the strength and weaknesses of proposed policies and actions. Like any tools they should be used with care and are neglected at the ruler's peril. Politicians who profess to despise the social sciences are either liars or fools. This is not to say that they should be expert or even familiar with any of these techniques but they should expect their staff to know of them and to use them when and where appropriate.

- 5) beware of "facts"; graphs that start at "now"; numbers without error estimates and simple solutions

Rulers have to deal with those problems and issues that others cannot or have not been able to deal with. This is a wearisome and often depressing business and the temptation to clutch at the simple sword with which to cut the Gordian knot is often overwhelming. Your staff must always remind you of the complexities, the ambiguities, the uncertainties and - even if they provide you with simplistic solutions for PR or other purposes - should always remind you of the different "realities" that lie behind the "facts" and "numbers" that you use.

- 6) weigh up the costs and benefits of ambiguity with especial care

Faced with the perils of an oversimplistic solution and the complexities of "reality" the temptation to do nothing is often considerable. There is always great merit in "masterly inactivity" and "do nothing" is an option which you and your staff should always explore. I was told, the no doubt apocryphal, story when in the Civil Service of the devout Permanent Secretary in the Treasury who thanked his God every night that his and the Chancellor's powers were so limited. Mrs. Williams, when talking of the successes and failures of the 1964 Labour government rounded on those baiting her with, "what you must remember is that any reform which does not achieve the opposite of its stated intention must be considered a success". The Civil Service, like any bureaucracy, is full of weary and battle scarred veterans of the battles waged by eager reformers. Of course, they have a point but I doubt whether Rulers should take too much notice of them. The attractions of doing nothing are usually so obvious and well presented by those who offer administrative or managerial support that they are unlikely to be overlooked and

if the Ruler is not to champion the innovative who will? In practice the attractions of doing nothing are usually evident in the short term whilst the benefits of change (if there are any) can only be enjoyed in the long term. Rulers are always having to make very difficult and painful choices between the short term and the long term; between the pleasures of doing nothing with the effort of successfully achieving change and the ever present attractions of ambiguity against the perils of precision. Given the inherent stability of the bureaucracy that surrounds a Ruler I would always advise that a Ruler should

- 7) be creative and innovative and always favour the long term over the short term

in the confident expectation that for much of the time those who press for the converse of this will (and probably should) prevail.

Finally, there are two maxims which are almost as important as my first - and as often go unobserved.

- 8) always plan for failure; hope for the best but have a plan for the worst. No position is more visible and exposed than the one at the top and
- 9) accept final responsibility.

Nothing is more demoralising for those who support a Ruler if they find themselves blamed for every failure and denied the recognition that comes from success. Since a Ruler is going to receive the public rewards of success

(however, ill deserved his or her staff might feel these to be) it is only just that he should receive the blame for failure. Indeed one of the purposes of having Vice-Chancellors, Prime Ministers, Chairmen of Boards of Directors, Headmasters and Headmistresses and so on is that they can indeed carry away with them the burdens of failure and allow their institutions fresh starts and, hopefully, better futures. If Rulers should be committed to change it is perhaps only fitting that those ruled should be able to change their Rulers.

JMA/HP.
1.11.82.

PRIME MINISTERCPRS REPORT ON THE STATE MONOPOLIES

I think there is a basic misunderstanding about the role of the CPRS which we have to sort out if the CPRS is to give us what we want. In fairness to them, we ought to explain in advance what we are looking for.

In the case of this report - as with the report on unemployment and, I suspect, with the forthcoming report on trade unions and with last year's report on the nationalised industries - the CPRS sees the desirable sequence of events thus:

- (i) CPRS analyses defects in the status quo and draws up general guidelines for putting them right;
- (ii) a Ministerial meeting endorses the guidelines and recommends follow-up by relevant departments;
- (iii) follow-up.

The trouble is that, except where the proposal is relatively painless and popular, the follow-up tends not to happen. The department, being usually given only brief two-line instructions, quietly buries them.

I fear this is happening now to some of the conclusions of your meeting on the CPRS unemployment study.

The Ministerial meeting does not have a detailed proposal before it (as it would usually have if the proposal came from a department). The Minister therefore returns to his officials, inadequately armed to deal with the usual objections (would cause upheaval, administratively impossible, already tried, etc).

The need to go into detail

The CPRS argues that its resources are limited and that action programmes can be carried out only by departments which have access to the information.

But the really valuable CPRS reports do already extract the necessary information from departments and do go into considerable detail - and often carry the day as a result.

The CPRS was surely devised as a collective counterweight to the power of individual departments. It ought to help Ministers to keep up their end of the argument by producing well-researched material to refute the departmental wisdom. It should be anti-bureaucratic, not an extension of the bureaucracy. General statements of principle and method are valuable to clear our minds about our objectives, but they ought, as a rule, to be supported by detailed case studies and detailed recommendations. This is often likely to be the only way to "smoke out" departments and force them to submit to the light of day their reasons for doing nothing.

The nationalised monopolies

It is worthwhile (I disagree with Alan Walters about this) to set down the prime obstacles to dismantling the nationalised monopolies. We just need to go a stage further and produce a series of specific schemes for contracting-out, decentralising and so on. In other words, the CPRS should follow up its recommendations itself, otherwise departments never will.

For example, paragraph 8(e) invites the Treasury to review its rules for private finance and joint funding in a more sympathetic light. We heartily agree that private sector disciplines are likely to bring benefits, even if those benefits may be hard to demonstrate. But there is now a considerable correspondence and volume of paper on this vexed question, and the Treasury is a tough nut to crack. Only a bold and intellectually sustained and concentrated effort is likely to make much progress.

If the CPRS is too short-staffed to do this effectively, then perhaps its work load should not be quite so heavy.

We suggest that you should indicate to the CPRS that their reports on general problem areas would be even more useful if they also contained specific and reasonably detailed recommendations for action.

FERDINAND MOUNT

Ce J.v.



Qa 06146

To: MICHAEL SCHOLAR

From: JOHN SPARROW

17 November 1982

CPRS Work Programme - Trade Unions

1. Your minute of 15th October set out the position which had been reached at my meeting with the Prime Minister on that day.
2. We have now had discussions with the Secretary of State for Employment and have agreed with him a revised remit, together with background notes which expand on the topics the study will cover. We have done this in contemplation of a two stage study, as set out in your minute of 15th October and the present remit is concerned only with the first of those stages, decisions on how best to approach the second stage quite rightly being left until after the first stage is completed.
3. I should be grateful if you would confirm formally that the Prime Minister is now content with the remit and the proposed procedure.

P.

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THE UNION FACTOR

Remit for a Study by the CPRS

To examine ways in which trades unions affect UK economic performance, their relations with management, and how effectively they have benefited their members. The study would draw on international comparisons to assess the extent to which similar effects have been experienced in other countries.

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Questions for Examination

1. The first part of the study might examine recent trends in trades union membership and representation both in the UK and in Britain's major industrial competitors; the mix between industry based and general unions, and the relative changes in membership in declining industrial sectors, in the public services and in white collar areas. It should attempt to identify why people join unions, why unionism has spread, and forecast future trends.
2. The study should try to evaluate the influence of unions on economic performance, covering matters such as pay and industrial competitiveness, as well as trying to identify the effects of restrictive practices, lack of effective competition and the unwillingness of previous governments to tackle certain issues because of trades union resistance. This part of the study might try to assess the influence of the different types of unions and, again, an international comparison is relevant. In considering these factors, the parallel aspects of collective bargaining arrangements, weak industrial management, and the unions' political attitudes are clearly significant and should also be studied. There may also be other, less central, union activities, such as their representational role and work in health and safety and industrial training, that are relevant.
3. The study should assess how well unions have benefited their memberships' interests, both short and long term. Apart from the purely quantitative aspect of this problem, which would consider how well union members have fared relative to non-union members and to their counterparts in Britain's economic competitors, this part of the study should investigate how unions have adjusted to the changing economic and business conditions and to changing management attitudes.



PERSONAL AND CONFIDENTIAL

MR. BUTLER

The Prime Minister asked me to think about possible new tasks for the Central Policy Review Staff.

2. It seems to me that one of the things we do least well, and certainly least coherently and rationally, in the British Government is to work out priorities for policies and programmes between Departments (as opposed to within them). The Public Expenditure Survey exercise tends to be a series of bilateral discussions between each spending Department and the Treasury, with only a few disputed issues coming to Ministers collectively (in Cabinet or outside it); each spending Department is fighting its own corner for its own programme, rather than looking across other programmes as well, and the Treasury's primary concern is to keep the total of public expenditure down to a given level, not to take or act on views about choices between one programme and another.

3. There ought to be a central capacity to take a view on choices between one programme and another. We need such a capacity at Ministerial level. This would have inevitably to be primarily a Prime Ministerial responsibility; but the choices to be made would be highly political, and she would probably want or need to associate a small group of senior colleagues with her in making them.

4. To be equipped to make those choices coherently, Ministers would need to be supported by a small central staff to assemble the information and undertake the analyses on the basis of which choices would have to be made. This is where I believe that there would be a role for the CPRS.

5. I envisage that the work would be supervised by the Head of the CPRS; managed from day to day probably by the Deputy Head of the CPRS; and undertaken at desk level by a small team of two or three people at Principal level, one of whom might be an outsider on short-term contract to the CPRS.

6. One advantage of such an arrangement would be that it would bring back to the CPRS, and particularly the Head of the CPRS, a



PERSONAL AND CONFIDENTIAL

measure of involvement in central strategic issues. You will remember that the CPRS had such an involvement when it started, though it was at that time based mainly on the six-monthly strategy presentations to the Cabinet and to other Ministers, which sought to show Ministers how various economic and social indications were moving, in relation to what was implied in the Government's general strategy, and to stimulate thinking about the policy adjustments and course ^{rr?}connections that might be called for. Successive Governments have not looked to the CPRS for this kind of assistance; but the lack of involvement in central strategic issues has in some degree diminished the role and effectiveness of the CPRS since that time.

7. If the Prime Minister thought that a development on the lines I have sketched in this minute would make sense, I should want to take it away and work it up in detail, in consultation of course with Mr. Sparrow. I have it in mind that whoever succeeds Mr. Bailey as Deputy Head of the CPRS might have as his first task to prepare detailed proposals, which Mr. Sparrow and I could consider and then submit to you.

Robert Armstrong

17th November 1982

Qa 06142



Prime Minister ①

Ayne ?

mes 16/11

16 November 1982

To: PRIME MINISTER
From: JOHN SPARROW

CPRS Work Programme - Higher Education

1. I have now had the opportunity to discuss with Keith Joseph and William Waldegrave the study on Higher Education which you have asked us to undertake as part of our continuing work in the general area of education and training. In the light of their comments, we have amended the remit very slightly to make it clear that our investigation will include some comments on Higher Education's research function as well as its teaching activities. We suggest that the final remit, which we have agreed with Keith Joseph, should be as follows:

"The CPRS is asked to examine whether the present system of higher education satisfies the national interest, and in particular:-

- to assess the extent to which it is susceptible to market forces and might become more market oriented;
- to determine how responsive its activities, including research, are to the employment needs of industry and commerce and how such responsiveness may be increased, and to see if lessons can be learnt from the further education system;
- to assess the efficiency with which it uses its financial resources and manpower;
- to investigate the financing of higher education and the scope for increasing the amount of financing within the discretion of consumers (students and employers), taking account of current Departmental work on student loans;

and to make recommendations".

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2. We are of the view, which is shared by Keith Joseph and William Waldegrave, that our work should be a wide-ranging and fundamental review; this, and the fact that time has gone by, lead us to expect to submit a report to you around February rather than, as we first hoped, around the turn of the year.

3. I am sending a copy of this letter to Sir Robert Armstrong.

B.

CONQUEROR

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ck JV

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Qa 06138

To: MR SCHOLAR
From: JOHN SPARROW

12 November 1982

CPRS Report on the State Monopolies

1. I attach a note which deals at least partially with the seven recommendations which you listed in your minute of 8 November.
2. I quite agree that what is needed is a clear action programme with a description of what needs to be done to bring about particular changes. It was with this in mind that we were hoping for a small Ministerial meeting to discuss the State Monopolies Report, because any such action programme will need considerable work within the sponsor Departments and is not something which the CPRS, with its limited resources, can hope to provide satisfactorily. When the study was set up in the Spring, Robin Ibbs described the procedure which we would follow in a minute (Qa 05864) of 26 March. In particular, he proposed that the aim should not primarily be to make detailed proposals relating to the specific industries selected for review but to use them as the main test cases for a general analysis which should provide pointers for Ministerial decisions on a number of industries.
3. That framework is contained in the recommendations of the CPRS Report. It is only if Ministers accept the framework that sponsor Departments can be asked to carry out the detailed work that is now necessary, and which needs to be done very much on a case-by-case basis. This was the method adopted for dealing with the Unemployment Report and it seems to me that it is the right way to go forward. We would, of course, hope and expect to be involved in the further work being done by the Treasury and sponsor Departments but, as the attached note shows, we do not have within our resources sufficient detailed knowledge to be able to set out the kind of detailed action programme that we all agree is now necessary.



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4. In the hope that the Prime Minister will agree to a small Ministerial meeting similar to that which she held to discuss the Unemployment Report, I suggest that the attached note, in conjunction with the conclusions set out in Section IV of the State Monopolies Report, will provide a brief on the matters which such a meeting should consider and the action required by Ministers.

5. I am sending a copy of this minute and the attachment to Sir Robert Armstrong.

β.

Att.



Gov Mach

ePRS work programme

Dec 1981

COMMISSIONER

RECOMMENDATIONS IN THE CPRS REPORT ON STATE MONOPOLIES REQUIRING FURTHER STUDY

1. Removing statutory and other barriers to entry

Barriers to entry exist in most of the state monopolies. We are aware of the following:-

(a) Telecommunications. British Telecom's exclusive privilege to run telecommunications systems will be removed when the Telecommunications Bill is enacted. However licensing of operators by the Secretary of State will still be necessary. Present policy is that only Mercury will surmount this barrier. Although the advent of cable should offer the opportunity to open up the telecommunications market further to competition, this will be inhibited, if present policy is not amended. It is also present policy that BT only may provide the first instrument. Policy for the regulatory arrangements is currently being formed. Those licensed will have a statutory right to interconnect using BT's network, but on terms to be agreed with BT, as in the case of Mercury.

(b) Posts. The Post Office has a statutory monopoly of letter mail, with certain minor exceptions.

(c) Coal. In Britain virtually all the coal is owned and mined by the National Coal Board, which is empowered to grant licences to certain operators for very small deep mining operations and contracts out open cast mining. The barriers to major imports of coal are a matter of policy.

(d) Electricity. The Bill proposed for this session will remove the legislative barrier to private sector interests supplying electricity as a main business. There will then be no statutory barriers to competition in the industry although the principles and methods for ensuring fair treatment of private operators of electricity have yet to be determined.

(e) Gas. The Oil & Gas Enterprise Act removed British Gas Corporation's monopsony purchasing rights. Private sector interests can now supply gas to consumers using more than 25,000 therms or who are situated more than 25 yards from a gas main. The practical result is that supply to domestic consumers largely remains the monopoly privilege of BGC, whereas the industrial market is opened up to competition. The terms whereby private suppliers can use BGC's pipes for supply of gas are currently being drawn up.

(f) Water. The water authorities have a monopoly over all water used and have statutory duties to plan water resources, supply water (either directly or through the water companies), provide sewerage arrangements (often through local authorities) treat and dispose of sewage and prevent river pollution.

2. Criteria for Regulatory Agencies.

The annex to the report on state monopolies sets out some of the criteria for regulatory agencies. However these are general considerations. Our experience of considering the establishment of regulatory agencies for telecommunications and for cable operators has indicated that the detailed criteria vary depending on a number of features:-

- (a) the purpose of the agency (whether it is to constrain monopoly or create the right climate to encourage competition);
- (b) the extent or degree of monopoly (the possibility of substitution by other products or services and the indispensable nature of these products or services);
- (c) the structure of the monopoly (whether it is national or regional).

Inter-Departmental discussions on the establishment of the proposed Office of Telecommunications and the proposed new cable authority have raised difficulties over the future roles and involvement of the Office of Fair Trading and the Monopolies and Mergers Commission. Whether or not a significant number of new regulatory agencies are established for the other monopoly industries, detailed discussions will be necessary with the Department of Trade prior to the determination of detailed criteria for these agencies and their relationship with other existing (and proposed) regulatory mechanisms.

3. Regionalisation of national monopolies

A review of the prospects for regionalising electricity, coal and gas can only be done in conjunction with the Department of Energy, after they have carried out detailed preparatory work. In the case of electricity the Department is in the process of reviewing the structure of the industry and its privatisation prospects and is due to report by the end of the year. In the case of gas consultants are due to report in January 1983 on the organisation and structure as well as on efficiency. The Secretary of State agreed at the recent meeting of E(DL) to consider prospects for

privatising mainstream gas activities. The coal industry presents particular problems to which we referred in our report. We recommend that the Department of Energy should consider those steps which the National Coal Board is or could be taking to decentralise in advance of regionalisation at an opportune time.

4. Extending Franchising and Contracting Out

Because of our lack of detailed knowledge of the industries, we have difficulty in putting forward firm proposals for individual industries. Ministers have been reviewing the progress made and new initiatives for contracting out generally as part of an exercise initiated by the Prime Minister in July. We recommend that this initiative should take account of the conclusions reached in our State Monopolies Report for contracting out mainline operations and that it should be broadened out to include a review of opportunities for extending the practice of franchising. Our brief reviews of certain of the industries led us to believe that franchising and/or contracting out of some of the following operations might be possible:-

- (a) Electricity:- power station maintenance and possibly operation, meter reading, repairs
- (b) Gas:- repairs, meter reading
- (c) Posts:- sorting, Crown Office counter operation, delivery
- (d) Telecoms:- maintenance and repairs, research and development, cable laying
- (e) Water:- water supply, sewage treatment

In addition other more general areas such as computing, vehicle maintenance and repair, cleaning etc require examination in each of the industries.

5. Decentralising wage bargaining

The advantages and disadvantages of decentralising wage bargaining have been condensed in paragraph 63 of our report. Decentralised bargaining is only likely to be advantageous where the industry itself is decentralised or regionalised. The pros and cons will vary from industry to industry depending upon the history of labour relations. The Department of Employment may be best placed to explore the principles in detail, in consultation with the CPRS. However the possible applicability to the various industries can only be done by the Sponsor Departments, in discussion with their industries and in general consultation with the Department of Employment and the CPRS.

6. Linking wages to performance

The effectiveness of many of the past productivity schemes can be questioned, but in many cases they were introduced to avoid pay restraint. Detailed reviews are necessary for each industry to determine broad performance measures and more detailed measures which could form the basis of schemes aimed at bringing the prosperity of workers more closely allied to the success of their organisations. This can really only be done by the industry management with the Sponsor Departments' encouragement.

7. Removal of the bankruptcy guarantee

We would welcome a joint review being carried out by the CPRS and the Treasury into the feasibility and effects of removing the implicit guarantees against bankruptcy. This will be easier for nationalised industries which are not monopolies and for those competitive activities carried on by state monopolies which could be transferred to separate subsidiary companies. For the monopoly activities this will be possible and beneficial where the appointment of a receiver would facilitate restructuring and, if accompanied by regionalisation and privatisation, where an alternative operator is likely to enter the market and take over the operations. The possible knock-on effects on other nationalised industries, on the financial markets and on the costs of borrowing need to be taken fully into account.

Other recommendations

8. Apart from the seven recommendations listed above, we set out in our report other conclusions which we also consider require further study in relation to each of the industries. These are:-

(a) Privatisation of competitive activities

Ministers have already come forward with privatisation proposals to the recent meeting of E(DL) and have agreed to produce further proposals within 6 months. We recommend that these reviews should take account of the desirability of selling off parts of industries where competition is possible as a quicker way of confining monopoly power and of promoting effective competition;

(b) Restructuring industries by function and by region

Restructuring by region has already been commented upon above. Ministers should be invited to review their industries with a view to transferring non-monopoly activities (and monopoly activities by region) into separate subsidiary companies so that these operations can trade separately, on their own

account, and develop commercial arm's length relationships with other parts of the organisation. This will facilitate later privatisation and lead to a reduction in monopoly power.

(c) Privatisation of regional operations

Ministers have already endorsed, at the recent meeting of E(DL), the CPRS recommendation that the benefits of privatisation are likely to be greater if this is coupled with a policy which reduces monopoly power, for example by breaking up the national organisation into independent regional companies before privatisation. Departments' reviews into privatisation proposals should be taking account of this principle.

(d) Changing union attitudes

We recommended that a strategy should be pursued of changing union attitudes for example by better and more consistent management communications both to union leaders and directly to members. Ministers should be invited to agree with their industries plans which will lead to improvements and changes along these lines.

(e) Encouraging private finance and joint ventures

Past attempts to encourage private finance and joint ventures have typically been thwarted because of the requirement to show cost savings arising from this method of managing and funding activities. We recommend that such schemes should be encouraged even where it is hard to demonstrate immediate and tangible benefits since they are likely to bring intangible benefits to the nationalised industries in the form of private sector disciplines, commercialism and management practice. Treasury Ministers should be invited to review the rules for such private funding and to consider more receptively proposals which are made by Sponsor Departments and industries.

(f) Making cross-subsidisation explicit

We set out in our report the adverse features which we consider stem from hidden cross-subsidisation. We suggest that Ministers be invited to agree to our recommendation that cross-subsidisation should be made explicit or eliminated by separate subsidy of social loss-making services. We further recommend that Ministers agree to reviewing their industries with a view to bringing this into effect.

Gau Mach

CPRS work programme

Dec 1981

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CONFIDENTIAL



bc JV

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10 DOWNING STREET

GOV. MACH.

From the Private Secretary

MR. SPARROW

CPRS REPORT ON THE STATE MONOPOLIES

The Prime Minister has now had a chance to study the CPRS report on state monopolies which was attached to your minute to her of 21 October. The Prime Minister has suggested that, before considering the circulation and forum for discussion of this work, there should be some revision of it, concentrating on those proposals which offer the most promise of leading to action which would reduce the power of the state monopolies. The Prime Minister suggests that the following seven of your recommendations most clearly fall into this category:

- (i) Removing statutory or other barriers to entry. This has already been done in a number of industries. Can you say which others, such as postal services, are still protected from entry by new competitors?
- (ii) Establishing an Independent Regulatory Agency. Here it is the criteria for its operation which most matter. Could you enumerate the desirable criteria of regulation, and then explain whether that requires a new agency?
- (iii) Splitting monopolies into regional corporations. Could you do the work on, say, electricity, coal and gas which the Department of Industry and yourselves have already done on this proposal in respect of British Telecom?
- (iv) Extending the practice of franchising and contracting out. Could you provide some specific proposals for individual industries?
- (v) Decentralising wage bargaining. The pros and cons of this proposal need to be explored thoroughly and the possible applicability in other industries determined.

/ (vi)

- (vi) Linking wages to performance. This might be part of the move, which the Chancellor has already suggested, away from an automatic pay round. But a good deal of work needs to be done on the effectiveness of past productivity schemes, and whether they have actually been used to hide inflationary settlements.
- (vii) Removal of the bankruptcy guarantee. Could we have more analysis, taking account of the Treasury's views?

The above are suggestions only. What the Prime Minister is looking for, I think, is a clear action programme, with a description of what needs to be done to bring about a particular change.

M. C. SCHOLAR

8 November 1982



(1)

10 DOWNING STREET

Prime Minister

CPRS Report on State

Monopolies

I'm afraid we haven't found
time to discuss.

Shall I ask J Sparrow to
take account of John's 7 points
^{yes}
before circulating? Would you
think a discussion of such an action
programme worthwhile?

MCS 5/11

Prime Minister

①

MR SCHOLAR

cc Mr Walters
Mr Mount O/R

*even that the
report is disappointingly
general and I
cannot see much point
in discussing it in
the present form
I agree we all
have a
point*

I think X is too harsh
and discouraging for CPRS.

Agree that they circulate for a
E(NI) discussion with a cover-note by

John Sparrow which distinguishes between
the more- and the less-action directed

CPRS REPORT ON THE STATE MONOPOLIES proposals, on the lines of
say, Y?

(attached)

We had a word about Alan Walters' note of 25 October, which I understand the Prime Minister has not yet seen; and I have discussed it with him. I am sure that Alan is right to advise the Prime Minister that this is an analytically weak and unimaginative report; and I think it would be wasted effort to circulate it as it stands to E(NI), and to invite sponsor Ministers to review the industries for which they are responsible, as proposed by John Sparrow. Too many of the recommendations cover issues with which sponsor Ministers have been grappling since the beginning of this administration, and yet another general review will not produce results.

But there is much in this report which could be useful, if it was more thoroughly analysed and separated out from the dross. It is in the nature of CPRS reports to cover, for the sake of completeness, a number of approaches which are unlikely to be promising - a new privatisation effort, for instance, or another campaign to change union attitudes. These tend to distract attention from quite a few suggestions which might prove fruitful.

I would like to suggest, therefore, with Alan's agreement, that the Prime Minister should respond to this report by asking the CPRS to reformulate their report, in consultation with the Departments concerned, concentrating on those proposals which offer most promise of leading to action which would reduce the power of the state monopolies; and that they resubmit the result in a few weeks, with a view to discussion in E(NI).

If the Prime Minister agrees with this, I think your note to John Sparrow should identify those of the CPRS recommendations which fall into this category. In our view, they are:

(i) ✓ Removing statutory or other barriers to entry. This has already been done in a number of industries; but the CPRS should say which others, such as postal services, are still protected from entry by new competitors.

✓ (ii) Establishing an Independent Regulatory Agency. As Alan Walters says, it is not the new bureaucracy but the criteria for its operation that matter. The CPRS should analyse the desirable criteria of regulation, and then explain whether that requires a new agency.

Y ✓ (iii) Splitting monopolies into regional corporations. This needs far more investigation to see what the effect would be and whether it would be desirable. At the Prime Minister's suggestion, the Department of Industry have already done some work on regionalisation of BT: the CPRS ought to do the same for electricity, coal and gas.

✓ (iv) Extending the practice of franchising and contracting out. This really does seem to provide an opportunity for introducing private sector management and for reducing union power, but the CPRS analysis is entirely on a level of generalisation. It would be helpful if they would provide particular proposals for particular industries.

✓ (v) De-centralising wage bargaining. This is already under active consideration in the context of the water industry. The pros and cons need to be explored thoroughly, and the possible applicability in other industries determined.

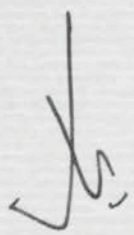
✓ (vi) Linking wages to performance. This might be part of the move, which the Chancellor has already suggested, away from an automatic annual pay round. But a good deal of work

needs to be done on the effectiveness of past productivity schemes, and whether they have actually been used to hide inflationary settlements.

Y ✓
(vii) Removal of the bankruptcy guarantee. We have come close to this in BR and BA, and it must be worth investigating - but the CPRS ought to be clearer about the costs; and a far greater analysis, with the Treasury's views, is required.

In each case, we think that what is required is not just a brief analysis followed by a series of recommendations, however specific, but a proper action programme. What is helpful to Ministers is a description of what needs to be done to bring about a particular change. That may be legislative reform, licencing arrangements, or even providing compensation. It is quite easy to say what we would like our state monopolies to become; the difficult part is getting from here to there.

I have talked to the CPRS about all this. The main difference between us is that they believe that more can be left to sponsor Ministers, to follow up on their own, than we think desirable. But there is no doubt they would welcome detailed feedback from the Prime Minister on a report in which they have invested a good deal of effort.



26 October 1982

CONFIDENTIAL

cc Mr. Mount
Mr. Vereker

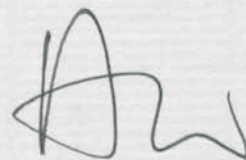
MR. SCHOLAR

CPRS REPORT ON STATE MONOPOLIES: 21 OCTOBER

I am afraid this is rather a disappointing Report. This is not because it is wrong. On the contrary, the vast majority of the recommendations are easy - too easy - to agree with.

The real point is that the Report lacks cogent arguments, incisive analysis and imaginative measures. So far as I can see, there are no new ideas. It is for the most part fairly conventional wisdom. For example, on the issue of regulation, the Report opts for something like the American system of regulatory agencies. But the agencies are mere bureaucracies. One needs to know the criteria of regulation to ensure that regulation should be effective and efficient. But no such criteria are spelled out or even tried for size. Yet this is the nub of the problem. Can we devise mechanisms, and preferably automatic mechanisms, that make them behave more and more like competitive industry? I think one can, and I have tried to interest DoI, for example, in the case of BT. You will find no suggestions in the Report.

For the most part one can nod and agree with the Report's generalities. But one must go on to say what is to be done and how is it to be done. At this stage the Report gives up and argues that this will vary from industry to industry, from Minister to Minister, from time to time, etc. Not much use I think.



25 October 1982

ALAN WALTERS

CONFIDENTIAL

cc JV

CONFIDENTIAL

Qa 06110

To: PRIME MINISTER

21 October 1982

From: JOHN SPARROW

CPRS Report on the State Monopolies

1. Earlier this year you asked the CPRS to examine how to reduce the power of the state monopolies, introducing increased competition where possible, and to study the United States system of regulatory agencies.
2. Our report is attached. The conclusions and recommendations are set out briefly in Section IV (paragraphs 80-89).
3. We have examined the development of state monopolies and, using four industries as case studies, we have concluded that the monopoly position has in many cases been created by Government. We have identified a number of current problems and concluded that these arise partly because the industries are monopolies and partly because they are state owned.
4. The bulk of the report describes possible remedies aimed at breaking up the power of the monopolies, and thus union power - for example by encouraging new competition, by fragmenting the industries and privatising the fragments, by regionalisation and by better regulation. The report thus puts forward various options for change; they are not mutually exclusive and could be complementary. Not all of the options will be applicable to each industry.
5. I hope you will agree that the report can be circulated to Ministers for discussion at E(NI). Our recommendation is that sponsor Ministers should be invited to review the industries for which they are responsible and make detailed proposals, based on the general conclusions reached and options put forward for change, and that they should consider proposals aimed at reducing the power of the unions in their industries. We have also recommended that Treasury Ministers should consider the proposals for removing implicit Government guarantees against bankruptcy

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CONFIDENTIAL

of state monopolies and for encouraging joint ventures between public and private enterprises. I suggest that Ministers be asked to report back to E(NI) in six months' time.

6. Privatisation proposals are due to be discussed at a meeting of E(DL) early next month, in a paper by the Financial Secretary with similarly a further review in six months. It might be helpful if our report could be circulated to Ministers before the E(DL) meeting.

7. I am sending a copy of this minute and the report to Sir Robert Armstrong.

JS.

Att

SUBJECT.

Gov mach
J. S.



10 DOWNING STREET

From the Private Secretary

sc. Master set.

MR. SPARROW

CPRS Work Programme

It may be helpful if I record the outcome of your discussion this afternoon with the Prime Minister about the CPRS's work programme (which was the subject of your minute of 6 October to Mr. Butler).

On the study on trade unions, the Prime Minister said that it would be important for you to discuss with the Secretary of State for Employment how the study should go. It was agreed that a two-stage study should be contemplated. The first stage, which could begin immediately, would be a dispassionate comparison of the pattern of trade unionism in this country with that in our competitor countries with a view to arriving at a conclusion about the relative success of unions in different countries at achieving what their members require of them. The second stage was at the moment harder to discern, but would be concerned with the lessons which might properly be drawn from this analysis for trade unions in this country. The Prime Minister will wish to consider, after the first stage is completed, how the second stage should best be approached.

On the education study, the Prime Minister was content for you to go ahead, in consultation with the Secretary of State for Education and Science. Similarly on pensions, the Prime Minister was content for you to proceed as you propose, in consultation with the Departments most closely concerned.

I am sending a copy of this minute to Richard Hatfield (Cabinet Office).

M. G. SCHOLAR

15 October 1982

CONFIDENTIAL



10 DOWNING STREET

Mr Butler

To see the genesis of
Prof Minford's involvement in
the unemployment study.

~~Mr. Scholar~~

MLS 11/10

Discussed with FERB
MLS 12/10

Thanks. Do we know anything
of the circumstances in which the CPRC
and Minford took separate directions
instead of working together?

FERB

12.10.

Caroline

215

Please and you

①

Thurs

PRIME MINISTER

arrange, for this week if poss?

CPRS Work Programme

M

at Max

You were not happy with the proposals on trade unions and pensions in John Sparrow's note. I understand that you had a word with Mr. Tebbit this morning about the former.

Would you like to have a brief word with John Sparrow about all this - say, for half an hour or so later this week?

MCS

Yes or

Michael

arranged for 1415 on Thursday.

11 October, 1982

*Extract from
the record of
PM's meeting
with S/S Emp
on 11/10/82.*

iv) The Prime Minister referred to the proposals she had received from Mr Sparrow for a CPRS study of the unions, and said that she would want Mr Sparrow to have a talk with Mr Tebbit and the Secretary of State for Industry to define the project. She was also concerned whether the CPRS had sufficiently qualified people to undertake it. One possibility was to second someone from the Department of Employment. Alternatively someone might be brought in from outside.

Qa 06075

To: MR BUTLER
From: JOHN SPARROW

CONFIDENTIAL

I am not happy with the British Union terms of reference. I should prefer to have letters with Norman, let's say Patience, I think fruit before launching.

Prime Minister (1)
Content with this approach?

6 October 1982

*Ms 7/10
No, do I like the present approach. Will discuss further.*

CPRS Work Programme

1. In the light of my talk with the Prime Minister on 31 August (recorded in your note of that day), we have worked out three detailed specifications for studies on topics agreed then - education, the unions and occupational pensions - and I attach notes on these.
2. We have found it particularly difficult to define a remit on unions. The Secretary of State for Employment is about to circulate a paper on further legislative steps, and we are not in a good position to foresee where CPRS work in this area will be most useful until Ministers have discussed the Department of Employment proposals and reached decisions on them. There are other important aspects, aside from legislation on immunities - the question of unions' structure and responsiveness to members' interests, and the effect of unions on individuals' behaviour (paragraph 7). I would of course welcome any guidance the Prime Minister is able to give us on particular subjects on which she would like CPRS work to concentrate. I believe the right approach is for us to carry out an analytical study, on the lines suggested in the remit, as a first stage, and then to decide what further work to do on prescription as a second stage in the light of Ministers' decisions between now and the end of the year.
3. If the Prime Minister is content the remits might be sent to the Ministers mainly concerned:

Education - Department of Education & Science (copies to Industry, Employment, Treasury)

Unions - Department of Employment (copies to Industry, Treasury)

Pensions - Department of Health & Social Security (copies to Trade, Employment, Industry, Treasury).

We have already had informal exploratory discussions with officials, and will of course need to keep in close touch with work going on in

CONFIDENTIAL

Departments. To get full value from the studies I think it important that we should also be able to consult suitable outsiders, such as academics, on a personal and informal basis; there is inevitably some risk of leaks and misunderstandings in sensitive areas (e.g. union legislation, longer-term finance for higher education), but we will do our best to avoid these, and will treat our enquiries as exploratory CPRS work rather than a formal remit to report to Ministers.

4. We aim to complete our work on the first part of the union study, and on higher education, around the turn of the year. On pensions, which is a wide-ranging subject needing exploration before we know where to concentrate our effort, I should prefer not to commit myself more precisely than the first half of next year.

5. As mentioned on 31 August, this is not of course the full CPRS work programme. We shall be making proposals soon for work on patents. We are taking on a number of remits for the Family Policy Group. And in the discussion of youth unemployment on 13 September the Prime Minister asked for a report on possible changes in the structure and level of benefits.

6. I am sending a copy of this minute to Sir Robert Armstrong.

JB.

Att

PRIME MINISTER

Samuel
m

Strategy Meeting: Monday at 1:00

Monday's meeting will be an opportunity for the CPRS to hear direct from you your thought about the gaps in policy which need to be plugged over the next year or two. It comes at a good time: I remember from my own CPRS days that the main danger for the members of the CPRS is to lose the "feel" for the Prime Minister's thinking. It will be good for the morale of the CPRS, which is probably bruised by the mauling their paper received at Cabinet, and it will help to get them in touch.

I have told Mr. Sparrow and the others attending that you will probably concentrate on measures in the employment/training/encouragement of new business field. This will be a good way of carrying forward the CPRS' work on unemployment and the black economy and will provide an opportunity for you to direct them to any further aspects which you want them to pursue.

Mr. Sparrow will hope to widen the discussion. He still hopes that CPRS will be given the opportunity to look at the 5-year forward looks being submitted by the end of the year and give you comments on the internal consistency of these and their consistency with the Government's general strategy as the CPRS perceive it. I wanted to warn you that he will revert to this suggestion: if you want to agree to this suggestion, you may want to steer them towards commenting direct to you, rather than generally. This is not likely to do any harm, and might be useful to you.

Alan Lagan
Sally Clark

sp
F.E.R.B.

10 September 1982

Gart Naid



(1)

10 DOWNING STREET

Prime Minister

May John Sparrow send
copies of the unemployment
report to the Departments most
concerned - Treasury, Industry,
Education, Employment, DHSS?

MCS 8/9 → Yes
no

Told Mr Sparrow

MCS 9/9

CONFIDENTIAL

Prime Minister (2)

ms 2/9

PRIME MINISTER

CPRS UNEMPLOYMENT STUDY

I carried out a rather hurried survey of the draft. I have given CPRS my views.

It is difficult to quarrel with the main proposals suggested for dealing with unemployment, both in the short and long run. Indeed virtually all their proposals have appeared before and have been extensively discussed. There are no important new innovations or new initiatives. This may be disappointing, but is not unexpected.

My main criticism of the report and the proposals is that they are not at all incisive and lack precision. Most of them are general propositions on which "further work may be done". Furthermore there is no basis for listing priorities. And although the report expresses the view that further reduction in NIS should be high on the agenda, there is no substantive argument to support such a priority.

To some extent this deficiency will be made good when the Number Ten (Minford-Smith) report appears during the middle of this month. In that report you will be able to see an estimate of the consequences of different policies. In particular you will be able to examine the effect of lifting the tax thresholds and changing the structure of the benefit system, including putting a cap on benefits. No doubt there will be lots of other questions which will be asked about the consequences of different policies, but at least it will provide basic markers by which we can assess policy.

Finally, I was concerned at the rather loose and occasionally sloppy analysis of the report. Since such transgressions do not much affect the policy proposals, they are probably of little interest to you. If, however, CPRS are asked to pursue further some of their general proposals and to quantify them and make them specific, I believe the analytical basis will become of quite central importance.

I shall be returning to London on 11 September.

2 September 1982

CONFIDENTIAL


ALAN WALTERS

CONFIDENTIAL

Prime Minister (2)

MUS 3/9

Qa 06052

To: PRIME MINISTER

2 September 1982

From: JOHN SPARROW

Unemployment (and the Black Economy)

1. You asked the CPRS to prepare a report on unemployment, its causes and possible action by Government.
2. I attach our report. It is summarised in the final chapter. This is a large and intractable subject, and we have aimed to deal with it by pointing up broad directions of policy, rather than taking the analysis all the way through to specific quantified proposals for action. If Ministers agree with our analysis and policy suggestions, they will want to arrange for the Departments responsible to work out detailed proposals, or where they are already considering policy changes, to take our views into account.
3. There is one specific suggestion which we have not included in the report because of its sensitivity. For a number of specific employment measures, the agency to carry out the Government's policy is the Manpower Services Commission. Because of the trade union representation on the Commission, it is not a good instrument for carrying out some Government policies, notably those aimed at providing more low-paid jobs. The radical solution here would be to end the tripartite independent status of the Commission and bring the work back more directly under the control of the Secretary of State.
4. As to handling, I am only sending copies at this stage to the Chancellor and the Secretary of State for Employment, and to the three officials who have been most directly concerned (Mr Burns, Mr Walters and Mr Derx), as well as to Sir Robert Armstrong. If you wish to discuss the report with colleagues, there are several other Ministers interested - notably the Secretaries of State for Education and Science, Social Services and Industry - and you may want to consider bringing them in.

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5. I also attach a copy of our report on the black economy. Again this has been summarised in the final chapter. It has been written partly to complement the unemployment report, as a survey of what is known about the black economy. But it concludes with a number of recommendations which concern mainly the Revenue Departments, Employment and DHSS - though initially I am circulating it only on the limited distribution for the unemployment report (as above).

J.P.

Atts

CONFIDENTIAL



Prime Minister 2.

CONFIDENTIAL

Qa 06050

1 September 1982

To: ✓ ROBIN BUTLER

From: JOHN SPARROW

1. Thank you for your minute recording my discussion of a CPRS work programme with the Prime Minister yesterday.
2. I now attach copies of our reports on unemployment and the black economy. The latter is in final form; the unemployment study is a final draft, with manuscript amendments, which we will be discussing with Alan Walters this afternoon and thereafter bringing to completion. I will at that stage submit both studies in a more formal manner to the Prime Minister.
3. I am sending a copy of this minute to Sir Robert Armstrong.

JS.

CONFIDENTIAL

Subj *ee* *Maris*



file to
B/F. Govt Mach

10 DOWNING STREET

From the Principal Private Secretary

MR. SPARROW

CPRS Work Programme

This minute records the outcome of your conversation with the Prime Minister today about the CPRS work programme.

Reports
recd 11/9/82
✓

You said that you would be delivering three pieces of work this week - the CPRS reports on unemployment and the black economy, and the paper on longer term public expenditure for the Cabinet on 9 September. The Prime Minister would like to read the reports on unemployment and the black economy during the coming weekend in Scotland. I should be grateful if you will provide the reports in their latest form by noon tomorrow (Wednesday) so that the Prime Minister can take them to Scotland with her.

Ⓞ

As regards future work, the Prime Minister said that she would be glad to arrange an informal discussion on strategy between selected Ministers and others on the one hand and yourself and those CPRS members whom you want to bring on the other. This is being arranged for the afternoon of Monday, 13 September: no papers are needed. The question of carrying forward work on the programmes of departments can then be considered in the light of that discussion.

On the other subjects mentioned in your minute of 5 August, the Prime Minister welcomed the suggestion that you should undertake a study of education and training, and suggested you should concentrate particularly on training to meet the requirements of future employment. She also welcomed the suggestion that the CPRS should do a project on the unions and also one on occupational pensions covering their impact on incentives to save and labour mobility and the effect of large institutional funds. She noted that the CPRS would be playing a part in the longer-term work of the family policy group.

You also suggested that the CPRS should do some work on patents and the protection of innovation, on which Sir Austin Side recently wrote to her. The Prime Minister welcomed this suggestion.

Finally, reference was made to the suggestion by Mr. Ralph Howell MP that there should be an inquiry into the growth of manpower in the National Health Service. The Prime Minister said that she was concerned with efficiency not only in the Health Service but also in the other public welfare services including education and the personal social services. She gave you a copy of the material provided by Mr. Howell, and it was agreed that the role which the CPRS could play in examining this should be considered following the Cabinet discussion on 9 September.

Particularly in view of the relevance of the last point for the briefing for the Cabinet discussion on 9 September, I am copying this minute to Sir Robert Armstrong.

E. E. R. BUTLER

31 August, 1982.

CONFIDENTIAL

E.R.

Sparrow

NOTE FOR THE FILE

cc: Mr. Butler (on arrival)
Mr. Gow
Mr. Walters

Mr. Sparrow will be meeting the Prime Minister at 12 noon on 31 August in order to discuss his minute of 5 August about the CPRS's work programme, reference Qa06020.

As recorded in my letter to Gerry Spence on 10 August, the Prime Minister will no doubt wish to raise with Mr. Sparrow the suggestion made by Mr. Ralph Howell, M.P., that there should be an inquiry into the reasons for the ever increasing manpower levels in the public sector, an inquiry which could also make proposals for dealing with this problem. Mr. Howell made this suggestion when he called on the Prime Minister at 1130 on 5 August. The example he chose to illustrate his case was the NHS. He produced figures to show that staffing levels in the NHS were now double what they were in 1960. He pointed out that the number of beds had fallen in the same period, and that the staff per bed ratio was now 3.2, compared with 1.2 in 1960. He argued that there should be some form of public inquiry.

The Prime Minister told Mr. Howell that she shared his concern. She suggested that he should write to her setting out the facts and figures and calling for an inquiry, and that he should make this letter public. She promised that she would try to send him a positive and forthcoming reply, which would also be made public.

In my note to her of 5 August, I set out the arguments against a public study, which were largely that it could cause serious problems with the public sector unions, and could be particularly difficult in the case of the NHS pay dispute. Mr. Gow has agreed to put these arguments to Mr. Howell and to persuade him to write privately to the Prime Minister. Mr. Howell's letter is expected at

/the end

the end of August. As I have said, the Prime Minister will wish to give Mr. Howell a positive reply, and it would be helpful if the subject could be discussed with Mr. Sparrow on 31 August.

I think this should be 31st
CM
SB

13 August 1982



Exec Pd
LW

10 DOWNING STREET

From the Private Secretary

10 August, 1982

The Prime Minister has seen Mr Sparrow's minute of 5 August, reference Qa 06020. She too would welcome an opportunity to have a further discussion with Mr Sparrow of the CPRS's immediate work programme, and I understand that a meeting has now been arranged for Tuesday, 31 August, at 12 noon.

At this meeting, the Prime Minister will no doubt also wish to raise the suggestion made by Mr Ralph Howell, MP, that there should be an inquiry into the reasons for the ever increasing staffing levels in the public sector., which could also make proposals for long-term action to deal with this problem.

The Prime Minister has commented that she is generally content with the suggestion that the CPRS should review in the autumn how far the Government's objectives and strategy have been fulfilled, and to develop proposals for action. She is not, however, convinced that it would be useful for the CPRS to prepare a synoptic view of all the individual "forward-looks" submitted by departments. She feels that, to be useful, there would have to be a very significant political input to such a synopsis, and that the CPRS may not be well placed to provide that.

W. F. S. RICKETT

Gerry Spence Esq.,
CPRS

CONFIDENTIAL

Prime Minister

I have talked to Ian, and he will see Ralph Howell when he returns. You wanted

PRIME MINISTER

to look at the attached minute from John Sparrow.

WN
6/8

See the point about Ralph Howell's letter - perhaps we could deal with this through Ian when he returns.

c. Mr Gow
Mr Walters

with Garden Rooms

I will look into it

I attach a minute from John Sparrow about the future work programme of the CPRS. Are you happy with the proposals he makes at A, B and C?

write CPRS minutes etc

I have also discussed with John Sparrow the possibility of the CPRS doing an enquiry of the sort suggested by Ralph Howell this morning. He would very much like to take on this task, but would prefer the terms of reference to cover the whole of the public sector, and not just the NHS. The study would analyse the reasons for the ever-growing size of the public sector, and would suggest possible ways of tackling the problem. It would cover not just the health service but local authorities, including the education service, and the nationalised industries.

John Sparrow also feels that it would be dangerous to make the existence of such a study public. It would provide ideal ammunition for the unions in the coming pay round, and any public document would almost certainly have to pull its punches. He would prefer a private exchange of letters with Ralph Howell, followed by a private and in depth study. Decisions on what material to make public could be made once the study had been completed. No doubt a lot of material in it could be used in the election manifesto.

The argument against a public study is particularly immediate in the case of the NHS. If we were to have a public exchange of letters with Ralph Howell at the end of August or the beginning of September, the headlines in the press would no doubt be "Government to halve the size of the NHS". The results of the RCN ballot are due at the end of August. Such headlines would be very provocative, and could be disastrous in the context of the NHS pay dispute.

You will no doubt wish to discuss this in more detail with John Sparrow at the meeting he has asked for on the CPRS' immediate work programme. But it seems to me that when we receive Ralph Howell's draft letter, Ian Gow will probably have to explain to him

/ that

that we would prefer his letter and our reply to be private for
the reasons I have given, and mainly because that will ensure that
our follow-up is more effective.

Alan Logo
Duty Clerk
m. W. Kichelt.

5 August 1982

CSJ

CONFIDENTIAL

Prime Minister 1

5 August 1982

Qa 06020

To: PRIME MINISTER

From: JOHN SPARROW

① Would you like us to set up a meeting with John Sparrow, as suggested at C below, to discuss this and Ralph Howell's suggestion? *Yes*

② Meanwhile, are you generally content with what is suggested at A and B? *Yes No?*

1. I see from Cabinet Minutes that you have asked each of your Ministers in charge of a department to prepare by Christmas a forward look at departmental programmes for the next 5 years (CC(82)40th conclusion, item 6).

Wn 9/8

A

2. For our own purposes within the CPRS we have had in mind this Autumn to review how far the Government objectives and strategies have been fulfilled, possibly developing from that process some proposals for action. The exercise would cover such questions as:-

How far have the objectives and strategies been fulfilled?

Have they proved compatible with each other?

What have been the obstacles?

What remains to be done?

Do we need any new objectives/strategies, whether complementing or replacing the old ones?

This will only take a couple of days' work.

3. Our reasons for planning this exercise are largely domestic. Staff turnover here is rapid and the collective memory is short. It should be salutary for us to be reminded of what the Government thought it should do and what it has done over the last three years. In the process, the exercise should systematically identify important problem areas and thus help us to plan our future recommendations for a work programme.

B

4. I mention all this because it seems to me to fit in very well with the work that you have commissioned from Ministers and I wonder therefore if you would like the CPRS to prepare, in due course, a synoptic view of all the individual forward looks submitted by departments. I think this could be an extremely useful exercise and totally in keeping with the CPRS's role as guardian of the strategy.

No - this is much more a political judgment.

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Yes

c | 5. After your holiday, I would welcome an opportunity to have a further discussion with you of the immediate work programme. When we talked in June, you were happy that, as our present work load comes to completion, we should undertake a study of education and training. You also asked that we should look at the union factor in life in the UK, and that we would like to tackle: we are clearing our minds on the shape it might take in order to ask you for an appropriate remit.

6. I have also commissioned some preliminary work on the spectrum of topics covered by the single word "pensions". This work will range over a broad canvas, from the impact of present day pension schemes on individual attitudes and incentives, through the questions arising from the schemes themselves (such as their taxation status and the problems of early leavers), to the economic, financial and political influence and responsibilities of the great institutional funds. I hope that, after the holidays, I will be able to present you with an outline of this work for your approval.

7. We will, of course, be involved in follow-up work of some of our present studies, and we hope to play a full part in the family policy group. I have one or two other tentative ideas which could be the basis of CPRS studies between now and the middle of next year and it will be helpful to know if there are any subjects which you would particularly like us to pursue. But the chief purpose of this note is to deal with the forward look at the next five years; I believe that we have the resources to be involved very usefully in this exercise and I hope that you will agree that we should do so. In any event, it would be helpful to talk to you about it.

B.

CONFIDENTIAL

Sup

Govt. Mach



10 DOWNING STREET

From the Private Secretary

4 February 1982

CPRS Studies on Unemployment and the Black Economy

During a discussion yesterday with the Prime Minister, the Chancellor enquired about the studies which the CPRS are to undertake on unemployment and the black economy.

I am writing to record that it is the Prime Minister's wish that the Treasury should be involved in the work being undertaken in both these studies.

I am sending a copy of this letter to John Kerr (HM Treasury) and Barnaby Shaw (Department of Employment).

Yours sincerely,

Gerry Spence

Gerry Spence, Esq.,
Central Policy Review Staff.

CONFIDENTIAL

CONFIDENTIAL



Govt. House
Clyde M. Duguid
JUL
28. 1. 82

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A07267

28th January 1982

I expect that you have seen Clive Whitmore's letter of 21st January about the CPRS work programme for 1982.

The Prime Minister has also agreed that, while priority should be given to the programme described in Clive Whitmore's letter, any spare capacity in the CPRS should be devoted to a study of the relationship of central and local Government, with a view to looking simultaneously and systematically at the three main issues - the allocation of functions, the methods of raising revenue, and the problem of local accountability versus central control - and the links between them. 'It is hoped that, by considering the constitutional, functional and financial facets of local government together, a coherent set of mutually reinforcing proposals can be achieved. A CPRS study of this kind, undertaken in consultation with the Department's concerned, should serve as a useful background to Ministerial consideration of the more immediate problems of the local government rating and financial system. Clearly the extent and timing of this study will depend a good deal on Ministers' decisions about the timing of legislation on rates, which your Secretary of State is due to raise in Cabinet next week.

I am sending copies of this letter to Brian Cubbon (Home Office), Douglas Wass (Treasury), James Hamilton (Education & Science), Peter Baldwin (Transport), Philip Woodfield (NIO), Kerr Fraser (Scottish Office), Trevor Hughes (Welsh Office), Ken Stowe (DHSS), Robin Ibbs and Clive Whitmore.

ROBERT ARMSTRONG

G W Moseley, CB

(Environment)

CONFIDENTIAL

CONFIDENTIAL



10 DOWNING STREET

File *Govt Mach*
Att

ccs Cabinet

Chief Whip

D. Wright co

CPRS

From the Principal Private Secretary

21 January 1982

+ Mr. Hobkyns
Mr. Wolfson

Dear Private Secretary,

cc: Priestly

CPRS WORK PROGRAMME 1982

The Prime Minister has been considering the programme of work which she wishes the CPRS to undertake in 1982 and has decided on the following main items.

a) Causes of Unemployment

The Prime Minister has asked the CPRS to undertake a major study on the underlying causes of unemployment, the obstacles to improved competitiveness and the creation of new jobs, and what measures the Government could take aimed at removing or reducing these obstacles. This will subsume CPRS work on the labour market commissioned by MISC 14. The study will examine unemployment experience in other countries, and whether lower percentage levels can be explained by wage fixing arrangements which allow more flexible and rapid adjustment. It will include a detailed analysis of the different categories of people making up the unemployment register. This work will need to be done in close collaboration with the Department of Employment.

b) State Monopolies

The Prime Minister also wishes the CPRS to examine how to reduce the power of state monopolies. This will embrace a study of the ways and means of introducing increased competition wherever possible, and an examination of the United States system of regulatory agencies which control monopoly price increases, as proposed in the CPRS report to E(NI) on future work

c) The Black Economy

As an extension of their work on unemployment the Prime Minister has asked the CPRS to study the Black Economy. An authoritative survey is necessarily difficult, but the Black Economy is important as evidence

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CONFIDENTIAL

- 2 -

of the desire to find work and as a factor tending to exaggerate the unemployment register. The CPRS will seek to make a thorough assessment of the available facts.

The CPRS will carry out this programme in addition to its regular work, including that related to nationalised industries. Ministers will wish to take note of these major studies; the CPRS will be getting in touch shortly with departments concerned, and will aim to keep in close touch with them as the work progresses.

✓✓ I am sending copies of this letter to the Private Secretaries to all members of the Cabinet and the Chief Whip. ✓✓ Copies also go to David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Oliver Whitemore.

The Private Secretary

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1.

Qa 05778

18 January 1982

To: MR WRIGHT
From: G B SPENCE

Sir R. Armstrong

CPRS Work Programme 1982

Mr Whitmore's letter of 13 January to Mr Ibbs invited Sir Robert Armstrong to prepare a note of the CPRS work programme for circulation to Cabinet Ministers and I attach a draft for his consideration.

Prime Minister.

Content for me, to write as drafted, including the passage on the relationship between central and local government?

Mr Whitmore

Have we ever circulated such a note before?

19.1.82

not

CONFIDENTIAL

19.1.82

Typed

Draft letter from: Mr Whitmore

to: ~~Private Secretaries to Cabinet Ministers~~

John Hanning

CPRS Work Programme 1982

1. The Prime Minister has been considering the programme of work which she wishes the CPRS to undertake in 1982, and has decided on the following main items.

(a) Causes of Unemployment

The Prime Minister has asked the CPRS to undertake a major study on the underlying causes of unemployment, the obstacles to improved competitiveness and the creation of new jobs, and what measures the Government could take aimed at removing or reducing these obstacles. ~~This would~~ ^{will} subsume CPRS work on the labour market commissioned by MISC 14~~4~~. The study will examine unemployment experience in other countries, and whether lower percentage levels can be explained by wage fixing arrangements which allow more flexible and rapid adjustment. It will include a detailed analysis of the different categories of people making up the unemployment register. This work will need to be done in close collaboration with the Department of Employment.

(b) State Monopolies

The Prime Minister also wishes the CPRS to examine how to reduce the power of state monopolies ~~by including the introduction~~ of increased competition wherever possible, ~~[This will involve]~~ ^{and an examination} a study of the United States system of regulatory agencies which control monopoly price increases, as proposed in the CPRS report to E(NI) on future work.

This will involve a study of the ways and means of introducing

(c) The Black Economy

As an extension of their work on unemployment the Prime Minister has asked the CPRS also to study the Black Economy. An authoritative



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survey is necessarily difficult, but the Black Economy is important as evidence of the desire to find work and as a factor tending to exaggerate the unemployment register. The CPRS will seek to make a thorough assessment of the available facts.

(d) The Relationship between Central and Local Government

The Prime Minister recognises that there is a good deal of knowledge and continuing work inside Government on a wide range of topics under this heading, and that Ministers are to consider shortly the proposals to reform or abolish domestic rates. But if resources permit she would like the CPRS to start work aimed at ~~systematically~~ analysing and then pulling together the various fundamental strands (structure, finance, control) more systematically and considering radical overall solutions, even though recommendations might not be acted upon until the next Parliament.

2. The CPRS will carry out this programme in addition to its regular work, including that related to nationalised industries. Ministers will wish to take note of these major studies; the CPRS will be getting in touch shortly with Departments concerned, and will aim to keep in close touch *with them* as the work progresses.

3. *I am sending copies of this letter to all members of the Cabinet and to the Home Secretary. ^{Copies also go to} to David Walker (Cabinet Office) and to George Spence (CPRS).*

The Home Secretary.

H/C to N Walker, R Walker

SUBJECT

cc Master Set

CPRS work
Programme

CONFIDENTIAL



File AH
cc CO
CPRS

10 DOWNING STREET

From the Principal Private Secretary

14 January 1982

Dear Beauty,

CPRS PROGRAMME OF WORK, 1982

The Prime Minister had a brief word with your Secretary of State after E this morning about the CPRS's work programme for 1982. Sir Robert Armstrong and Mr Ibbs were also present.

The Prime Minister said that she wanted the CPRS to undertake a major study on the underlying causes of unemployment and the obstacles to the creation of new jobs. Professor Patrick Minford had already done a good deal of valuable work in this area, and her hope was that the CPRS would carry further what he had done. It might indeed prove to be sensible for the CPRS to work in conjunction with Professor Minford. She thought that it would be helpful if, as part of the study, an examination could be made of unemployment in a number of other countries to see why many of them had a smaller proportion of their labour force without work. She also believed that it would be valuable if a thorough and detailed analysis could be made of the different categories of people who made up the unemployment register. In undertaking this study the CPRS would of course need to work very closely with the Department of Employment.

The CPRS would also be carrying out a study of the state monopolies, with a view to identifying ways in which their power could be reduced. It would be useful if a careful examination could be made of United States legislation for dealing with monopolies. The American system required monopolies to obtain the approval of an independent body established by the federal government for proposed price increases.

The Prime Minister said that she had also asked the CPRS to set in hand a study of the black economy. This was something about which we knew very little; yet the black

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- 2 -

economy had a direct relevance to the level of unemployment. Again, the CPRS would need to work with a number of departments in doing this study.

I am sending copies of this letter to David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours ever,

Alwei Shrimmon

Barnaby Shaw Esq. &
Department of Employment.

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SUBJECT

cc Master Set



MR. WHITMORE

10 DOWNING STREET

From the Principal Private Secretary

MR. IBBS

CPRS Work Programme for 1982

The Prime Minister saw you and Sir Robert Armstrong yesterday to discuss your minute of 24 December 1981 in which you made proposals for the CPRS work programme for 1982.

The Prime Minister endorsed the four objectives of the Government set out in paragraph 2 of your minute.

It was decided in discussion that the CPRS should undertake the following studies:

(a) Causes of Unemployment

Professor Patrick Minford of Liverpool University was doing work on the causes of unemployment. What was required was a development of this work by the CPRS. It would need to embrace a study of the make-up of the unemployment register. The last sample had shown that 9% of those on the register were aged 60-65 and were not in practice looking seriously for work. A fresh analysis might well show that the figures of registered people were still inflated. The study would also need to identify the obstacles which prevented the creation of new jobs and to consider how these impediments could be removed. Your own proposals for studies on education and training could readily be fitted into the main exercise. It might be helpful if you were to talk to Professor Minford.

(b) State Monopolies

Another question which required urgent examination was how to reduce the power of state monopolies. The key was the introduction of more competition: this would curtail the ability of these monopolies to hold the Government and the public to ransom. It might, for example, be possible to break the monopoly power of the coal industry by expanding facilities to handle imported coal, by building more nuclear power stations, by encouraging the construction of privately owned generating stations,

/ and by reducing

and by reducing coal prices in the summer to make it easier for coal users to build up their own stocks of coal. It would also be worth looking at the system in the United States which required monopoly suppliers to obtain federal authority for price increases.

(c) The Black Economy

So far nobody had undertaken an authoritative survey of the black economy; and there were arguments for not attempting such an examination. Nonetheless, its existence showed that people had the will to create or find work. At the same time, the very fact that the black economy was flourishing kept up the unemployment figures. What was needed was as thorough an assessment of the facts as it was possible to make.

There was also a good case for conducting a study of the relationship of central and local government, as you had suggested in your minute. It was true that there was already a good deal of knowledge inside Government about this question but it was not being marshalled in a systematic way. Nor were officials at present prepared to attempt to think the unthinkable about the relationship between central and local government. Yet there was widespread agreement that the relationship was becoming increasingly unsatisfactory and that the questions of both representation and finance in the local government field needed fundamental reappraisal. Even so, this was not a subject which needed to be studied with the same priority that had to be accorded to the questions listed in the paragraph immediately above. Nonetheless, if there were some spare capacity in the CPRS after adequate effort had been allocated to the more urgent studies, it might be possible to make a start on this problem.

The Prime Minister said that she would find an opportunity to let the Secretary of State for Employment know about the work on the causes of unemployment and the creation of new jobs which she had commissioned the CPRS to undertake. She would be grateful if you would let Mr. Walters and Mr. Hoskyns know what she had decided the CPRS should concentrate on in 1982. Sir Robert Armstrong should prepare a note setting out the CPRS' programme of work for 1982 which she could circulate to her colleagues for their information.

I am sending a copy of this minute to Sir Robert Armstrong.

KW.

13 January 1982

6 January 1982
Policy Unit

PRIME MINISTER

CPRS WORK PROGRAMME FOR 1982

Some brief comments on Robin Ibbs' proposals of 24 December.

1. Of the proposals he makes, we believe that the following make most sense from the viewpoint of "general strategy":
 - Supply side measures (paragraph 5 of Robin Ibbs' minute).
 - Counteracting/accommodating high unemployment (paragraph 6).
 - Improving education and training (paragraph 7).
 - Improving ways of providing, managing and financing public services (paragraph 9).
2. We think that the other two proposals (regional policy, paragraph 8; and central/local government relationship, paragraph 9) are less important.
3. Of the CPRS' present work programme, the work in support of E(NI) is probably the most important and may mean that CPRS' strength is a little low for other strategic work.
4. It is also possible that further study of the "five-year strategy" approach may reveal other topics for study, which were not immediately obvious. However, there can be little doubt that those shown above would be extremely relevant to any strategy.



JOHN HOSKYNS

PRIME MINISTER

CPRS WORK PROGRAMME FOR 1982

6 January 1982

Policy Unit

Mr Sargent. P. 9 -

I have put the report

*to the Home Minister
proposing a meeting with jobs, housing + holidays.*

No W/ks note

*Sav
Mach*

*W
G.*

Some brief comments on Robin Ibbs' proposals of 24 December.

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4. It is also possible that further study of the "five-year strategy" approach may reveal other topics for study, which were not immediately obvious. However, there can be little doubt that those shown above would be extremely relevant to any strategy.



JOHN HOSKYNS

FILE

HL

MR. HOSKYNS

CPRS Work Programme for 1982

I attach a copy of a minute from Mr. Ibbs to the Prime Minister setting out his proposals for the CPRS's Work Programme for 1982.

Before I submit this to the Prime Minister, I should be grateful for any comments you may have.

CLIVE WHITMORE

29 December 1981

Michael

Have seen John Hoskyns is away since
4 January (who the rest of the ~~policy~~ Policy
Unit), I agree that



we should seek his
comments + I have
mentioned him (below).

Robert Armstrong's office is closed today

10 DOWNING STREET

and, in any
case, he is out of the office till 4 Jan.
We can ask him then whether he has
any views to offer.

Feb 29 x 2

Clive

CPRS work programme

Before submitting this I

suggest we should seek comments

from J Hoskyns to see if

R Armstrong wants to offer any.

I find 10(a) a bit vague - although
the objective is commendable of course.

10(b) carries the risk that in
accommodating high unemployment
we may take measures which will be
inimical to reducing unemployment
- but this can be watched out for

Is 10(d) a higher priority

than 10(c) - for the CPRs anyway?

PTO

Maybe MDD wd write up

these points if they recommend

themselves to you (and him)

submit with ^{any} [J Hoskyns / RTA]

advise next week ?

MUS 24/12



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Qa 05756

To: PRIME MINISTER

24 December 1981

From: J R IBBS

CPRS Work Programme for 1982

1. You asked that I should suggest a programme of work for the CPRS in 1982 that would enable us to contribute to the development of Government strategy for the next five years.

2. Shortly after I arrived in the CPRS I submitted a minute (Qa 05007 of 25 April 1980) on Government Objectives and Strategies. This gave four objectives and listed several strategies in support of each. The four objectives still seem appropriate: they were

- ✓ (i) to create a vigorous and healthy free market economy;
- ✓ (ii) to create a society in which individuals are free and encouraged to make economic and other decisions for themselves while those most in need are protected;
- ✓ (iii) to improve defence and law and order;
- (iv) to obtain re-election for a further period of office in order to attain objectives within ten years.

3. The strategies listed under each objective also still appear broadly correct although some change of emphasis is probably appropriate. In my minute I listed topics on which further work might be required. You asked us to concentrate on the first two of these: namely, policy on pay, particularly in the public sector; and policy on nationalised industries. Subsequently we also became involved on the third item, policy on unemployment.

4. The CPRS can adjust fairly easily to different subjects and patterns of work, depending on what is required, if necessary by recruiting people with appropriate experience and by using consultants of various kinds (there is, of course, some time-lag while the right



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people are obtained). Next year in addition to maintaining our ability to offer a view when required over a wide range of subjects, we shall need to take a particular interest in the affairs of nationalised industries now that the Review Staff to support E(NI) is being provided by the CPRS. However, it will be possible to create capacity for several major studies. In the strategic area, on which I understand you would like us to concentrate, I suggest that the following may be suitable subjects.

5. The first may be summarised under the broad heading of "How to speed up ability to achieve non-inflationary economic improvement." Soundly based economic expansion is the prime way of creating employment. A wide range of possible 'supply side' measures has been considered by the Chancellor's Group on Strategy (MISC 14) but there are some important strands that need further study; for example -

How to encourage more rapid and effective technological advance?

How to stimulate greater enterprise and confidence? Perhaps sharper incentives?

How to improve the working of the labour market, including how to weaken further the rigidities imposed by the Unions? Some work on housing, including an enhanced role for housing associations, might be relevant here.

How to ensure that ability and energy are focussed effectively on sectors of high potential? It is not just the labour market that appears arthritic.

Whether as part of the work of MISC 14 or in the form of complementary studies, this whole area is one in which the CPRS should do specific work on topics such as those suggested above.

6. Another important need is to develop new approaches to counter-acting, or where necessary accommodating, high levels of unemployment. Throughout the developed world productivity improvements in traditional sectors (and low cost competition from less developed countries) combined with inflationary pressures, are leading to higher rates of unemployment. The UK has been particularly vulnerable. The trend may be partly offset by new 'up market' activities and improvements of the



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kind envisaged in paragraph 5 above, but even so the level of unemployment is likely to remain economically wasteful and socially damaging. The potential ways of alleviating the situation are new work patterns (e.g. a shorter working week that does not raise costs, and/or more part-time work), or by using the 'unemployed' in socially useful ways at present left largely to volunteers. Once again this will be a matter of changing attitudes, reducing rigidities, and adjusting to new technologies.

7. At the request of MISC 14, the CPRS is already doing further preliminary work on Education and Training. The specific aspects are how to make the existing education system more responsive to employers' needs, how to devise a more market based approach to providing vocational education and training post-school, and what organisational arrangements would best deliver integrated vocational education and training (at present there is a serious split). These education and training issues are an important aspect of the economic improvement and unemployment problems already referred to. They therefore need to be fitted into, and give appropriate priority within the overall work on these subjects.

8. Regional Policy provides a way of focussing positive economic opportunities and of making constructive use of 'unemployment' in areas of greatest need - including inner cities as well as the much larger traditional 'regions'. Rethinking needs to span a wide range of existing departmental interests and to be based on an up-to-date assessment of the causes of regional disparities, changes in the pattern (such as the spread to the West Midlands) and scope for re-allocating resources more effectively.

9. These four topics provide a basis for initial discussion of a work programme but two other subjects deserve brief mention alongside them. These are, first the relationship of Central and Local Government (where there is a need to encourage greater local financial responsibility, find better ways of raising revenue and more rational functional organisation); second, improved ways of providing, managing and financing public services (e.g. a greater role for private sector supply of such services, possible extension of 'charging' and better management



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motivation). In both these areas the present situation is extremely unsatisfactory and radical rethinking is needed if substantial improvement is to be achieved. In both instances they offer potentially a means of reducing the burden of Government and increasing the opportunities for the private sector. They also have important implications for the four main topics.

10. There are several further subjects I could suggest but they seem less urgent and I believe the above are sufficient to provide a sound basis for discussing a programme of work for next year. To summarise I suggest therefore this might be built up from the following:

(a) A series of studies relating to speeding up ability to achieve non-inflationary economic improvement (paragraph 5).

Each of these might take two or three months.

(b) Two studies on new approaches to counteract or accommodate high levels of unemployment (paragraph 6). The first would be concerned with new work patterns, the second with using the unemployed in socially useful ways at present left largely to volunteers. Each study would take about three months. They would be done in sequence but could take place in parallel with the studies in (a).

(c) The studies on education and training (paragraph 7). These would probably take about six months in all and could be done in parallel with the studies in (a) and (b).

(d) A study of regional policy (paragraph 8). This would be built in part on the studies in (a), (b) and (c). It would need to be strongly interdepartmental. It would require about six months and might take place during the second half of the year.

11. These four topics could provide a core programme for 1982. Two further studies that might be held in reserve for later consideration are:

(e) A study of the relationship of central and local Government. This is a subject that greatly needs to be clarified. Much will depend on where the Secretary of State for the Environment's current consultative process gets to. However, it is arguable that more radical rethinking is needed than is likely to emerge from this.



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(f) A study of improved ways of providing, managing and financing public services. This would be a substantial piece of work and would need to be tackled in stages.

12. If your view of priorities differs from that implied above, or if there are alternative subjects you would like included, the programme could, of course, be adjusted accordingly.

13. I have re-examined the presentations on strategy that were made by the CPRS in the early days after it was set up. I believe that we could offer a presentation of objectives, main strategies, and where we see our studies supporting these, if you and your colleagues thought this would be helpful. To be effective I think a presentation would need to be rather simpler than those made originally.

14. I am sending a copy of this minute to Sir Robert Armstrong.

JR/

CONQUEROR

