

PREM 19/1354

Confidential File

PM's Meeting with Ralph Howell MP
about support for an initiative by
the Employment Research Centre
of the University of Buckingham
for a study on the problem of
Unemployment.

PRIME MINISTER

July 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
21.7.83							
5.8.83							
5.4.84							
3/5/84							
PREM 19/1354							

The University of Buckingham

Buckingham MK18 1EG, England Telephone: Buckingham (0280) 814080

From the Vice-Chancellor: Professor Alan Peacock, DSC MA FBA

WSPM
AT 10/15
1. ~~Mr~~ - to see
2. cc PS / Sec of State
PS (Mr Morrison)
~~Mr Sunnell (No 10)~~
Mr Berr
Mr Reid
Mr Brand
Mr Robinson
Mr Stanton
3rd May, 1984 Mr Brimmer
John
4/5

Mr M. E. Quinlan, CB
Permanent Secretary,
Department of Employment,
Caxton House,
Tothill Street,
LONDON SW1H 9NF.

Dear Michael,

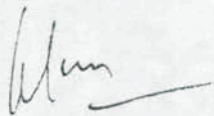
Many thanks for your reply to my letter of 3 April.

I have had some discussion with Swiss economists in Zürich last weekend. It seems that their Institute of Applied Economics has done some work on unemployment rates and could co-operate at relatively short notice with us.

I am anxious to get ahead with this work, and think that I can find the small sum I need without much delay, so I shall not be coming back to you with a research outline. I shall be glad to send any results to you, if we get any which would interest policymakers.

Many thanks for your interest,

Yours,



Alan Peacock

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Ralph Howen

MAY 13 1934





M E Quinlan CB
Permanent Secretary

Department of Employment
Caxton House Tothill Street
London SW1H 9NF
Telephone 01-213 3000

NBEN

5 April 1984

Professor Alan Peacock DSC MA FBA
Vice Chancellor
The University of Buckingham
BUCKINGHAM
MK18 1EG

Dear Professor Peacock,

Many thanks for your letter of 3 April and for the report of the study of employment protection by Mr Dnes, which will I am sure be of interest to the policy branches here. We are anxious to keep in touch with the Employment Research Centre and I hope that arrangements can soon be made to include its work in the survey of labour market research which is being done by the Employment Market Research Unit here. (I gather David Stanton is already in touch about a visit to Buckingham.)

The idea of a study of the Swiss employment scene sounds interesting. I cannot commit the Department in advance of receiving a research outline, but we would certainly look sympathetically at any proposal. We should be looking, naturally, for lessons which could be applied in the UK, so we would need some reassurance that it will be possible to distinguish the effects of the Swiss "guestworkers" policies from those of other policies in operation there.

I look forward to hearing more about this when you are back from Switzerland.

*All good wishes,
Yours sincerely,
Michael Quinlan*

M E QUINLAN

The University of Buckingham

Buckingham MK18 1EG, England Telephone: Buckingham (0280) 814080

From the Vice-Chancellor: Professor Alan Peacock, DSC MA FBA

3rd April, 1984

Mr. M.E. Quinlan, CB
Permanent Secretary,
Department of Employment,
Tothill Street,
LONDON S.W.1.

Dear Mr. Quinlan

As you may have noticed, I was subjected to a certain amount of prodding by the PM on the question of seeking government support for the Employment Research Centre whose proposed development is already known to your Department. Since Ralph Howell and I saw Norman Tebbit last year, we have made a slow start, mainly because the Employment Trust set up alongside the Centre and independent of this University has not been as active as we expected in raising funds. Of the four studies commissioned, two are now complete, and we hope to publish these shortly. I enclose a draft of Dnes's study of employment protection to show you the kind of work we are doing.

The PM expressed considerable interest in the case of Switzerland and I wondered if your Department might be interested in financing a short study designed to uncover the reasons why the Swiss have such a low employment rate. I have excellent contacts in Zürich at the University which I have to visit in any case on April 28 in order to receive an Honorary Degree. I am sure that they could supply a good young researcher to do some legwork for us leaving us at the Centre to put a report together. I cannot imagine that a study of this sort need cost more than £5,000.

I hope that the idea appeals to you and that I may look forward to making the necessary arrangements when I visit Zürich later this month though I realise that this would mean moving fast!

Kind regards,
Yours sincerely

Alan Peacock

Alan Peacock

Enc.



10 DOWNING STREET

11 August 1983

THE PRIME MINISTER

Dear Ralph,

When we met recently I undertook to write to you indicating how best you or Professor Peacock might approach ^{now CSRC} SSRC seeking financial support for the Employment Research Centre at the University of Buckingham.

I suggest that the best course of action is for you or Professor Peacock to write direct to Mr. Michael Posner, the Chairman of the Council, at 1 Temple Avenue, London, EC4Y 0BD, setting out full details of the project and of the level of support which you envisage. The Council have said informally that they will be interested to hear of your ideas and I am sure that your request will be given the fullest consideration.

I wish you and Professor Peacock success in this venture.

Yours ever
Margaret



DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

Michael Scholar Esq
10 Downing Street
London
SW1

5 August 1983

Dear Michael, *Pl type* *Wm SW*

Thank you for your letter of 21 July 1983 following up the Prime Minister's meeting with Mr Ralph Howell MP who is seeking support on behalf of Professor Alan Peacock for the Employment Research Centre at the University of Buckingham.

Officials here have been in touch with the SSRC about Professor Peacock's proposal and we understand that the Council will be very interested to hear of his ideas. Professor Peacock is a past member of the Council and a past Chairman of its Economic Committee and SSRC are well acquainted with his work and the nature and scope of his interests. They have therefore suggested that Mr Howell or Professor Peacock should write direct to the Chairman of the Council. The Prime Minister may accordingly wish to write to Ralph Howell in the following terms:

"When we met recently I undertook to write to you indicating how best you or Professor Peacock might approach SSRC seeking financial support for the Employment Research Centre at the University of Buckingham.

I suggest that the best course of action is for you or Professor Peacock to write direct to Mr Michael Posner, the Chairman of the Council, at 1 Temple Avenue, London EC4Y 0BD, setting out full details of the project and of the level of support which you envisage. The Council have said informally that they will be interested to hear of your ideas and I am sure that your request will be given the fullest consideration.

You I wish you and Professor Peacock success in this venture."

You may find it helpful to have the enclosed copy of a letter which my Secretary of State recently sent Mr Howell on the same subject.

I am copying this letter to the recipients of your.

Yours sincerely
Mrs I Wilde

MRS I WILDE
Private Secretary



cc Mr Street
Mr Jameson
Mr Tanner
Dr Root (with pps)

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

R Howell Esq MP,
Chairman, The Steering Committee
The Employment Research Centre
at The University of Buckingham
Buckingham MK18 1EG

15 July 1983

Dear Ralph,

Thank you for your letter of July 5th. I am interested to read of the Buckingham proposal. I do not doubt the importance of the subject.

But I have no resources that could be used for the purpose you have in mind.

On the other hand there is the Social Science Research Council established with taxpayers' money, especially to examine proposals for research within its remit and decide whether or not to support any particular project.

I suggest, therefore, that you or the Advisory Committee should approach the SSRC and seek their help.

Eric Keir

Prime Minister
PM's meeting with
Ralph Howells
July 8

JUL
-5 AUG 1986



SUBJECT

FILE

MFG

a master



10 DOWNING STREET

From the Private Secretary

July
21 August 1983

Dear Imogen,

The Prime Minister had a discussion today with Ralph Howell, M.P. Mr. Alison was also present,

Mr. Howell sought her support for the Employment Research Centre recently established at Buckingham University. The Prime Minister said that she could offer no financial support, but thought there was much useful work which the centre could do on the long term issues facing the Government: for example on the "work-fare" concept under which the unemployed received their benefit in return for participation in useful public-works programmes. The Prime Minister said that the centre could usefully do work which in the past had been done in Government, for example in the CPRS. She hoped that the Social Science Research Council would make grants to the centre for such work, just as they did to Professor Minford's unit in Liverpool in respect of a study on unemployment which had been of much assistance to the Government last autumn,

The Prime Minister ended the meeting by saying that she would write to Mr. Howell, suggesting how he and Professor Alan Peacock might best approach the Social Science Research Council. The Prime Minister would be grateful for a draft letter and for any indication how your Secretary of State could assist in this process,

I am sending a copy of this letter to Brett Bonner (Department of Employment) and to Richard Hatfield (Cabinet Office),

Yours sincerely,

Michael Scholar

Mrs Imogen Wilde
Department of Education and Science.

CONFIDENTIAL

da

MB



Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

W Rickett Esq
Private Secretary
10 Downing Street
LONDON
SW1

20 July 1983

Dear Wilkie

... We spoke yesterday evening about the
Prime Minister's meeting with Ralph Howell MP.
As requested I attach a brief which has been
seen by the Secretary of State and prepared
by officials.

*Yours sincerely
Brett Bonner*

BRETT BONNER
Private Secretary

VISIT OF MR RALPH HOWELL AND PROFESSOR ALAN PEACOCK

BACKGROUND

- 1 Mr Howell and Prof Peacock are to see the Prime Minister to seek her support for the recently-formed Employment Research Centre at the University of Buckingham. Professor Peacock is Vice-Chancellor of the University (see attached biographical note).
- 2 The Employment Research Centre is to undertake fundamental research of its own and also to keep in contact with what is going on in the research world and make results known quickly to those in business and government who need to consider their policy implications. It has been set up at Buckingham on the initiative of a group led by Mr Howell and it is hoped that it will be fully operational by the Autumn of 1983.
- 3 Professor Peacock intends that the Centre should concentrate upon supply-side economics and examine obstacles to the effective working of market forces in the labour market and more generally. He does not intend that it should concern itself with macro-economic problems. (A list of research projects commissioned or under consultation is attached.)
- 4 An annual budget of £100 thousand rising to £120 thousand has been set for the Centre and contributions of £10 thousand had been obtained from companies and individuals up to February 1983. Although the University of Buckingham operates independently of Government funding, Professor Peacock wishes to explore the possibility of Government support for the work of the new centre.

RELATIONS WITH THE DEPARTMENT OF EMPLOYMENT

- 5 From their meeting with Mr Tebbit, Mr Howell and Professor Peacock will be aware of the setting up this month of the Employment Market Research Unit in the Department, which is intended to have broadly similar functions to those proposed for the new Centre. Following that meeting, arrangements have been made for these two bodies to work together and for DE officials to assist in providing background information and access to data to researchers connected with the Centre.

6 The Secretary of State told Mr Howell that he had no money available to support the Centre, but that he would be glad to give it his moral support. He suggested that financial support might be available from OECD, EC or the Anglo-German Foundation. Although he did not say so, it is of course open to the DE to consider proposals from the Centre for inclusion within its future budgets for external research. *Though these are well committed for some years ahead.*

THE MEETING

7 Mr Howell may express his fear that unemployment may double again by 1990 unless something is done, and his view that a stronger 'work test' should be applied to the payment of benefit. He believes that there is much to be learned from overseas experience (for example Switzerland) and may refer the Professor Angus Maddison's project on "why unemployment rates differ".

8 Professor Peacock may be expected to describe the Centre's intended approach to these problems and to outline its initial work programme. His main concern will, however, be with the funding of the Centre's programme.

POINTS FOR DISCUSSION

9 The Prime Minister may wish to ask how the work of the Centre is to differ from that of the government-financed Centre for Labour Economics under Professor Layard.

10 She might also wish to question Professor Peacock on the policy relevance to some of the projects which he refers to - whether, for example, an historical review of employment policy since the war (item 3 on attached list of projects) is likely to provide any new insights.

11 The Prime Minister will wish to conclude by wishing Mr Howell and Professor Peacock success in their new venture and by welcoming the creation of a new body which she would expect to like a fresh approach to employment problems. She may also wish to offer to put in a good word for the Centre among firms and organisations from which they are seeking financial support.

PROFESSOR ALAN PEACOCK

Professor Peacock is an economist of considerable standing who is best known for his writings on the subject of public expenditure economics and the economics of music. He was formerly Professor of Economics at the University of York, a contemporary there of Professor Jack Wiseman. The team there became well known as strong (and sometimes pungent) advocates of the case for letting markets work. In the later years of the Heath administration he was seconded from York to become Chief Economist (at Deputy Secretary level) to the Department of Trade and Industry. The secondment continued under the Wilson administration in which he found himself advising Tony Benn. This experience is recounted in a witty paper entitled "On giving economic advice in difficult times".

EMPLOYMENT RESEARCH CENTRE - PROPOSED RESEARCH PROJECTS

- 1 Why unemployment rates differ between countries.
- 2 The duration of male unemployment in Great Britain 1973-82.
- 3 The development of employment policy in the UK from the White Paper on Employment, 1944.
- 4 The economic effects of employment protection and minimum wage legislation.

Cut overmanning → down

VISIT OF MR RALPH HOWELL AND PROFESSOR ALAN PEACOCK

Prime Minister
Ralph Howell may well
raise this with you
tomorrow, as mentioned
in his letter of 11 July.

BACKGROUND

Mr Howell
will be
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alone.

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- 4 The economic effects of employment protection and minimum wage legislation.

Mr Alison to see - as
requested

15 July 1983

On 13 July, I sent you a copy of a letter to the Prime Minister from Mr. Ralph Howell, in which he urged her to support an initiative by the Employment Research Centre of the University of Buckingham for a study on the problems of unemployment. I asked for a draft reply for her signature by 27 July.

The Prime Minister has now seen Mr. Howell's letter. She has commented that she would like to give his initiative a fair wind. I should be grateful if you could take this into account in drafting the Prime Minister's reply to Mr. Howell.

W. F. S. RICKETT

J. B. Shaw, Esq.,
Department of Employment.

Lo



10 DOWNING STREET

PRIME MINISTER

Ralph Howell, M.P., seeks your support ~~for~~ an initiative by the Employment Research Centre of the University of Buckingham for a study on the problems of unemployment.

He asks if he could come and see you to discuss this initiative. He has already seen Norman Tebbit, and is seeking a meeting with Sir Keith Joseph.

I have asked their offices for advice on how you should reply.

*I should like to find a
certain word.*

13 July, 1983

not WJ



FILE

ACK 13/7

RW

10 DOWNING STREET

From the Private Secretary

13 July, 1983

I enclose a letter to the Prime Minister from Ralph Howell MP. He wishes her to support an initiative by the Employment Research Centre of the University of Buckingham for a study on the problems of unemployment. He asks for a meeting with the Prime Minister to discuss this initiative. He says that he has already seen your Secretary of State, and that he is seeking a meeting with Sir Keith Joseph.

I should be grateful for your advice on how the Prime Minister should reply to Mr. Howell by 27 July.

I am sending a copy of this letter and its enclosure to Imogen Wilde (Department of Education and Science).

I W. F. S. RICKETT

J.B. Shaw, Esq.,
Department of Employment

RALPH HOWELL, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

cc: MA 15/7

11th July 1983

The Rt. Hon. Mrs. Margaret Thatcher, M.P.
Prime Minister

Dear Prime Minister,

I am enclosing a prospectus of the Employment Research Centre which we have recently established at Buckingham University together with the standard letter which we are sending to industrialists and others in the hope of enlisting support.

Obviously nothing could be better for our organisation than if you were able to give your blessing in some way to our initiative.

Professor Peacock and I have already met Norman Tebbit and we had a very useful and encouraging discussion. I am also in touch with Keith Joseph and hope to see him shortly.

The graphs in appendix 2 and 3 cannot be ignored. Nothing short of a miracle could cause a levelling off, let alone a down turn, in the 10 year averages.

In May 1977 you very kindly arranged for me to discuss my views on the Why Work and Unemployment problems with the senior members of the Shadow Cabinet. At that stage I gained the firm impression that you were very sympathetic to my views. I enclose a copy of the paper I presented to that meeting and I am sure you will agree that my forecast on unemployment was very close to the mark.

I do hope you will be able to help to get our project at Buckingham firmly established and I would be most grateful if you could find time to discuss this matter with me.

Yours ever
Ralph.

Ralph Howell
18th May 1977

When we take over government our first and most urgent task will be to correct our welfare, taxation and employment systems. As a result of a complete lack of co-ordination of these three vital areas of government, open-ended welfare payments are being paid to an ever-increasing percentage of the population, and this in itself has resulted in higher and higher taxation, especially direct taxation, which at the moment is the highest in the world.

A combination of these factors has created a situation in which a great number of people are actually better off out of work than when working, and a huge sector of people are only marginally better off working, when travelling and expenses at work are taken into consideration.

A great many people are voluntarily unemployed, and even worse, as a result of our unbelievably complicated welfare system, more than 1.5m more civil servants and local government personnel are engaged than was the case in 1960. We have now something like 4-5m. people either unemployed or unnecessarily employed, bearing in mind the incalculable number only half-employed in NCB, GPO, British Leyland, docks, etc.

I believe it is essential that these matters are no longer dealt with in isolation. They are inter-related and must be replaced by a comprehensive system, which must be easily understood.

Reforms should be on the basis of the following principles:

1. Quick to implement;
2. Comprehensive, since patching has merely aggravated the problem;
3. Easy to understand;
4. It must always be more profitable to work than not to work;
5. The elimination of the Poverty Trap;
6. An overall saving in expenditure.

In all this, the main aim should be to move from direct to indirect taxation, at the same time cutting taxation generally by reducing unnecessary bureaucracy.

It is against this background that the Tax Credit Scheme should be re-examined and, in my view, rejected.

I am assuming that when we talk of a Tax Credit Scheme we mean something similar to that proposed in the 1972 Green Paper. If this is not so, then what are our Tax Credit proposals?

My principal objections to the Tax Credit Scheme are :

1. The system will take five years to bring into operation. This point alone rules it out, as far as the next Government is concerned.
2. It would be massively expensive at a time when drastic cut-backs will be necessary.
3. It would enshrine high income tax levels and low tax thresholds. The 30% rate proposed is higher than the starting point in any other Western country. France, for example, starts at 5% with a maximum of 53%.

8. There are large areas of exemption from the scheme. It does not cover the self-employed, very low wage earners, the early retired or long-term unemployed.
9. It does not allow for a minimum wage and envisages people earning less than 25% of the national average wage. This is totally unrealistic.
10. A piecemeal introduction of these proposals would lead to even greater chaos.

Conclusion

The introduction of Tax Credits would be an even greater mistake than the 1972 reform of local government.

The alternative to a Tax Credit System:

1. Taxation

- (i) All income should be treated alike for tax purposes, in order to eliminate the tax refund anomalies.
- (ii) Tax thresholds should be raised well clear of all of all welfare benefit ceilings.
- (iii) Tax rates should be cut dramatically, in order to bring us into line with our main overseas competitors, with a starting rate of 15% and a top rate of 50%. (See Appendix 1)
"15-50" would be a more effective battle-cry than Macmillan's 300,000 houses.
- (iv) The cost of such a cut would be in the region of £10 bn. This loss should be made good in part by cutting subsidies, and in part by increased VAT or other sales taxes.
The effect of increases in VAT on the RPI would be offset by the reductions in income tax.

4. This, completely new, untried and costly system, installed at great administrative expense, would only eliminate one means tested benefit, namely FIS. All other means tests would remain, including the principal ones listed below:-

- (i) Taxation
- (ii) National Insurance
- (iii) Earnings-related unemployment benefit
- (iv) Rent Rebate
- (v) Rate Rebate
- (vi) Free school meals
- (vii) Free school milk

All these means tests, operated independently, involving separate calculations by armies of civil servants and local government personnel, would remain. In the housing sector alone we will be subsidising at the rate of well over £4,000m and the anomalies and distortions will continue.

5. Supplementary Benefits would remain untaxed. Although unemployment and sickness benefit would become taxable, leaving supplementary benefit untaxed would have the effect of making long-term unemployment even more attractive than at present to those who do not intend to work.

6. Higher, age-related, children's Supplementary Benefit rates will add to the confusion.

7. Supplementary Benefit would continue to have no top limit. This is one of my principal objections. So long as we go on with unlimited tax-free supplementary benefit, available to anyone within this country, whether they have contributed to our funds or not, we will remain not only a 'scroungers' paradise, but a magnet to Irish and Commonwealth citizens - the Mecca of something for nothing.

- (v) It is impossible to estimate the electrifying effect that "15-50" would have on productivity, and on the consequent yield of income tax, also the cancelling-out effect of the tax reductions on benefit payments
- (vi) Savings would once again be possible, and would be made necessary by revision of the welfare system (for instance, by abolition of earnings related supplement)

2. Welfare

- (i) The first requirement is that nobody should be better off out of work than working.
- (ii) To achieve this there should be
 - (a) a wage base line, with
 - (b) a cut-off point for benefits at, say, say, 75% of the wage base line.
- (iii) All the principal means tested benefits should be consolidated into one tax/welfare assessment, thus creating a situation whereby a person either pays tax, or receives benefit, or falls into a neutral area. (See Appendix 2)
- (iv) If children's allowances were the same in all circumstances, the £10 gap between basic wage and maximum benefit would remain constant.

3. Employment

It is becoming increasingly obvious that unemployment at present levels is unacceptable. It should be borne in mind that if it were not for our unnecessarily inflated bureaucracy ($1\frac{1}{2}$ million higher than in 1960) and for over-manning generally, the ~~sum~~ ^{total} figure of unemployment (including the under-employed and the mis-employed) would be in the region of about 5m., or over 20% of the workforce.

This is the major problem of capitalism. It is time to re-think the whole question of unemployment, and whether it would not be just as cheap, and considerably better, to give all able-bodied people who wish to work the right to work.

Feeble attempts are being made to deal with this problem by a multitude of different measures:

- Youth employment subsidy
- Temporary employment subsidy
- Community industry
- Job creation
- Work experience
- TOPs training programmes
- Training in industry

Should we not think in terms of offering a coherent alternative based on:

- (i) (an effective re-training programme)
- (ii) (a form of National Service for young people)
- (iii) (job creation generally available)

with all allowances/wages integrated within the structure of wages and benefits shown at Appendix 2.

Income Tax Rates

A. Starting Rates of Income Tax (Employment income)

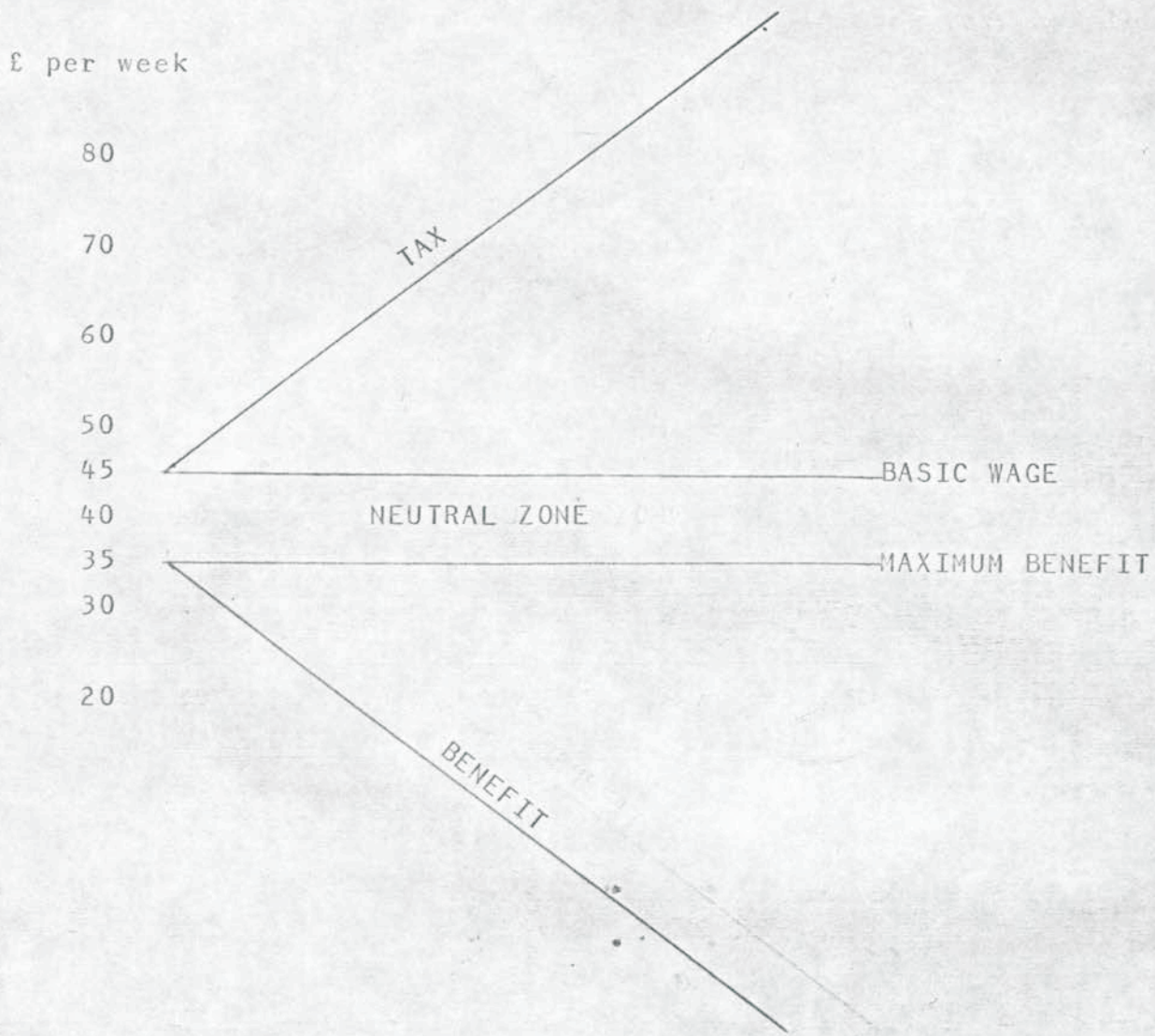
	<u>1976</u>
	%
U.K.	35
Germany	22
U.S.A.	14
Japan	10
Sweden	4
France	3.6

B. Top Rates of Income Tax (Employment income)

	%
U.K.	83
Japan	67.5
Sweden	57
Germany	56
France	54
U.S.A.	50

(Source : Hansard 25/1/77
Col. 586)

Diagram to illustrate proposals for
Reform of Taxation, Welfare & Wages



Hansard 2 Feb 77 c.185 (amended Hans 8 March 77 c.520)

Mr. Ralph Howell asked the Chancellor of the Exchequer what loss of revenue would result, and what compensatory increase in the standard rate of VAT would be necessary, if the bands of taxable income were altered to make tax payable at the following rates.

£	0-£1000	at	15%
	£1000-£2000	at	20%
	£2000-£3000	at	25%
	£3000-£4000	at	30%
	£4000-£5000	at	35%
	£5000-£6000	at	40%
	£6000-£7000	at	45%
over	£7000	at	50%

Mr. Robert Sheldon : The loss of revenue that would result from the proposed changes in income tax is estimated at about £7000m at 1976-77 levels of income and allowances. In order to raise an additional £7000m, the standard rate of VAT would need to be increased to 31%, but an increase of this size would cause such substantial changes in the economy that any estimate of this kind is subject to a greater margin of error than is usual.

Comment

The operative words are: "at 1976-77 levels of income". Because no one can estimate the effect the change would have on work effort and therefore on total taxable income.

ESTIMATED EXPENDITURE 1977/78

Figures taken from the Public Expenditure White Paper
January 1977

	£m.	
Agricultural support	259	
Food subsidies	107	
Fishing subsidies	22	
Regional support and regeneration	475	
General support for industry.	515	
Support for nationalised industries.	94	
Redundancy fund and maternity fund.	81	
Central Government support to		
transport industries:		
British Rail	416	
Others	471	
Housing subsidies	1940	
(Note: total housing		
expenditure 4286)		
Community ownership of		
development land	38	38
Legal aid.	83	83
School meals and milk	361	361
Social security:		
Supplementary allowances	1182	(not supp.pensions)
FIS.	22	22
Unemployment benefit including		
earnings related supplement	533	533
Rate rebate, estimated.	200	200
Figure from Library not		
White Paper		
	<hr/>	<hr/>
	6799	5733

Comparison of weekly rates of earnings versus social security benefit - qualified computer technician, living in Cheadle Hulme, Cheshire, December 1977

As reported to Tom Normanton MP:-

Gross Pay		63.10	
Less	Pension fund contribution	4.10	
	Income tax (married man)	10.58	
	National insurance	3.63	
	Fares to work	3.60	
	Interest on Option Mortgage, house insurance & Maintenance.	8.50	
	Rates	5.14	35.55
			27.55
Add	Child benefit	5.50	
	Child tax allowances	5.33	10.83
			£38.38

Supplementary Benefit Rates Rates

Married couple		23.35	23.35
Child 14 years		7.40	7.40
" 13	"	7.40	7.40
" 12	"	6.10	6.10
" 10	"	4.95	4.95
			£49.20

**The
Employment
Research Centre**
at The University of Buckingham

Buckingham, MK18 1EG, England Telephone: Buckingham (0280) 814080

5th July 1983

The Rt. Hon. Mrs. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister,

The Employment Research Centre has been established at The University of Buckingham. It is an independent research facility.

The Centre will examine the growth of unemployment in Britain and throughout the Western World, with a view to finding overall and lasting solutions to a problem which, we believe, could eventually destroy democracy if allowed to go unsolved.

However, we know that some Western countries, notably Switzerland and Japan, have virtually contained if not eliminated involuntary unemployment, while in most other Western countries unemployment continues to rise relentlessly, in spite of all Job Creation and similar costly schemes.

Despite the very good intentions of all sorts of people and organisations, no fundamental investigation into the root cause of unemployment has yet been made and hitherto no facility existed.

The greatest obstacle to overcome is the fact that scarcely anybody believes that the problem can be solved.

We do believe a solution can be found.

The University of Buckingham has the facilities to undertake this formidable task and, since it does not rely on State support, it also enjoys the necessary intellectual independence.

The Advisory Committee, led by Professors Alan Peacock and Keith Shaw, includes other distinguished academic advisers from Britain, Europe and the United States. They have assembled a team of competent researchers and preliminary studies have already been commissioned.

We need your help.

To operate the Centre will require an annual income of £100,000 which, I am sure you will agree, is modest compared with the large sums already being spent by a number of major firms on unco-ordinated attempts to remedy this all important issue.

I would be most grateful if I could call on you to explain more fully what we are trying to do with a view to enlisting your support.

The Prospectus of the Centre, together with a short summary of its structure and objectives, is enclosed.

Yours sincerely
Ralph.

WHAT IS THE EMPLOYMENT RESEARCH CENTRE?

1. The Employment Research Centre (ERC) is a new initiative set up to examine the causes and consequences of the unacceptably high levels of unemployment that continue to plague Western industrial countries. The Chairman of its Steering Committee, Mr Ralph Howell MP, has said: "the Committee believe that the time has come to take a completely fresh and unfettered look at this question. We do not accept that continuing high unemployment rates are inevitable".
2. The ERC is located at The University of Buckingham which received its Royal Charter in March 1983. As the only university independent of direct government support it has common cause with companies and institutions seeking to maintain and to expand employment opportunities in the market economy.
3. Buckingham's economists, notably Professor Alan Peacock, DSC, FBA, Vice-Chancellor of the University and Professor Keith Shaw, Ph.D., Rank Foundation Professor of Economics, have wide experience in economics research. They will supervise the work of the Centre along with a distinguished Advisory Committee with international membership.
4. Studies are designed to have an impact on policy discussion. Already three such studies have been commissioned:
 - * Why employment rates differ between countries.
 - * Duration of adult male unemployment 1973-83.
 - * The evolution of employment policy in the UK.

Support has also been promised for an international conference on long-term unemployment problems.

5. Facilities for contract research undertaken for companies, government departments, international agencies will be developed. Those associated with ERC have wide experience of this type of work.
6. Donations and covenanted contributions to the Centre's basic budget would be welcomed. They may be sent to the solicitors of the Employment Research Trust, Messrs Simmons and Simmons, 14 Dominion Street, London EC2M 2RJ.
7. Further information may be obtained from
Mr Ralph Howell, MP
House of Commons,
London SW1.
Tel.No: 01-219 4468 (Office)
01-219 3000 (Messages)

or

Professor Alan Peacock, DSC FBA,
Vice-Chancellor,
The University of Buckingham,
Hunter Street,
Buckingham MK18 1EG,
Tel.No: Buckingham (0280) 814080.

**The
Employment
Research Centre
at
The University
of
Buckingham**

I. Introduction

In contrast with the post World War II era, there is a striking lack of consensus among political leaders and those who advise them about the aims of employment policy, about how economic forces generate or destroy demand for labour and consequently about the choice of policy instruments to control or modify these forces.

The elimination of involuntary unemployment should be possible in a democratic society.

Switzerland and Japan have contained their totals to about 2½% of their work force. If they have achieved this, we should at least examine their methods and see how they could be applied to the United Kingdom.

The Keynesian diagnosis of the causes of unemployment no longer commands widespread professional support and the once-popular Keynesian remedy of 'spending one's way out of depression' has now to be supplemented by controls over incomes and prices which are both ineffective and unworkable in the long run. An understandable but dangerous mood of pessimism is beginning to pervade the discussion of employment policies.

Research initiatives in the study of long term employment prospects may now be developing fast but they have yet to make a major impact on public understanding of the policy issues. This is because so much re-thinking has to be done and new forms of data collection and analysis have to be developed before useful results can be obtained. Reducing the lag between the emergence of research results and their examination outside purely academic circles is manifestly important. There is clearly a need for an Employment Research Centre which, while undertaking fundamental research of its own and in close contact with what is going on generally in the research world, can make results known quickly and effectively to those in business and government who need to consider their policy implications.

II. The Centre

An Employment Research Centre has been installed at the University of Buckingham which can respond to the need to marry research findings with policy proposals. It will have three main functions:

- (i) to act as an information centre and clearing house for studies on employment issues both at home and abroad;
- (ii) to initiate research which will be of particular relevance to policy issues;
- (iii) to question and examine existing and proposed policy initiatives on employment. In several countries there seems to be a pronounced lack of co-ordination of policy measures affecting employment, ranging from minimum wage legislation through labour subsidies to unemployment insurance.

It is intended that as well as conducting research under the guidance of a Director, it will commission research papers from specialist researchers, hold frequent conferences, seminars and briefings on pertinent issues, and issue regular bulletins and reports on employment topics.

Three studies have so far been commissioned on:

- (i) why employment rates differ between countries? (see Appendix);
- (ii) the duration of male unemployment in Great Britain (1973-82) and
- (iii) the development of employment policy in the UK from the White Paper on Employment, 1944.

The Centre would not be working in isolation. Indeed, the current research studies would complement further work in employment problems and existing senior staff have looked at such problems before, particularly those that relate to public sector employment.

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Buckingham's independence makes it possible for the Vice-Chancellor of the University - the economist Alan Peacock - to play an active role, together with senior colleagues, in directing and participating in research projects. Professor Peacock has held senior appointments at the London School of Economics (of which he is an Honorary Fellow), Edinburgh and York Universities, from 1973-76 was the Chief Economic Adviser and a Deputy Secretary at the Departments of Trade and Industry, and is a Fellow of the British Academy. He has wide experience as a consultant retained by industrial concerns and professional associations as well as by various government and international organisations.

Professor Keith Shaw, Rank Foundation Professor of Economics at the University College, and Professor Peacock have published several reports on fiscal policies and employment creation in developing countries as consultants to the Organisation for Economic Development and Co-operation (OECD) and to the Harvard University Development Advisory Service. They have both agreed to serve on the Advisory Committee of the Centre (see below).

III. Organisation

An Employment Research Trust has been set up which is registered as a Charity (Registration Number). The Employment Research Trust's solicitors are:

Simmons and Simmons
14 Dominion Street
London EC2M 2RJ

The Trust's bankers are:

Midland Bank plc
Poultry and Princes Street
London EC2P 2BX

A Steering Committee is responsible for the initial organisation of the Centre and consists of:

Ralph Howell MP	: Member of Parliament for Norfolk (North) Chairman
Michael Bloom	: Managing Director, Mentor Associates Ltd of Oxford (Business Advisers)
Ian Hood	: Solicitor
Prof. Alan Peacock, DSC FBA	: Vice-Chancellor University of Buckingham
Simon Webley	: Director, British-North American Research Association

An Advisory Committee is being set up consisting of academics with an international reputation and other distinguished persons who will offer general guidance on the research and publication programme. It will include, along with Professors Peacock and Shaw:

Professor Herbert Giersch, Director of the Institute of World Economics, University of Kiel and former Chairman of the West German Council of Economic Advisers.

Professor Angus Maddison, University of Groningen, Netherlands, and Senior OECD Consultant.

Professor Thomas Wilson, OBE FBA, Professor Emeritus of Political Economy, University of Glasgow.

The Secretary of the Committee will be Mr John Burton, BA MSc (Econ), Lecturer in Industrial Economics, University of Birmingham.

IV. Timing

The Centre hopes to be fully operational in the late Autumn of 1983.

V. Finance

The Employment Research Centre has a budget for its first full year of operations of £100,000 rising to £120,000 in 1986/87.

Companies, trusts and individuals have, up to February 1983, contributed approximately £10,000 to the Employment Research Trust to enable the Centre to be started and to commission its first studies.

The Centre has facilities to undertake research projects or informational work relating to employment for companies, government departments or other organisations.

Donations and covenanted contributions to the Centre's basic budget may be sent to either Professor Alan Peacock, at the University of Buckingham, or to the Employment Research Trust's solicitors, Simmons and Simmons, 14 Dominion Street, London EC2M 2RJ.

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VII. Further Information

Information about the Centre's activities may be obtained from:

Mr Ralph Howell, MP
House of Commons
Westminster
London SW1
Tel No: 01-219 4468 (Office)
 01-219 3000 (Messages)

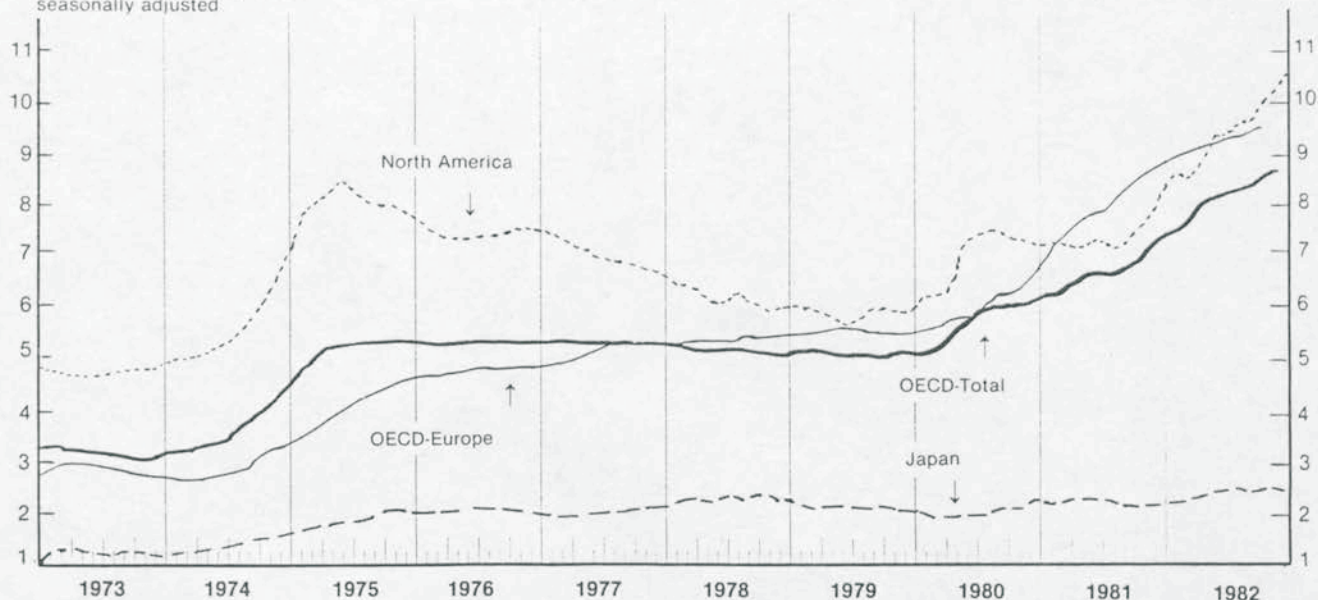
or

Professor Alan Peacock, DSC, FBA
Vice-Chancellor
University of Buckingham
Hunter Street
Buckingham MK18 1EG
Tel No: Buckingham (0280) 814080

R4/2

INTERNATIONAL COMPARISONS OF UNEMPLOYMENT RATES

per cent of total labour force
seasonally adjusted

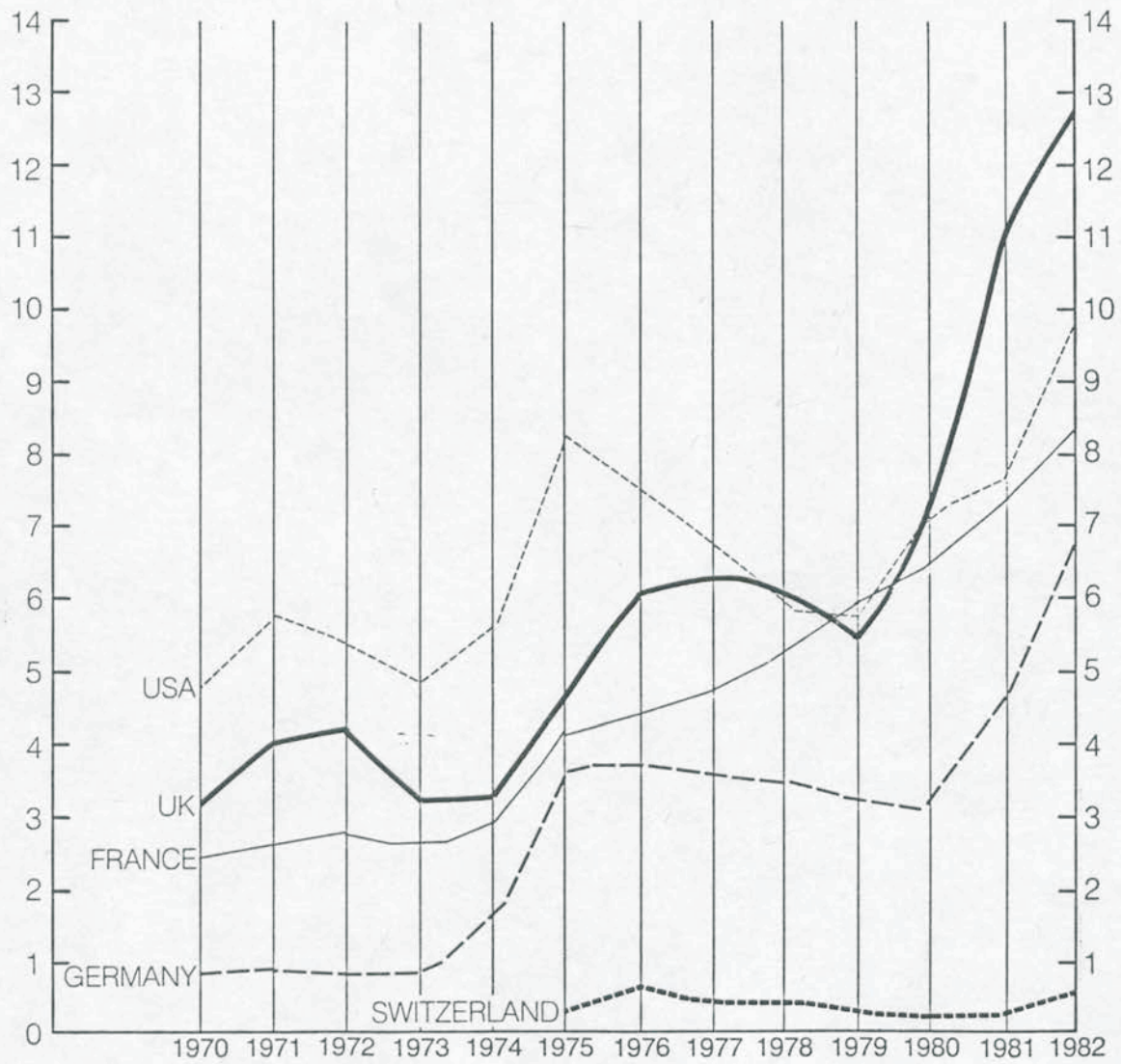


	1979	1980	1981	1981				1982					
				Q.4	Q.1	Q.2	Q.3	JUN	JUL	AUG	SEP	OCT	NOV
Canada	7.4	7.5	7.5	8.4	8.6	10.1	12.0	10.8	11.7	12.1	12.1	12.6	12.6
United States - Etats Unis	5.7	7.0	7.5	8.2	8.6	9.3	9.7	9.3	9.6	9.6	9.9	10.2	10.6
Japan - Japon	2.1	2.0	2.2	2.2	2.2	2.4	2.4	2.5	2.4	2.3	2.5	2.5	2.4
Australia - Australie	6.2	6.0	5.7	5.9	6.2	6.5	7.0	6.6	6.8	6.9	7.3	8.2	8.6
Austria - Autriche	2.1	1.9	2.5	2.8	3.0	3.4	1.7	3.4	3.7				
Belgium - Belgique	8.4	9.0	11.1	11.8	12.5	12.9	11.9	13.1	12.8	12.8	13.0	13.2	11.5
Finland - Finlande	6.0	4.8	5.2	5.5	6.0	6.0	6.2	5.7	5.7	6.3	6.4		
France	5.9	6.3	7.3	7.7	7.9	8.2	6.3	8.3	8.3	8.3	8.2	8.3	8.3
Germany - Allemagne	3.2	3.0	4.4	5.3	5.6	6.2	6.7	6.4	6.4	6.6	7.1	7.2	7.2
Italy - Italie	7.5	7.4	8.3	8.9	9.1	8.6	8.6						
Netherlands - Pays Bas	4.2	4.9	7.5	8.5	8.9	10.2	10.4	10.4	10.3	10.3	10.7	11.1	11.2
Norway - Norvège	2.0	1.7	2.0	1.9	2.0	2.5	2.4			2.4			
Spain - Espagne	8.5	11.2	14.0	15.0	15.5	15.4	16.0	15.4			16.0		
Sweden - Suède	2.1	2.0	2.5	3.1	3.0	3.0	3.4	3.1	3.1	3.4	3.2	2.9	1.1
United Kingdom - Royaume-Uni	5.5	6.9	10.9	12.1	12.3	12.4	12.5	12.2	12.3	12.4	12.7	12.7	12.9
OECD-Total — OECD-Total	5.2	5.7	6.7	7.3	7.6	8.0	8.3	8.1	8.2	8.2	8.5	8.7	
North America - Amérique du Nord	5.9	7.0	7.5	8.2	8.6	9.4	5.9	9.4	9.8	9.8	10.2	10.5	10.8
OECD-Europe - OECD-Europe	5.6	6.1	8.0	8.8	9.0	9.3	9.4	9.3	9.3	9.4	9.6	9.7	
EEC - CEF	5.5	5.9	7.6	8.6	8.9	9.1	9.2	9.1	9.1	9.2	9.5	9.6	9.7

Source: Main Economic Indicators OECD, Paris, 1983

INTERNATIONAL COMPARISON OF UNEMPLOYMENT RATES

Source: OECD

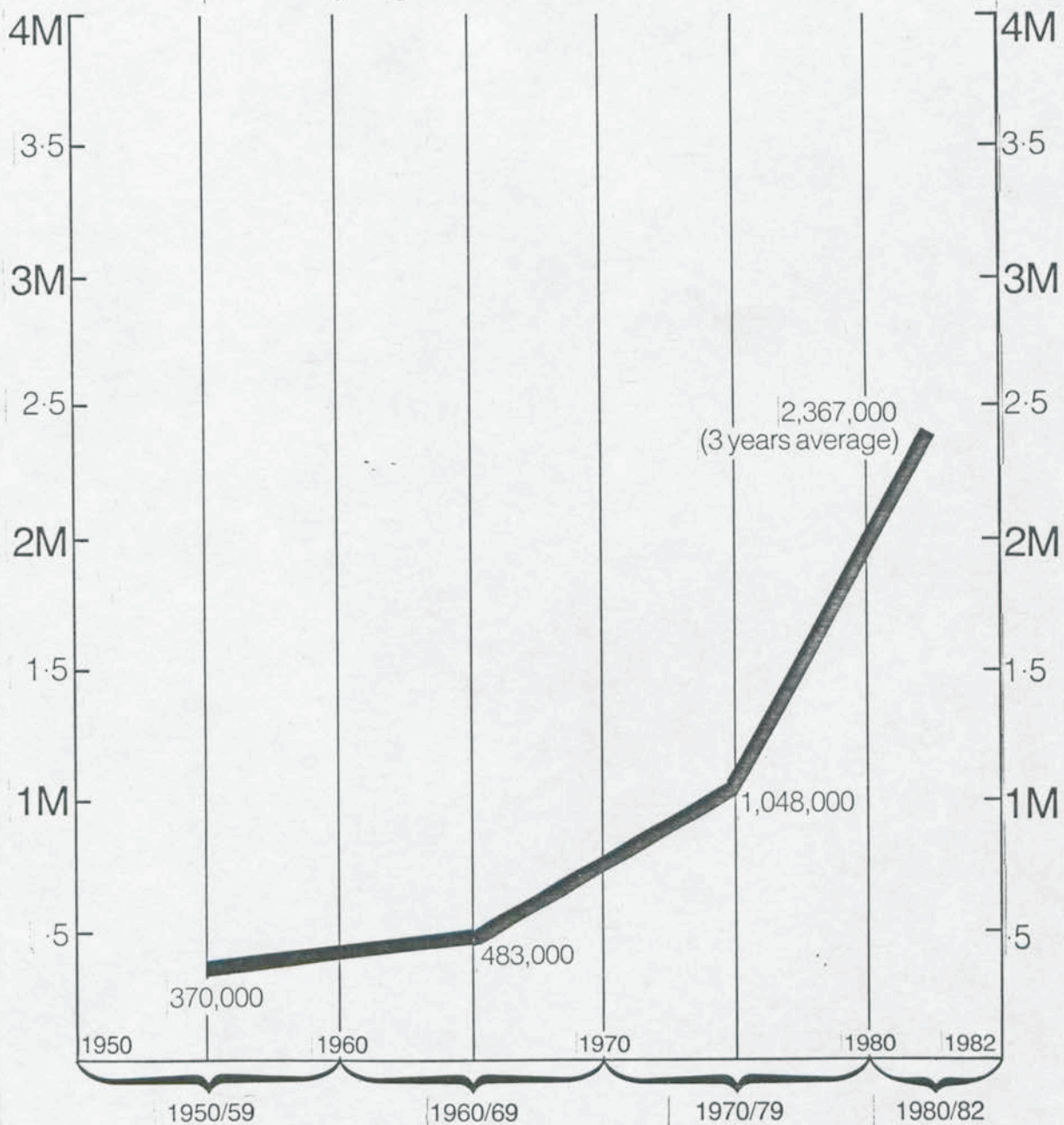


Appendix 2

UNEMPLOYMENT IN THE UNITED KINGDOM 1950/1982

AVERAGE UNEMPLOYMENT		% INCREASE OVER PREVIOUS 10 YEARS	
1950/59	370,000		
1960/69	483,000		31%
1970/79	1,048,000		117%
1980/82	2,367,000		126%

Source: Monthly digest of statistics



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