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CONFIDENTIAL

SPECIAL EMPLOYMENT MEASURES
EMPLOYMENT AND TRAINING BILL
YOUTH SERVICES REVIEW
INDUSTRIAL TRAINING

MANPOWER

PART I: JANUARY 1980

PART II: NOVEMBER 1984

PREM 19/1568

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7.11.84							
9.11.84							
13.11.84							
18.11.84							
19.11.84							
21.11.84							
23.11.84							
7.12.84							
24.12.84							
31.12.84							
19.1.85							
17.1.85							
8.1.85							
7.2.85							
21.2.85							
25.2.85							
26.2.85							
27.2.85							
ENDS							

PART 11 ends:-

SS/Scotland to mwp. 27.2.85

PART 12. begins:-

OL to pm 1.3.85

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(A)(85) 9	18/02/1985
E(A)(85) 8	18/02/1985
MISC 107(85) 10	11/02/1985
MISC 107(85) 9	11/02/1985
MISC 107(85) 2 nd Meeting	06/02/1985
MISC 107(84) 4 th Meeting	19/12/1984
MISC 107(84) 12	17/12/1984
MISC 107(84) 7	23/11/1984
MISC 107(84) 2 nd Meeting	19/11/1984
MISC 107(84) 9	14/11/1984
MISC 107(84) 8	14/11/1984
MISC 107(84) 6	14/11/1984
MISC 107(84) 3	14/11/1984
MISC 107(84) 5	13/11/1984
MISC 107(84) 4	13/11/1984

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed J. Gray

Date 27/2/2014

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Jobs Ahead – Sir Philip Goodhart MP, for the One Nation Group of MPs. Conservative Political Centre, London, ISBN 0 85070 719 6

Signed J. Gray Date 27/2/2014

PREM Records Team



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The Rt Hon Lord Young of Graffham PC
Minister without Portfolio
Cabinet Office
Whitehall
LONDON
SW1A 2AS

NDPM AT 2012 CCND
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

27 February 1985

Dear David,

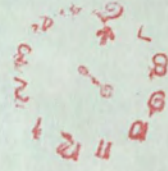
EDUCATION AND TRAINING FOR 14-18 YEAR OLDS

The minutes of E(A) Committee on 25 February record that you were asked to prepare revised proposals for a comprehensive education and training initiative for 14-18 year olds in consultation with Nigel Lawson, Keith Joseph, Tom King and Norman Fowler. Since I am responsible both for the operations of the MSC in Scotland and for the Scottish education system, I should be glad to be included in the consultations, in order to ensure that any revised scheme is deliverable in Scotland and compatible with my educational development programmes.

I have sent a copy of this letter to the Prime Minister, members of E(A) Committee and Keith Joseph, and to Sir Robert Armstrong.

*Yours ever,
George.*

14-18 yw dets



28 FEB 1985

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10 DOWNING STREET

From the Private Secretary

27 February 1985

Dear David.

MISC 107: 14 - 18s

Lord Young came to see the Prime Minister yesterday evening before his departure for China. He put to her a revised proposal for the extension of YTS. This is summarised in the attached note. The Prime Minister was generally content with this approach.

I think the next step is for this proposal to be set out in a paper for further discussion in E(A). The meeting will also need to take decisions on the other recommendations of MISC 107 which were not discussed at Monday's meeting.

I am copying this letter to Private Secretaries to other members of E(A) and to Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

(ANDREW TURNBULL)

David Normington, Esq.,
Department of Employment.

CONFIDENTIAL

SM.

26 February 1985

PRIME MINISTERYOUTH TRAINING SCHEME

Both Tom King and David Young see the expansion of the YTS as an issue on which their personal credibility depends.

The people in the MSC who are responsible for delivering the scheme (who are usually optimistic and go-ahead) believe that - whatever the CBI may say - local employers will not provide nearly enough Mode A places if the allowance is reduced. They believe that the whole YTS will collapse.

The key to abolishing Supplementary Benefit for 16-18 year olds without extra public spending is to avoid creating large extra numbers of expensive Mode B (non-employer based) places. This could be done by:

- i. abolishing SB for 16-18 year olds,
- ii. reducing the cost of Mode B places by £50 million,
- iii. limiting Mode B to first year trainees,
- iv. providing a small MSC 'waiting allowance' (say, £10 per week) for young people who cannot find a place.

OL
OLIVER LETWIN

Andrew.

Judith Rutherford telephoned from Employment with some companions for EIA this afternoon:-

France: run a Govt. Funded Scheme

Those under 18 receive FF500 (£45) per month. This is 12% of the National Minimum wage. There are people on this scheme up to age 25 but don't know over-18's rates of pay.

Apprentices: They are paid on 4 x 6 monthly periods for which they receive proportion of National Minimum Wage:-

1st 6 months	:	15%
2nd " "	:	25%
3rd " "	:	35%
4th " "	:	45%
Rising to	60%	in their 3rd Year.

Germany:

Apprentices in 1980 were getting £1500 a yr.

At BMW they receive £2040 in the first year rising to £2665 in the fourth yr.

Proportions of adult pay received by apprentices:-

UK : 45% (475 17%) .

Germany : 25-30% .

France : 15-60% .

There is nothing comparable in the USA.

SUE
25/2/85.



CCD.W

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Secretary of State for Social Services

Andrew Turnbull Esq
Private Secretary
10 Downing Street

25 February 1985

Dear Andrew,

E(A): BENEFIT FOR YOUNG PEOPLE ABROAD

I attach as requested a note on benefits available for young people in various countries.

Yours sincerely,

Stephen

S H F Hickey
Private Secretary

STATE SUPPORT FOR 16 - 18 YEAR OLDS

1. State support for 16 - 18 year olds can be given through educational maintenance grants or loans, training allowances, unemployment benefit (either insurance or means-tested assistance) or social assistance. Parents can be entitled to a family allowance and for a tax allowance or credit for young people in full-time education, undergoing training or unemployed.
2. There does not appear to be any country that has been able to devise a single means of financial support for young people and provisions, especially for those in training, are subjected to frequent change. The summary in attached table does no more than reflect broad policy intentions; it does not present a complete account of multifarious projects adopted by countries faced with increasing numbers of young people unable to find regular employment after leaving school.
3. Maximum age for family/tax allowances. All countries extend family allowance entitlement to age 18 for those in full-time education, and in Australia, Belgium, Germany and the Netherlands entitlement is extended to age 25 or later. Where a tax allowance or rebate is available, the upper age limit is either the same as for family allowance or higher (Canada, Switzerland). It is more difficult to establish the position for young people undergoing vocational training: France extends the allowance to age 20, Switzerland to age 25, Germany and the Netherlands to age 27. These allowances are substantial in the Netherlands.
4. Education maintenance allowances. Discretionary schemes of educational allowances exist in Australia, Belgium, Denmark, France, Germany, Sweden and Switzerland. Entitlement to an allowance (loan in Germany) depends upon the resources of the parents and students; and typically the level of the allowance is higher if the student is unable to live at home. Thus, the schemes are often aimed at parents living in outlying communities whose children are attending a high school too far away to allow daily travel. Generally speaking, the provision for 16 - 18 year old students does not appear to be as extensive or costly as for students in higher (tertiary) education.
5. Training allowances. Government sponsored training schemes for young people generally seek to provide an allowance that is below the minimum adult statutory or established wage. In Australia and New Zealand the level of the training allowance is pitched slightly above that of the means-tested unemployment benefit to which school-leavers are entitled, while in Sweden the training allowance is equal to the education maintenance allowance for secondary school students. In France the level of remuneration/allowance depends on the sort of training being undertaken. Where a contract of employment exists - generally the case for formal apprenticeships - young people must be paid 15%, 25% and 45% of the statutory adult minimum wage respectively for each half year. 60% is payable in the final year (but family allowances would not be payable). Other trainees would receive about £11 per week for the first six months of a course, subsequently increased to about £15, and at this level family allowance remains payable. The Netherlands seems to have encouraged training through grants to employers and the level of remuneration of trainees probably remains a matter for collective bargaining.

6. Unemployment benefit. In most countries school-leavers unable to find work do not qualify for unemployment insurance or assistance because they cannot satisfy the employment or insurance test. Australia and New Zealand are exceptions: unemployment benefit is payable from age 16 at a rate significantly below the adult rate on the assumption that parental support should continue beyond age 16. The benefit is subject to a test of the young person's but not parents' income (Australia) or means (New Zealand). After six months of being available for work or training in France, young people can qualify for a flat-rate daily assistance payment for up to 12 months. In Switzerland, school-leavers qualify for unemployment benefit at 70% of the single adult rate after a waiting period of 20 days, but benefit is exhausted after 85 working days.

7. Social assistance and housing benefit. Very often the broad statutory conditions of eligibility do not allow exclusions of young persons, but in practice they are often not entitled to benefit because of their family circumstances.

In Germany social assistance officials have confirmed that very few of the perhaps 50,000 young people who do not secure training or work will qualify for assistance because the test of resources takes account not only of their personal income and assets but those of parents, adult siblings and even grandparents. The housing benefit scheme in Germany achieves broadly the same effect in excluding students (of any age) from housing benefit unless they can demonstrate that they are permanently settled in their accommodation. Only young married persons with a dependent child are likely to be able to do this.

A similar situation exists in France where it is very unlikely that young persons would qualify for cash support from the scheme of municipal social aid. A student without a dependent child would not qualify for housing benefit.

In the Netherlands on the other hand, national assistance is payable at much reduced rates for 18 year olds living at home: from January 1984, for example, the rate at 18 was only a third of that for unmarried adults, rising to about 40% at age 20.

In Canada social assistance is not payable for those under 18 unless they are living apart from their parents; away-from-home assistance is approximately 40% of the adult social assistance rate. It appears unlikely that young unemployed persons without family responsibilities would have access to discretionary assistance except as part of a larger household dependent upon assistance for families. The situation in

The situation in Australia and New Zealand is rather different as is noted in the preceding paragraph.

In the United States the Federal scheme of means-tested social assistance does not cover unemployed young people except as dependants of a qualifying parent, and then only up to age 18. State programmes of assistance may assist unemployed young people but this varies from state to state and in principle at least most states require prescribed relatives to support applicants in need. Assistance is given at widely varying levels, usually on a short-term basis and sometimes as a loan to be repaid when employment starts.

TABLE 13 STATE SUPPORT FOR 16-18 YEAR OLDS

	MIN SCHOOL LEAVING AGE	STATUS GIVING ENTITLEMENT TO		ED MAINTENANCE ALL/GRANT	TRAINING ALLOWANCES	UNEMPLOYMENT OR SOCIAL ASSISTANCE
		CHILD BEN	CHILD TAX ALLOWANCE			
AUSTRALIA	15	Students	No Provision	Secondary Education Allowance and State Bursaries	Training Allowances	Unemployment Assistance (not Students)
Belgium	15 18 (part-time)	Students Trainees Disabled	All Dependent Children	Study Grants	Not known	No Provision
Canada	16	All Dependent Children	All Dependent Children	Not known	Payable from age 17 only	Some provincial schemes exclude 16-19 year olds
Denmark	16	None	No Provision	Grant/Loan scheme	Subsidies for 'ers who pay wages	Family support for some young persons under 17 yrs but disentitled to social assistance
France	16	Students Most Trainees Unemployed (up to 17th birthday) Disabled	Dependent upon Parents	Student Grants to Parents	Training Allowance for non-apprentices paid by 'er	Flat Rate Unemployment Assistance for 12 months
Germany	16	Students Trainees	Students Trainees	Student Loans	Exceptionally: most trainees are paid by employers	Only Exceptionally: parents are obliged to maintain children
Netherlands	16	Students Trainees Unemployed Disabled	No Provision	Grants for study expenses	Grants to Employers	Not Entitled (min age 18)
New Zealand	15	Students "Invalids"	Age limit not known	None	None	Unemployment Assistance (not students)

TABLE 13 (contd)

	MIN SCHOOL LEAVING AGE	STATUS GIVING ENTITLEMENT TO		ED MAINTENANCE ALL/GRANT	TRAINING ALLOWANCES	UNEMPLOYMENT OR SOCIAL ASSISTANCE
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Sweden	16	Study Grant payable to Students	Single Parents' Tax <u>Reduction</u>	Study Grant	Study Grant	<i>None</i> : 16-18 year olds in education or employment
Switzerland	15/16	Students Apprentices/ Trainees Disabled	Students Apprentices/ Trainees	Cantonal Schemes	Cantonal Provision	Parental obligation to maintain up to age 20
USA	17	No Provision	All Dependent Children with negligeable own income	State Schemes	State Subsidies to Employers	No Entitlement



File

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
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Telephone 01-407 5522

From the Secretary of State for Social Services

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10 Downing Street

25 February 1985

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E(A): BENEFIT FOR YOUNG PEOPLE ABROAD

I attach as requested a note on benefits available for young people in various countries.

Yours sincerely,

Stephen

S H F Hickey
Private Secretary

Provision for young people abroad, whether in training or unemployed varies from country to country; but in very few places is it as generous or as extensive as here. In the US, Germany, ^{Sweden} and Netherlands, for example, there is no unemployment benefit for under 18s. In France and Germany, the allowances paid to trainees are low relative to adult wages.

STATE SUPPORT FOR 16 - 18 YEAR OLDS

1. State support for 16 - 18 year olds can be given through educational maintenance grants or loans, training allowances, unemployment benefit (either insurance or means-tested assistance) or social assistance. Parents can be entitled to a family allowance and for a tax allowance or credit for young people in full-time education, undergoing training or unemployed.
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P.01503

PRIME MINISTER

Education and Training for 14 to 18
year olds:

FLAGS A+B. E(A)(85)8 and 9

BACKGROUND

The Report of the Minister without Portfolio's MISC 107 Group (E(A)(85)9) makes proposals for a new approach to the education and training of 14-18 year olds, with the objective of consolidating existing initiatives and moving towards a position in which unemployment is no longer an option. MISC 107's report on this subject is summarised below.

2. Present position. The Youth Training Scheme (YTS) was introduced in 1983 to provide a year's training and work experience for 16 and 17 year olds. 80 per cent of placements are with employers; trainees are paid £26.25 a week; 60 per cent go on to employment or further education or training; but the YTS does not lead directly to occupational qualifications. For those still at school, the Certificate of Pre-Vocational Education (CPVE) and the Technical and Vocational Education Initiative (TVEI) are starting to improve the technical and vocational preparation aspects of curricula and to provide work-related qualifications. But the United Kingdom continues to lag behind the most successful industrial countries in the provision of education and training; children leave school 2-3 years earlier, employers devote less effort to training, and an individual's first years at work too rarely lead to occupational qualifications.

3. New training scheme. The report's objective is the establishment of a comprehensive job-related training scheme, building on the YTS, leading from an initial broad base to



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specific occupational qualifications. The new scheme would secure a greater commitment to and investment in training from both employers and individuals and should reduce and eventually eliminate unemployment among under-18s. Trainees would receive weekly allowances of £26.25 in the first year (as under the YTS) and £30 in the second - more than Supplementary Benefit, but less than pay in normal employment.

4. Educational qualifications. The report proposes a review of pre-vocational and vocational qualifications with the objective of restructuring them to meet the circumstances of trainees in the new scheme. The effect would be to encourage more practical courses and cater adequately for people of lower ability. Meanwhile in-service teacher training - to be fostered by specific Government grants - would be developed so as to produce a more practical and relevant curriculum (building on the lessons of the TVEI pilot schemes) and to encourage more and better links between schools and business. The Manpower Services Commission (MSC) and Department of Education and Science would work together on these tasks with the former developing further as a national training agency.

5. Costs and Supplementary Benefit (SB). Although the question of SB entitlement for 16-18 year olds is dealt with in Mr Fowler's social security review, it will be convenient to settle it in E(A), because of the link with youth training, rather than MISC 111. It affects both the cost of the new training proposals and their acceptability to employers and young people. The other factor affecting costs is the proportion which employers bear of the training allowance.

6. Because on average each additional training place costs the Government more than the SB scale, withdrawing entitlement to SB is estimated to add £260 million to the costs in 1986-87, and £130 million in 1990-91. These estimates of the scheme's costs assume that employers will bear 30 per cent of allowances in the first year and 60 per cent in the second; the Government will need to negotiate hard to increase the employers' share of the costs. The net extra PSBR costs (allowing for teacher training costs and consequential changes in tax, etc receipts) are estimated as follows -

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	<u>1986-87</u>	<u>1990-91</u>
If Supplementary Benefit is retained	£160 million	£380 million
If Supplementary Benefit is removed	£420 million	£510 million

Against this, abolition of the Young Workers' Scheme, under which Employers are subsidised to recruit 17 year olds at under £50 a week, would save £35 million; but this scheme may be redirected at a different age group.

MAIN ISSUES

7. The main issues before the Committee are:

- i. whether to go ahead with the new scheme;
- ii. whether or not SB entitlement for 16-18 year olds should continue, at least for the time being;
- iii. the costs, and how they should be met;
- iv. whether or not the Government should guarantee the availability of places;
- v. the starting date;
- vi. the proposals on education and qualifications;
- vii. announcement of and consultations about the proposals.

8. Policy acceptability. Do the proposals offer a sufficient prospect of meeting the need to improve the motivation, skills and employment prospects of people under 18? Is the Group's analysis of present deficiencies accepted? Would an alternative approach have been preferable? (Annex 2, paragraph 10 of MISC 107's report briefly looks at a community service system, but points out that it would not improve training and the absence of employer contributions would make it costly for the Government. Rather similar considerations apply to a straight extension of the YTS, which the Group also considered).

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9. Supplementary Benefit (SB) entitlement. Withdrawal of entitlement to SB would make it harder for young people to develop the habit of dependance on the State. But it would require the creation of additional training places, many of which would have to be in Government workshops, and could reduce the proportion of the training allowances employers would be willing to bear, since they would no longer only have the well-motivated volunteers to absorb. The Group concluded on balance that SB entitlement should be retained for the present. If it were withdrawn, the question would arise of paying a 'waiting allowance' to trainees while they were temporarily unplaced.

10. Costs and funding. The Group set out with the aim of not increasing public expenditure, but concluded that training leading to worthwhile qualifications is bound to cost more than the YTS. The Committee will wish to assess the basis of the calculations of the costs of the new scheme, and to consider what level of contributions should be sought from employers. We understand that the Chancellor of the Exchequer is provisionally prepared - subject to the overall budgetary position as it is clarified over the next few days - to accept the expenditure implications of the scheme as part of his strategy for a Budget with an employment theme.

11. A guarantee of placement. Ideally the Government should commit itself to fund a place for every willing trainee. Such a guarantee would be inconsistent with the operation of a cash limit on the expenditure; but if SB entitlement remains a guarantee is arguably not essential. Will it be sufficient for the Government to say that a guarantee would be given as soon as possible within available resources?

12. Starting date. Can the scheme start operating fully in 1986, (ie offering second year placements to 1985 school-leavers) or should it be deferred for a year to cut initial spending?



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13. Education and qualifications. Is the Committee generally content with the proposal for development of school curricula; the interim funding of in-service teacher training; a new system of specific grants for teacher training; a working group on qualifications; and the development of the MSC's role as a training coordinator? Detailed points can be remitted to the Education and Employment Secretaries to consider.

14. Announcement and consultation. The proposal is for a general announcement in the Budget Statement, followed by a detailed document; thereafter the MSC would be asked to consult employers, trade unions, local authorities and other interests and report back to the Government by July. Arrangements will need to be settled about the involvement of other Ministers in the presentation of the proposals, and about the nature and timing of the document.

15. Legislation. Confirmation should be sought at the meeting that new legislation is required only to secure specific grants for in-service teacher training.

HANDLING

16. You will wish to invite the Minister without Portfolio to summarise the case for the MISC 107 proposals. The Secretaries of State for Employment, Trade and Industry and Education and Science will wish to indicate their views on the industrial and educational aspects of the scheme. The Chancellor of the Exchequer will need to give his views on the scheme in relation to his Budget strategy, and the Secretary of State for Social Services will wish to comment on the future entitlement of 16-18 year olds to SB against the background of the current review of social security.

CONCLUSIONS

16. You will wish to reach conclusions on the following issues:

- i. whether to go ahead with the scheme;
- ii. whether or not supplementary benefit entitlement for 16-18 year olds should continue, at least for the time being;



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(iii) the costs, including their allocation between Government and employers, and their implications for public expenditure planning;

(iv) whether or not places should be guaranteed on the scheme to all applicants;

(v) the starting date;

(vi) the proposals on education and qualifications;

(vii) any requirements for new primary legislation;

(viii) arrangements for the announcement of and consultation about the proposals.

PLG
P L GREGSON
Cabinet Office.
22 February 1985

*Implications from
other countries about*

*① whether any thing
comparable to S.B. for
school leavers, if so, how
much*

*② Grants for training allowances
& spent by whom?*

ml

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E.R.
CONFIDENTIAL

PRIME MINISTER

cc Mr Redwood

MEETING WITH SIR KEITH JOSEPH AND LORD YOUNG

The two Ministers have not said what they want to discuss but I think they will raise:

(i) How to announce the outcome of the MISC 107 exercise on 14-18 year olds.

(ii) Revival of the proposals for a National Training Agency.

I do not think there is any dispute that the first announcement of the extension of YTS should be in the Budget. (If this were not the case it would leave a major hole in the Budget which, by force of circumstance, now has to be rather less ambitious. You should not agree any other proposal without discussion with the Chancellor). The argument, therefore, is about how the initial announcement is followed up. Sir Keith and Lord Young want to present the extension of YTS and the related measures, e.g. more training for teachers giving TVEI enhanced courses and the restructuring of training qualifications, in the context of a better deal for 14-18 year olds rather than in the context of employment and unemployment. They want to present YTS as better training rather than as "super YOP".

The alternative would be to follow up the initial announcement in an employment document. Mr. King will be sending a draft of such a document to you this weekend. He sees this as his contribution to a series of linked announcements - budget, employment paper, social security reviews, de-regulation.

CONFIDENTIAL

Sir Keith has also minuted on a related issue. A component of the MISC 107 proposals is MSC money to train teachers giving TVEI courses. At the same time Sir Keith is proposing a new regime in in-service training for teachers. In his minute attached he makes a plea for grouping these two items together. This, however, could be considered separately from the main issue.

Conclusion

I suggest that you listen to Sir Keith and Lord Young but make no commitment until you have had a chance to talk to the Chancellor at the weekend and to look at Mr. King's document.

The National Training Agency was originally considered early last year but a less ambitious scheme emerged in the White Paper "Training for Jobs". The main component of this was the transfer of funds from local authority colleges to the MSC. While the principle commanded quite a lot of support in Government, the manner in which it was introduced, i.e. the total denial of any consultation, is considered by many to have been counter-productive.

Conclusion

I suggest you listen to what Sir Keith and Lord Young have to say but warn against trying to spring a second fait accompli on the local authorities.

AT

22 February, 1985

56

E(A) folder

CG No

PRIME MINISTER

TEACHERS: IN-SERVICE TRAINING

I am writing in advance of the E(A) meeting fixed for 25 February, to call attention to the connections between the report of Lord Young's group, E(A)(85)9, to be considered then, and an important section of the draft White Paper on Schools to be considered by H Committee on 6 March. If both matters go ahead broadly as proposed and our conclusions on the first are announced quite quickly, then it will be important for me to bring out at that stage the relationship between the MISC 107 proposed training scheme for propagating among teachers the lessons and principles of TVEI and my plans for a reformed in-service training regime for school teachers, financed by specific grant and subject to much closer central direction. My scheme cannot be introduced until April 1987, because legislation is needed. To prevent fears amongst local education authorities that our response to recent consultations on in-service training is no more than a short term and limited scheme administered by the MSC, it will be necessary to present this TVEI-related training as the first stage of the implementation of a new policy for improved in-service teacher training generally, with the emphasis on improved value for money from in-service training.

no -
improved
value
training

I would propose therefore, subject to consideration of these matters by E(A) and H respectively, to make a statement in broad terms declaring our intention to legislate to introduce a specific grant regime for in-service training for teachers, setting the 1985/86 and 1986/87 bridging arrangements for TVEI-related training in that wider context, at the same time as our announcement on Lord Young's proposals. It would not anticipate the White Paper on Schools in other respects, and would of course be discussed in draft with officials of Lord Young's Enterprise Unit and the MSC.

Copies of this letter go to members of E(A) and H Committee.

14

21 February 1985

PRIME MINISTER

21 February 1985

MISC 107

The important part of David Young's paper is his proposal to expand the YTS. This is at the heart of the Government's "Strategy for Jobs", and Ministers have already told the press about it. We recommend that you should press for immediate agreement, so that the measure can be announced at Budget time as part of the employment package.

Removing Supplementary Benefit from Young People

Ideally, the increase in YTS places would be matched by withdrawal of SB from young people. This would induce the least energetic youngsters to take up training places, and remove them from the register.

But removing SB has serious drawbacks: many employers will strongly object to the element of quasi-compulsion. The reputation of the YTS as a serious training scheme may suffer since it may be regarded as no more than a "substitute for the dole"; and the net PSBR cost will be considerably higher because expensive training will take the place of (relatively) cheap SB.

On cost grounds, we recommend that you should opt for retaining SB for young people, as David Young suggests.

Employer Contribution to the YTS Allowance

Even if SB is kept, the expansion of YTS, as costed by MISC 107, will be very expensive. And it is by no means clear that the costs outlined by MISC 107 are a genuine maximum: they depend on highly uncertain assumptions about the choices that young people will make.

It is therefore essential to choose the scheme with the lowest possible price tag. This means pressing employers to provide 60% of the training allowance in both years. Tom King is worried that employers will refuse to accept such a burden; but we believe that many will feel bound to "play their part". And the Government can always agree to pick up more of the bill if it proves absolutely necessary. Why not begin the Government's bargaining with employers by making a hard offer?

Conclusion

We suggest that you:

- i. approve the extension of YTS to 2 years;
- ii. retain Supplementary Benefit for young people who choose not to join the scheme;
- iii. press for a 60% employer contribution to the training allowance in both the first and second years.

Oliver Letwin

OLIVER LETWIN



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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CONFIDENTIAL

The Rt Hon the Lord Young of Graffham PC
Minister Without Portfolio
Enterprise Unit
Cabinet Office
Whitehall
London

21 February 1985

Dear Minister,

MISC 107: REPORT TO E(A) COMMITTEE

As you will know from our discussion on 19 February I warmly welcome the proposal emanating from MISC 107 for a two year training scheme for 16 and 17 year olds and am sure it is a very worthwhile new development.

I would, however, like clarification of one specific aspect of the costing of the proposal which causes me concern, and which I think it desirable to put on record before we consider the proposal in E(A) Committee. It is important to prevent this particular problem leading to difficulties in implementation of the scheme or avoidable political opposition to it.

We do not have in Scotland the relatively extensive off-the-job private training agencies that exist in England and Wales; the private agencies that are operating successfully here offer only a limited choice of courses. It is not possible to argue that private training agencies in Scotland offer a viable alternative to the extensive use of further education colleges for off-the-job training. We will therefore be heavily dependent upon the full co-operation of local authorities if we are to be able to deliver the scheme.

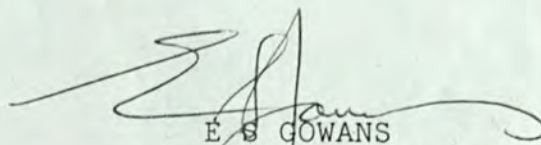
We encountered considerable difficulties with local authorities last year over the subsidy they claim they are forced to provide for YTS training under the present scheme. The rate for off-the-job YTS training recommended by the Convention of Scottish Local Authorities to its members reflected a discount for Mode A trainees; it is however higher than the rate agreed in England and Wales, and the CBI considered it too high. Managing agents and sponsors are free to make their own individual arrangements, and there is some evidence that cost-cutting is achieved by reducing the length of off-the-job training in colleges which is in fact provided rather than by reducing the hourly rate.

The position in relation to YTS is thus, difficult enough but will be made much more difficult if the scheme is expanded to two years and a substantial number of 17 year old trainees join the scheme. My responsibilities for education and training in Scotland, which include direct policy responsibility for the activities of the MSC albeit without full financial control, conflict sharply on this issue with my policy of reducing local authority expenditure. If the additional cost to local authorities of providing the training is not fully covered by MSC grant and thus by the hourly rate paid by the managing agent the difference between the rate paid and the full cost would be an addition to local authority expenditure at a time when I am very critical of any increase in their expenditure. In addition, there is at present no allowance for this in relevant expenditure for rate support grant purposes and, if that continued to be the position, authorities increasing their spending to meet the Government's training objectives could find themselves facing rate support grant penalties for exceeding their current expenditure guidelines. In principle Scotland is no different from England and Wales in this except that, as I point out above, the effects may be much more marked because of the smaller private sector.

Any suggestion that, under the proposed scheme, the Scottish local authorities should provide 2 years of guaranteed off-the-job training for trainees at less than the economic cost is therefore likely to be strongly criticised, and is potentially embarrassing for me. At the very least, an increase in relevant expenditure provision to reflect any additional cost is required. This is of course touched on in your report in the context of the costs incurred by FE colleges in providing for second year trainees, but the full implications for increased expenditure are not, I believe, adequately analysed or acknowledged,

I am sending copies of this letter to colleagues on E(A).

Yours sincerely



E. S. GOWANS

Private Secretary

Approved by the Secretary of State
and signed in his absence

Memorandum: Sp. Employ. Measures: Pt 11.

21 FEB 1985

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SKILLCENTRES

Statement by the Secretary of State

1. With permission, Mr Speaker, I would like to make a statement about Skillcentres.

2. I advised the House on 29 November of the Skillcentre Training Agency's proposals to the Manpower Services Commission. On 24 January, the Chairman of the Commission informed me of the Commission's conclusions.

3. These proposals for the reorganisation of the Skillcentre network are designed to eliminate the present waste of resources and to enable the funds thus released to be employed in substantially increasing the number of training opportunities.

4. The proposals form part of the adult training strategy adopted by the Commission over a year ago, after the widest possible consultation. Under that strategy the number of adults being trained under the Commission's programmes is planned to rise to 250,000 by 1986/87. This is more than double the 1983/84 figure. It includes a substantial increase in the number of unemployed helped. All parts of the country will benefit from this expansion.

5. The reorganised Skillcentre network has an important role to play in this further development of training. I very much welcome the emphasis the centres are now putting on new and higher technology skills, which will now be more widely available. I have today confirmed again to the Chairman of the Commission further capital investment in the network of £10.5 million for 1985/86. The addition also of a new 300 strong mobile instructor force is an imaginative and positive innovation. It gives greater flexibility, and allows coverage in remote areas not previously covered by the Skillcentre network.

6. I have now considered these proposals, taking into account the evidence given to the Select Committee on Employment on this matter and all the further representations made to me. Following consultation with my Rt Hon Friends the Secretary of State for Scotland and the Secretary of State for Wales, I have today written to the Chairman of the Commission. I am placing a copy of my letter in the Library.

7. In my letter I have asked the Commission to implement the Agency's proposals. I have asked the Chairman to make quite sure in doing so that no individual closure takes place until satisfactory alternative provisions have been identified. I have asked that the fullest consultation takes place with the staff and trade unions, with particular regard to negotiating new working practices designed to help the overall efficiency of the network, and to avoiding compulsory redundancies wherever possible.

8. Mr Speaker, these proposals for the reorganisation of the Skillcentres make sense as a necessary step in improving the cost-effectiveness of training programmes thus enabling substantial expansion in training opportunities, for unemployed as well as employed people, throughout the country.



10 DOWNING STREET

From the Private Secretary

11 February, 1985.

The Prime Minister has seen and noted your letter to me of 6 February reporting on the meeting Mr. Clark had with Sir Philip Goodhart and others.

Andrew Turnbull

Miss Gwyneth Deakins,
Department of Employment.

SR



Employment Committee



COMMITTEE OFFICE HOUSE OF COMMONS LONDON SW1A 0AA
(01-219 3284)

Press Notice

At their meeting on Wednesday 6th February, the Employment Committee agreed to their Second Report of Session 1984-85. This Report deals with the Proposals for changes in Skillcentres.

The Report will be published in typescript form at 2.00 p.m. on Thursday 7th February. As the Committee do not intend to hold a Press Conference on the release of the Report, no CFR's will be issued. Members of the Press will be able to collect copies either from the Press Gallery, or from the Clerk to the Committee, (St Stephen's House, Victoria Embankment) at 2.00 p.m. Copies will also be deposited in the Vote Office.

7 February 1985

HOUSE OF COMMONS

Second Report from the

EMPLOYMENT
COMMITTEE

Session 1984-85

PROPOSALS FOR
CHANGES IN
SKILLCENTRES

Together with
the Proceedings of the Committee

Ordered by the House of Commons to be printed

6 February 1985

To be published as HC 125

SECOND REPORT

The Employment Committee have agreed to the following Report:

PROPOSALS FOR CHANGES IN SKILLCENTRES

1. On 29 November 1984 the Secretary of State for Employment made a statement in the House drawing attention to proposals for improving the efficiency and cost effectiveness of the Skillcentre network which had been put to the Manpower Services Commission on 28 November by the Skillcentre Training Agency. These were to be considered by the Manpower Services Commission, who would then advise the Secretary of State how it would propose to proceed.¹

2. The Skillcentre Training Agency proposals were for a programme of simultaneous closures and mobile instructor force development. A network of 58 Skillcentres, intended to provide a credible and viable national network accessible and acceptable to customers, would be retained, but 29 Skillcentre establishments (17 Skillcentres and 12 Annexes) would be closed. At the same time there would be a rapid development of a mobile, adaptable and nationwide instructor force 300 strong, concentrating on new technology training.²

3. The Skillcentre Training Agency said that these proposals would give them 10,500 training places in Skillcentres compared with 12,500 at present, and a mobile

1. O.R. 29 Nov. 1984, col. 1108

2. MSC/84/66 para. 12

structor force capable of delivering 54,000 trainee weeks to employers and other purchasers compared with 7,000 trainee weeks available through mobile instructors today.³ The result should be the creation of a viable Agency capable of recovering costs in full from 1986/87, a target imposed on it in 1984.⁴

4. The Employment Committee has been taking a close interest in developments in the field of training, and because of the importance of the issues raised by the Skillcentre Training Agency proposals, we asked the three senior officials of the Manpower Services Commission concerned, the Director of the Manpower Services Commission and the Chief Executives of the Training Division and of the Skillcentre Training Agency, to appear before us to give oral evidence. This they did on 12 December 1984. After the meeting we asked the Commission to put off taking a decision on their advice to the Secretary of State until their next meeting, on 24th January, and this they kindly agreed to do.

5. We also took oral evidence, on 9 January 1985, from the Civil Service Union, which represents Skillcentre instructors, 450 of whom would lose their jobs with the Agency under the proposals.⁵ The Civil Service Union had circulated a Response to the Skillcentre Training Agency proposals asking the Manpower Services Commission to reject them.⁶

6. As a result of the first two meetings the Committee decided that the unresolved questions raised by the evidence so far warranted two further evidence sessions, one with the Commission officials before the Commission took its decision and the other with the Secretary of State for Employment

3. *ibid*, paras. 13 and 14

4. *ibid*, para. 1

5. *ibid*, para. 18

6. Ev. p.62

efore he finally made up his mind on the proposals. The first was held on January 23rd. The Committee decided not to ask the Commission to delay its decision again, and on January 24th that body decided, by a narrow majority, to accept the proposals for reorganisation.⁷ The Committee's meeting with the Secretary of State was held on January 30th.

7. We hope that the ventilation of the arguments during our enquiry, and the publication of the evidence taken by us, will assist Parliament and all others concerned in coming to a decision on the Manpower Services Commission's proposals. We shall keep the whole matter of adult training under review.

PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT

Wednesday 6 February 1985

Members present:

Mr. Ron Leighton, in the Chair

Mr Tony Baldry
Mr Don Dixon
Mr Ken Eastham
Mr John Gorst

Mr Gerry Neale
Mrs Elizabeth Peacock
Mr Andrew Rowe
Mr Peter Thurnham

The Committee deliberated.

Draft Report, on the Proposals for changes in Skillcentres, proposed by the Chairman, brought up and read.

Ordered, that the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 5 read and agreed to.

Paragraph 6 read, amended, and agreed to.

Paragraph 7 read and agreed to.

Question put, That the Report be the Second Report of the Committee to the House.

The Committee divided:

Ayes, 7

Noes, 1

Mr Tony Baldry

Mr John Gorst

Mr Don Dixon

Mr Ken Eastham

Mr Gerry Neale

Mrs Elizabeth Peacock

Mr Andrew Rowe

Mr Peter Thurnham

Resolved, that the Report be the Second Report of the Committee to the House.

Question put, that the Chairman do make the Report to the House. The Committee divided:

Ayes, 7

Noes, 1

Mr Tony Baldry

Mr John Gorst

Mr Don Dixon

Mr Ken Eastham

Mr Gerry Neale

Mrs Elizabeth Peacock

Mr Andrew Rowe

Mr Peter Thurnham

Ordered, that the Chairman do make the Report to the House.

A paper was ordered to be appended to the Minutes of Evidence taken before the Committee.



Parliamentary under
Secretary of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6620/6690
Switchboard 01-213 3000

Andrew Turnbull Esq
Private Secretary to
The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

6th February 1985

Dear Andrew,

I understand that the Prime Minister expressed an interest in knowing the outcome of a meeting between Employment Ministers and Sir Philip Goodhart MP and members of the one Nation Group to discuss their pamphlet "Jobs Ahead". My Minister, Alan Clark, met Sir Philip and three of his colleagues (Kenneth Carlisle, Nigel Foreman and Jim Lester) on 11 December 1984 for this purpose, and I am now writing to let you have a summary of the discussion which the Prime Minister might wish to see. I apologise for the delay in sending this to you.

The discussion focused on the pamphlet's nine main recommendations.

Recommendations 1-3, suggested the reduction or abolition of the employers' National Insurance contribution in Assisted Areas or for disadvantaged groups of people, which Sir Philip and his colleagues thought would be likely to increase employment opportunities in areas of high unemployment, particularly Youth Unemployment. Mr Clark said that such action in Assisted Areas would disbar the UK from taking up its share of European Regional Development Fund assistance. More generally, there would be other demands on the resources which would have to be made available for such a measure. However, Mr Clark undertook to reconcile Sir Philip's information that such action in Assisted Areas was not incompatible with EC funding. (It was subsequently established that the recommendation if adopted would affect EC funding available to the UK).

Recommendations 4-6, suggested that acceptance of the draft EC recommendation on the reduction and re-organisation of working time, and job sharing/splitting as a means of increasing employment; Sir Philip's main concern here was that the public



sector, and particularly the Civil Service, should set an example by making greater use of job sharing initiatives such as the Job Splitting Scheme. Mr Clark agreed that take-up under the scheme had been disappointing; many employers had difficulty in identifying 'splittable' jobs, and their own and their employees' perception of the advantages this had to offer. Sir Philip and his colleagues were told that all Departments in the Civil Service had been encouraged to use the scheme, and Mr Clark undertook to send Sir Philip more detailed information about the operation of more flexible working arrangements and the Job Splitting Scheme in the DE Group, other Government Departments and the public sector as a whole.

On Working time restrictions, particularly overtime reductions, which Sir Philip and his colleagues were in favour of as a means of creating more job opportunities, it was suggested that overtime in the Civil Service should be arbitrarily cut by 5 per cent in 1985; and young people should work reduced hours for less pay. Mr Clark reminded the Group that the Young Workers Scheme was designed to bring down the level of young people's pay. Government intervention to cut overtime working generally would cut across negotiated agreements between employers and employees or their representatives, and would fail to take sufficient account of the circumstances arising in individual firms and sectors. Research evidence suggested that reduced overtime working had not led to increases in job opportunities, and reducing overtime arbitrarily could damage industry's flexibility to respond to fluctuating demand and thus reduce efficiency.

Sir Philip commented that he felt the Government should have supported the EC draft directive on the reduction and reorganisation of working time.

Recommendation 7, Sir Philip and his colleagues were pleased that more places were to be made available under the Enterprise Allowance Scheme.

Recommendation 8, concerned a reduction in the disincentives of the benefit system to those seeking part-time work and Sir Philip acknowledged the existence of the current and extensive review being carried out by the Department of Health and Social Security.

Recommendation 9 proposed the replacement of the Job Release Scheme with a Voluntary Early Retirement Scheme. Mr Clark explained that the objective and operation of the Job Release Scheme focused specifically on releasing job opportunities for unemployed people. This



distinguished it from the Group's proposal, which did not have this specific aim and could therefore be used by employers simply as a means of shedding surplus manpower. Mr Clark agreed that take-up under the part-time Job Release Scheme was disappointing but, changes were to be made to enhance its attractiveness to employers and employees.

... I enclose a copy of Mr Clark's letter to Sir Philip fulfilling the two undertakings he gave to him at the meeting.

Yours sincerely,

Gwyneth Deakins

GWYNETH DEAKINS
Private Secretary



Parliamentary Under
Secretary of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6620/6690
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Sir Philip Goodhart MP
House of Commons
LONDON SW1A 0AA

29 January 1985

Den Phil

Following our meeting on 11 December when we discussed the One Nation Group pamphlet 'Jobs Ahead' I promised to write to you with further information on two points. I am sorry not to have done so sooner but the delay has been largely due to enquiries being made of the Commission to Brussels.

The first recommendation in the pamphlet was that we should consider cutting by half the National Insurance contributions paid by employers in Assisted Areas. At the meeting, I mentioned that to do this would disbar the UK from taking up its share of European Regional Development Fund assistance. I undertook to reconcile this with information you had obtained to the contrary from an official in Ivor Richard's office. Further enquiries with the appropriate authority in the Commission have been made and confirm that regional differences in employers' National Insurance contributions would constitute a Government subsidy to firms' operating costs which would be illegal under Article 92 of the Treaty of Rome; there would be no such objection to a uniform, nationwide reduction in contributions.

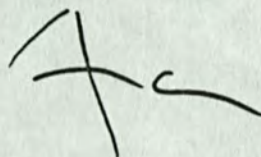
I also undertook to let you have more information about job sharing or splitting and more flexible working arrangements in the Department of Employment Group, the Civil Service, and the public sector as a whole. Within the Civil Service the Job Splitting Scheme has been brought to the attention of all recruitment points by the Management and Personnel Office of the Cabinet Office, and the Government has committed itself to encouraging Departments to expand opportunities for staff to work part-time. More recently all Departments have been urged to pursue a Programme of Action, following the part-time work and job sharing recommendations of the Joint Review Group on Equal Opportunities for Women in the Civil Service. A number of successful job sharing arrangements have taken place. In the Department of Employment Group, managers have been asked to consider using the Job Splitting Scheme whenever part-time opportunities are being considered for operational reasons or to meet staff requests to work part-time. Nine cases have so far either been approved or are under consideration, and a substantial number of enquiries have been made about using the

scheme from within this and from other Government Departments.

Over 15 per cent of approved applications under the Job Splitting Scheme have originated from the public sector as a whole, involving over 300 split jobs. Moreover, as Tom King announced in the House on 12th November last year, we are currently revising the scheme to make it less restrictive and more attractive to employers and employees alike, and details of the changes will be announced shortly.

I hope this is helpful. I would like to emphasise how much I appreciate the thought which you and your Group have given to this matter. A constructive approach to this most trying subject is always welcome and valuable, even when its recommendations are - for whatever reason - not capable of being given immediate expression.

Yours



ALAN CLARK



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
 Great George Street
 LONDON SW1

31 January 1985

Nigel,

I was glad to have the opportunity to talk to you last week about our employment and training measures. As we agreed, our officials are now working on the detailed costings of the various options for a 2 year YTS, for expanding the Community Programme and for the introduction of related schemes. I have now received some further figures which I thought you and the Prime Minister might like to see at the earliest moment. I emphasise that they are still being worked on, but they do give a broad picture of relative costings and their impact on unemployment.

I appreciate that you will need to take a number of factors into account of which the employment situation is only one. But it is one of the most serious and today's figures showing that unemployment has increased by 150,000 over the last year underlines this. To be seen to reverse this trend is clearly crucial for our future prospects. The growth of the economy can certainly do much to check it but on its own I simply do not believe that it can bring about a significant decline. To achieve that we will need an enhanced programme to reduce unemployment significantly and we need to announce it now if we are to get the results in time.

Raising tax thresholds, reform of NICs, and deregulation together with special measures constitutes precisely this sort of programme. I emphasise the importance of including special measures because, while the other changes will have the greatest effect in the long term, their short-term impact on the unemployment register is bound to be uncertain and hard to quantify.

The virtue of the special measures is that they are cost-effective and predictable, both in their effect and the timing



of their impact. They can achieve a sizeable reduction in unemployment within quite a short period, and at the lowest cost of any of the options. They are also consistent with our wider aims. The Youth Training Scheme greatly improves the skills of young workers, while at the same time restraining their wages. The Community Programme helps the long-term unemployed back into the labour market, and at the same time is focused on some of the most depressed areas.

If such a programme is to achieve its objective it must be sufficiently large to be proof against unforeseen variations in employment, and to make a real impact on public perceptions of the trend in unemployment. I attach a chart which shows how a programme could build up to half a million off the unemployment count by 1987. The cornerstone of this package is a 2 year YTS under which unemployment would no longer be an option for school leavers under 18. However, the first entrants cannot be in their 2nd year before April 1986 and it will be the following September - eighteen months away - before there is any appreciable effect on unemployment. To fill this gap I firmly believe we must press ahead with an expansion of the Community Programme. If we start this Summer, we get an immediate impact on unemployment which builds up to some 170,000 by September 1986.

Discussions about the costs of a 2 year YTS, are not yet complete in MISC 107. But there is no extra cost in 1985-86 and in my view the full cost might be between £360 million and £600 million net by 1987-88. The net cost of expanding the Community Programme and related schemes would build up from £69 million in 1985-86 to around £550 million in 1988-89.

I think this package of special measures is essential if we are to meet the growing pressures on us for action, without undermining our overall economic strategy. January's unemployment figures show that we can expect those pressures to intensify. We should I am sure take the initiative now rather than wait until later when we might be forced to act in a much less orderly and cost-effective way.

I am sending a copy of this letter to the Prime Minister.

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	Additional net cost** (gross costs in brackets) - £m, cash prices				Additional effect on unemployment count at end financial year			
	85/86	86/87	87/88	88/89	85/86	86/87	87/88	88/89
1. Community Programme - increase from 130,000 to 260,000 in 12 months and to 390,000 in 30 months from start date - June 85	62(136)	245(703)	360(1054)	420(1194)	96	197	234	234
2. 2 year Youth Training Scheme* (with removal of SB) additional 200,000 places by 1987/88	NIL*	250-500* (360-555)	350-595* (500-765)	360-630* (520-800)	NIL*	200*	200*	200*
3. Charity-based community work scheme 50,000 places in 24 months : start Dec. 1985	2(5)	31(76)	62(151)	72(187)	7	29	45	45
4. Enhanced Voluntary Projects Programme with a training element 50,000 places in 24 months : start Sept. 1985	5(12)	33(81)	59(146)	62(154)	13	34	45	45
TOTAL COST OF PACKAGE	69(158)	559-809 (1220-1415)	831-1076 (1851-2116)	919-1184 (2055-335)	116	460	524	524

** Excludes administrative costs

* These figures are still being worked on by MISC 107 and are very provisional.

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57 FEB 1986

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Andrew,

This is obviously far too
long retained for the Mr.
But it may be useful for
you to have the full note,
from which you can extract the
bits to take as necessary.

Recd.

3/11.

Ch. hasn't seen! wish let you
know if he has strong views.

File

HUHNE'S CRITICISM OF EMPLOYMENT AND WAGES PAPER

The article by Christopher Huhne in today's Guardian (31st January) makes three criticisms of the paper on the relationship between employment and wages published by the Treasury yesterday:

- a. the effects of reductions in wages is exaggerated by the nature of the policy framework assumed for the simulations;
- b. it is also exaggerated by some contentious elements in the Treasury model which lacks supporting evidence;
- c. the Treasury excised, for political reasons, a paragraph which admitted that the criticism of the corporate sector of the model carried some weight.

In addition Huhne draws attention to another change in the paper from an earlier version, and suggests that this is evidence of the public relations nature of the exercise.

Policy Assumptions for the Simulations

2. The policy assumptions that Huhne objects to are that the PSBR is unchanged as a proportion of GDP, so that slower growth of wages, by slowing down the growth of public expenditure, provides scope for tax reductions within the unchanged PSBR. These in turn contribute to more jobs. Most economists, he says, would call this a budgetary relaxation or a reflation.

3. The line to take is that the Government have made it perfectly clear on many occasions that their policy is to keep the nominal framework of the medium-term financial strategy in place. Since this is Government policy, it is obviously sensible to analyse the effects of slower growth of wages in this context. There is nothing reflationary about this: nominal demand does not rise. The "most economists" whom Huhne is talking about are not using very accurate language if they call this a budgetary relaxation or reflation.

The Treasury Model

4. Huhne says that the results depend on some characteristics of the corporate sector of the model, which is a weak part of the model. Moreover, the Treasury admit that the empirical backing for this part of the model is not strong.

5. It is true that the empirical backing is not strong, and that this is admitted in the published paper (Annex B, paragraph B.31). But that is not a reason for believing that the results are biased in one direction rather than another, although there is of course a margin of error around them. This point is also made in the same paragraph in the paper.

6. The line to take is:

a. there are many uncertain parts of all macro-economic models, and nearly all simulation results depend on them. This is not a reason for rejecting the results, but for recognising that there is a margin of error around them;

b. the important conclusion from the Treasury's paper is not that the Treasury model simulations produce a particular result, but that all the empirical evidence of all types produced by independent economists as well as by the Treasury point towards the existence of a strong relationship between pay and jobs.

The Excision of a Paragraph

7. Huhne is wrong to say that the paragraph he quotes has been excised for political reasons. First, it was not excised at all, but merely rephrased (the same sentences that he quotes are in paragraphs B.30 and B.31 of Annex B). Secondly, all changes to Annex B were because of the rewriting that took place between the version that went to the Treasury's Academic Panel and the published version. This was to improve relevance, readability and accuracy, and was not the result of any political directives at all.

8. The line to take is:

a. the article is misleading and inaccurate to say that a paragraph was excised - more or less the same sentences that are said to have disappeared are still there (in paragraphs B.30 and B.31);

b. the rewriting of the Annex from which the sentences come was part of a general improvement to the text, and was not the result of any political directives at all.

The Treasury Academic Panel

9. This is a group of academic economists that meets regularly with Treasury economists to discuss technical work done in the Treasury. An earlier draft of the paper on the relationship between employment and wages was discussed at its December meeting. Huhne has seen a draft of this paper, and it is this that he compares with the published version.

10. The proceedings of the Panel are treated confidentially, although classified papers are not involved. The Treasury benefit from the discussions, and in this case the presentation of the technical arguments was improved as a result of them. Professor Artis is a member of the Panel, and the Treasury were happy to take account of his suggested changes.

11. The line to take on the Academic Panel is:

a. the discussions between Treasury and academic economists in the Academic Panel are valuable to the Treasury;

b. as the papers and proceedings of the Panel are treated confidentially, no comment on any revelations about the December meeting and the Treasury paper.

enough 'go' in me to begin with, but Graduate Enterprise has given me even more 'go'. So that means I have a lot of go-go'.

More examples can be provided if you wish. We could also, of course, provide more details of these cases if so required.

Oliver Letwin.

OLIVER LETWIN

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Tom King Esq MP
 Secretary of State for Employment
 Caxton House
 Tothill Street
 SW1H 9NF

17 January 1985

Dear Tom,

I am now as invited sending you a few comments on the draft 'possible document on employment' which was on the agenda when we met on Monday this week.

- 1.2 The first sentence of this paragraph omits any reference to public sector non-trading jobs: I suggest that they should be brought in as depending upon partial financing out of the trading base.
- 1.3 Line 1, surely entrepreneurs should come before managers. And in the same paragraph in the penultimate ^{surely the} reference should be not to 'earnings' but to 'unit labour costs' *← sure*
- 1.9 Surely we should refer to the fact that our productivity is on average so low that profit cannot be made at world prices - with the result that projects and jobs are aborted and entrepreneurs inhibited from initiating either.
- 1.10 Line 1, surely the phrase should be '~~stop~~' ^{'go-stop'} - since the go phrase comes first and is succeeded by the stop phrase.
- 1.12 Should there not be a reference to the shorter working week and the shorter working year and longer voluntary and paid leisure?
- 2.13 Might we not explain that if our trading base became strong and profitable enough we could afford to allow increases in public services including welfare services and the NHS for instance.

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2.15 Should we not emphasise that if we do not keep up with new technology we shall lose even more jobs because our competitors will out•compete us.

Chapter 2 As a whole should we not emphasise that our low productivity leads to low earnings resulting in a lower standard of living with less good social services and public services.

4.4 Should we not emphasise at the end that the US and Japan have managed to introduce new technology on a much larger scale than we have yet without unemployment even at our level.

I am copying these comments to those to whom your Private Secretary's letter to Andrew Turnbull of 3 January was copied.

Evans,

Karl,

NOTE FOR THE RECORD

EMPLOYMENT STATISTICS

The Secretary of State for Employment came to see the Prime Minister today to discuss a problem which had arisen over the calculation of the figures for the employed labour force. These figures are normally published quarterly with the next set due to appear in a press notice on Wednesday 16 January. Mr. King began by explaining the methodology for preparing the statistics. There are four separate exercises for gathering information:

i) Census of Employment. This is now carried out every third year and covers all establishments employing more than 25 people and 10% of establishments below this figure. It has been carried out in 1984 but the results will take about a year to process.

ii) Labour Force Survey carried out by OPCS. This is normally conducted annually though it was dropped in 1982. It is based on a survey of 60 - 70,000 households. The 1984 survey has been completed and the results are now being processed.

iii) A quarterly survey based on a sample of 3% of employers, though these cover 50% of employees.

iv) A monthly survey confined to manufacturing.

The most complete figures are derived from the Census of Employment and these are used, when available, to provide a bench mark. Between ~~cons~~ censuses, the procedure is to update the figures using the quarterly surveys and then, when the LFS becomes available each year, these figures are further adjusted. In recent years, the LFS has revealed a tendency by the quarterly surveys to under-record.

The problem arose from a mistake in the processing of the 1983 LFS. Households which refused to respond were wrongly recorded as being employed, rather than being allocated between the working and non-working labour force in the same proportions as responding households. There was thus a large gap between the amount of employment shown in the LFS and the quarterly surveys and the allowance added to the quarterly surveys for under-recording was thereby too big. The estimates for employment in the second half of 1983 and in 1984 included an allowance of 78,000 per quarter for under-recording but it was possible that the increase in employment of 250,000 which many Ministers had referred to could be revised downwards to between 50 - 100,000.

There was, however, a further complication. OPCS and departmental statisticians were currently processing the 1984 LFS. This would not be ready before mid-February at the earliest but early indications were that it would generate an upward adjustment in the figures. One option would be to correct the past error and then at a later date introduce the effects of the 1984 LFS but Mr. King said he was anxious to avoid knocking the figures down and then putting them up again. He preferred to wait until he could deal with the correction to the past figures at the same time as introducing the results of the 1984 LFS.

He suggested, therefore, publishing the September 1984 figures next Wednesday using the existing methodology (although he had reason to believe these figures were faulty he would not have to hand the precise results of the recalculation exercise). A footnote would be attached which would indicate that the figures were to be revised shortly in the light of the 1984 LFS.

The Prime Minister said it was important that Ministers should not continue to publicise the 250,000 figure. It was agreed that Mr. King would raise the matter at Cabinet. He would advise colleagues not to use the 250,000 figure which

was in any case becoming out of date (112,000 of this figure related to the increase in Q4 in 1983). He would explain that the figures were in any case likely to be revised substantially. Mr. King said he was seeking, as a matter of urgency, an assurance from his statisticians that it would still be possible to claim that employment was still increasing even though it was not possible to put a precise figure to this.

The Prime Minister remarked that this demonstrated that the figures were published to a spurious degree of accuracy. She also asked Mr. King about the timing of the change in payment of unemployment benefit which would take 40,000 off the unemployment register. Mr. King agreed to report back on this.

AS

Andrew Turnbull

9 January 1985

Mr. King spoke further to the Prime Minister about the employment statistics today. At their previous meeting it had been agreed that the figures to appear on Wednesday, 16 January should have an additional "health warning" that the figures would shortly be revised when the LFS was published in the following month. Mr. King said his statisticians now advised that when the results of the 1984 LFS were incorporated into the statistics - which he hoped would be by 20 February - the increase in employment shown would be close to that indicated by the existing figures.

He had concluded that there was no half-way house in publishing tomorrow between a full disclosure of the difficulties underlying

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the statistics (much of which might be contradicted in the following month) and publishing on the existing basis with no additional warning. Addition of a new "health warning" would provoke questions from journalists and analysts and the result would be the same as if there had been full disclosure of the difficulties. He therefore advised publication on the existing basis with the new figures to appear in February. He could justify this position as soon as the doubts had been cast on the existing figures, he had set in hand work to accelerate completion of the LFS.

AT

15 January, 1985



HUE DG
bcc: Mr Redwood
a MASTER 5

10 DOWNING STREET

From the Private Secretary

14 January 1985

Dee Racht.

EMPLOYMENT EXERCISE

The Prime Minister held a meeting today to discuss employment policy. Present were the Secretaries of State for Education and Science, Energy, Trade and Industry, Employment, Environment, Social Services, the Chief Secretary, Minister without Portfolio and Mr. Lamont. Also present were Mr. Gregson and Mr. Redwood. The meeting had before it the minute from the Secretary of State for Employment circulated on 3 January, the draft of a possible document on employment, and the minute from the Secretary of State for Trade and Industry of 9 January.

Opening the discussion, the Secretary of State for Employment said that while employment and output were rising it seemed unlikely that there would be a major reduction in unemployment. The document he had circulated drew together the Government's analysis of the causes of unemployment and set out a number of Government policy responses. He recognised that the draft before the meeting did no more than indicate the ground that would have to be covered - the final text would have to be much sharper. He drew a distinction between general and special measures. Under the former there were those measures in line with the Government's policy of improving the working of the labour market - raising thresholds in order to increase the gap between the returns from being in work and on benefit; restructuring National Insurance Contributions; deregulation; changes in the role of Wages Councils; employment protection; expanded training, e.g. through a two year YTS; and the "Passport for a Job" proposal. Under special measures he suggested a substantial expansion of the Community Programme by extending its scope to bring in the private sector and the charities. Special measures should be presented not as making good the deficiencies of the Government's policies, but as necessary transitional assistance to those suffering from the process of change. Excluding any restructuring of NIC, he calculated that the effect of his proposals could be to take half a million off the unemployment register in 1986-7. The cost would build up over time from £125 million in 1985-6 to £800 million. This was before taking account of any offsets from reduced social security benefits or increased tax receipts.

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The Secretary of State for Employment said that the best way of presenting this programme could only be decided after decisions had been taken on the individual components. He believed that bringing these measures together into a White Paper could be helpful in getting the Government's message across.

In discussion a number of points were made:-

- (i) The expenditure position was extremely tight. Any additional expenditure to finance new employment measures would have to be financed by savings elsewhere, e.g. from the social security reviews.
- (ii) For the Government to derive benefit from a White Paper, it would have to be of high quality. Bringing together everything in a single document ran the danger of raising expectations excessively, and of creating a presumption that Government was capable of doing more to reduce unemployment than was in fact the case. The effect could be to advance the case of those who argued that the Government was capable of doing more to reduce unemployment but was refusing to do so.
- (iii) A document which had no forecast or targets would be criticised as inadequate, yet provision of such targets would represent a trap for the Government.
- (iv) Any Government presentation should emphasise that each of the policy responses identified in the Secretary of State for Employment's document would require a response from other factors in the economy.
- (v) The material so far prepared failed to stress adequately the vital contribution of entrepreneurship, and to emphasise that the problems of the UK economy stemmed from low productivity. Emphasising the need for higher productivity, however, tended to arouse fears about increased unemployment.
- (vi) The present structure of taxation of husband and wife gave a strong incentive for married women to seek work, sometimes at the expense of other kinds of workers. Against this it was argued that any attempt to restructure

allowances would be very controversial and it would be difficult for the Government to secure a wide measure of agreement for any new proposal.

- (vii) It would be helpful for material to be developed illustrating commercial successes and the factors which contributed to it.
- (viii) Rather than aiming for a single document with all the problems of satisfying excessive expectations, it might be better to consider a series of announcements beginning with a full analysis of the employment situation, and followed by documents/announcements on individual policy initiatives.
- (ix) Caution was needed in considering proposals for additional expenditure. Any announcements should be consistent with the financial strategy set out in the Budget.

Summing up the discussion, the Prime Minister said individual Ministers should continue to develop the policy initiatives in which they were engaged. In addition to those issues identified in the Secretary of State for Employment's papers, the Secretary of State for Trade and Industry should assemble material on the factors behind commercial success. The Secretary of State for Employment, as well as developing proposals within the responsibility of his own Department, should seek to co-ordinate the separate initiatives so that they could be presented as a coherent programme. For the time being, the question should be left open of whether the separate policy initiatives should be drawn together into a single document or whether there should be an extended campaign comprising a series of linked policy statements.

The public expenditure position made it very difficult to accept proposals for further expenditure unless economies could be found elsewhere. It was important that work on the various elements of the exercise be carried forward with urgency. The Government should be in a position to announce the programme or begin a series of announcements around the time of the Budget. The Prime Minister said she would convene a further meeting in a few weeks to review progress.

I am copying this letter to Elizabeth Hodkinson (Department of Education and Science), Michael Reidy (Department of Energy), Callum McCarthy (Department of Trade and Industry), John Ballard (Department of the Environment), Steve Godber (Department of Health and Social Security), David Normington (Department of Employment), Richard Broadbent (Chief Secretary's Office), Leigh Lewis (Minister without Portfolio's Office), Richard Hatfield and Peter

Ferguson (Cabinet Office). The circulation of this letter should be strictly limited to those who need to see it in order to carry forward the work in this area.

Yours sincerely

Andrew

Andrew Turnbull

Mrs. Rachel Lomax,
H.M. Treasury.



4

PRIME MINISTER

EMPLOYMENT EXERCISE

1 I attach the draft of the Employment Document. I emphasise that this is far from its final version, but I promised to let you have this early so that you could see the lines on which we have been working. The Group that I have been chairing includes David Young, Norman Lamont, Peter Morrison, and John Redwood and Nigel Lawson has been receiving the various papers.

2 We have started from the basis that the document should cover the whole spectrum of the Government's approach on employment and unemployment. It might form the basis of a published document, and the draft has been so written that most of it could very easily be converted into a White Paper.

3 The document starts with the background to the present situation, looking not only at the UK but also at what is happening elsewhere. We have set out the problems but emphasised the achievements as well. Against that background we assess the challenges we still face and compare different possible approaches. From this we develop a range of proposals which could form the basis of a convincing response to the situation. In presenting these it will be particularly important to ensure that they are seen to flow from our existing policies.

4 You will notice that Sections 5 & 6 are completely different from the first four sections. Sections 1-4 are much closer to the sort of final form that we would want for a White Paper. 5 & 6 raise a number of issues for discussion on the various possible steps that we could take to increase employment and reduce unemployment.



5 Section 5, on further action to increase employment, covers the following areas:

- (a) Possible restructuring of National Insurance Contributions.
- (b) My proposals on Wages Councils.
- (c) The minimising of bureaucratic and administrative burdens including the current scrutinies and my "passport" proposal.
- (d) The Young Workers Scheme.
- (e) Current action to improve labour market mobility including pensions and housing policy.
- (f) Development of training and re-training, including my proposal for training loans.
- (g) Encouragement of more flexible working patterns (eg jobsplitting and early retirement).
- (h) The 16-18 year olds, this being the relevant part of David Young's study as far as the Group is concerned.

6 Section 6, on what might be done to help the long-term unemployed covers:

- (a) Employment subsidies, which we reject.
- (b) A "benefit plus" scheme, also rejected.
- (c) Possible extension of the Community Programme.

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(d) Enlargement of schemes run by DHSS and my Department to help long-term unemployed people to make better use of their time.

(e) Early retirement and the Job Release Scheme.

(f) Changing Supplementary Benefit regulations to encourage part-time work.

A PUBLISHED DOCUMENT?

7 We need to decide whether a document along these lines should be published, and if so when. This must depend on:

(a) When will the various components of our proposals be ready?

(b) What is the best time for us to get maximum impact from them?

(c) How great is the pressure likely to be for an early Government response if we encounter particularly bad unemployment figures during the winter?

8 The earliest I can see a document being produced is late January. But this would essentially deal only with the status quo. Such a published document could be based on the first four sections of the attached report, plus a fifth section spelling out the employment and unemployment measures already taken, and those in hand but not yet decided, e.g. David Young's work for 16-18s.

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9. An alternative would be to produce a published document very soon after the Budget, some time in March. This would be able to take account of the employment and unemployment implications of the major decisions to be taken over the next few weeks, including David Young's MISC 107, Norman Fowler's social security reviews, the review of administrative and bureaucratic burdens, and of course the Budget. The White Paper would then be a much more convincing document. Again, the first four sections of the attached report could be used suitably revised, with sections 5 and 6 changed following decisions.

10. I believe that this later date is the one to choose. To get the impact we want it is essential to include definite proposals from MISC 107, including both the training option for 16-18 year olds and the consequent benefit changes. The employment aspects of Norman Fowler's reviews must also be included.

11. We should also look seriously at four other areas:

(a) The restructuring of National Insurance Contributions to favour low wage employment. Since this is a matter for the Treasury and DHSS, I have already written to Nigel Lawson and Norman Fowler suggesting such an examination.

(b) The expansion of the Community Programme and the consequent reduction of long-term unemployment. While this would have public expenditure implications, the Community Programme has a low net cost in relation to its gross cost, and in my view this could be maintained for an extension. This suggestion reflects the concern of my Group that the current and future levels of long-term unemployment are likely to be affected only slowly, if at all, by rising employment.

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(c) A passport scheme to introduce an element of de-regulation into the labour market by removing employer liability to pay tax and National Insurance for certain employees. The Group thought a pilot scheme would be sensible. This would have to be co-ordinated with the outcome of the social security review.

(d) Increasing the Supplementary Benefit disregard for long-term unemployed people taking part-time work. This is for Norman Fowler to consider in the overall context of his social security reviews, and I have written to him about it.

PUBLIC EXPENDITURE IMPLICATIONS

12 When considering the likely costs of these proposals it is, I think, important to distinguish between what we can do to help increase employment in general, and what we need to do to reduce the hard-core of unemployment. Most of the public expenditure implications of the former will come from the Chancellor's work on tax thresholds etc and Norman Fowler's work on the benefit system. My proposals on the labour market and wages councils have only minimal Exchequer costs. There are two large groups of unemployed, however, for whom I believe extra help is required. They are the young, and the long term unemployed, both of whom have special problems which are unlikely to respond to our more general measures to increase employment. Between them these two groups account for around 1½ million of the unemployed, and I believe any programme to tackle unemployment should contain special provision for them.

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12a My paper has concentrated on the most cost-effective way of providing this. The Community Programme's low net cost makes it the cheapest way to reduce long term unemployment. The degree to which any YTS/benefit changes could be cost-neutral is not yet clear, but I am confident that my programme represents the most effective way of tackling these special problems that is, at the same time, consistent with our overall economic strategy.

13 Lastly, what might the impact of these proposals add up to in terms of reducing unemployment? With every possible health warning attached - and I am not including anything resulting from the restructuring of National Insurance Contributions - I would suggest a possible estimate of around 400,000 reduction in unemployment by winter 1986/87. The major components of this are a 200,000 reduction in unemployment from the 16-18 proposals, on the assumption that unemployment is no longer an option for this group; and 120,000 from the doubling of the Community Programme.

SUMMARY

14 In summary therefore, I believe a document based on the attached draft, published very soon after the Budget, would be the right choice. This would present the Government strategy towards employment, state what had been done so far, and what further steps we proposed.

15 The new elements in future policy towards employment and unemployment would then be:

- (a) proposals associated with MISC 107's work on the 16-18s;

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(b) decisions affecting employment and unemployment from Norman Fowler's reviews;

(c) the implications of Budget decisions in this area;

and, if colleagues so decided,

(d) a change in the structure (or level) of National Insurance Contributions;

(e) an extension of the Community Programme;

(f) a pilot "passport" scheme;

(g) an increased disregard for long-term unemployed people taking part-time work.

16 What I would therefore propose is that we discuss the document at our meeting on January 14, at which we ought to decide:

(a) Whether the attached draft might form the basis of a published document setting out the Government's strategy towards employment.

(b) If a published document is desirable, what is the most appropriate timing.

(c) If a post-Budget document is decided, whether any of the additional options suggested by my Group should be given serious consideration.

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December 1984

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Copy No. 5 of 25

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POSSIBLE DOCUMENT ON
EMPLOYMENT

Department of Employment
December 1984

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INTRODUCTION

1 This document sets out the Government's approach to employment and unemployment. It emphasises the strategy which has governed the approach so far, summarises what the Government has done, and looks ahead to the strengthening and development of policies to help generate jobs.

2 The Government's employment strategy has three interlocking parts. First and most important is the pursuit of a sound and stable framework of economic and industrial policy. Sustained growth of employment, and lower unemployment, need a sound economic and financial policy which will help industry and commerce to remain competitive and to increase output. The key initial step has therefore been to control inflation and help restore competitiveness. The reduction of inflation has been a major achievement, though there must be no letting up in the drive for lower costs and prices and greater efficiency.

3 The second part of the strategy involves specific ways of encouraging the growth of employment, within the economic policy framework. Removing impediments which prevent employers creating jobs or individuals making best use of their potential increases employment. The Government has taken action to modernise training to ensure that those seeking jobs can acquire the skills and aptitudes required to fill them, has promoted mobility by improving the housing market, and has abolished the national insurance surcharge. These and many other measures to increase adaptability and flexibility help create jobs.

4 Thirdly, the fight against inflation and the recession have combined to intensify changes in industry which cost many existing jobs. The Government recognises that problems of unemployment for particular groups or localities can be severe and long-lasting. Indeed, even with employment growing as it is, the creation of new jobs is bound to take time to work through to lower unemployment. The Government has tackled these problems, and the human penalties of unemployment, through the range of its employment measures.

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These are a necessary complement to the creating of new jobs by employers which the other elements of the strategy encourage.

5 The strategic approach then is economic policy which supports the growth of output and wealth and hence employment growth; the removal of impediments to job creation; and special attention to deep-seated unemployment problems.

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CHAPTER 1

THE EMPLOYMENT PROBLEM

1.1 The employment of our people and the reduction of unemployment is a major challenge as Britain wins back prosperity. Employment is now rising, by a quarter of a million in the last year, but a major sustained growth in jobs will be necessary if we are to see a real impact on unemployment. Policies to meet this challenge must start from a clear understanding of the realities - the facts, the problems and the opportunities. Unemployment is an international problem, affecting all industrialised countries, but Britain does have to face particular difficulties. This Chapter explains how Britain came to the present situation and how it can best generate and sustain more jobs.

1.2 The most basic truth is that jobs arise when enterprises are able to produce goods and services which customers at home and abroad want and can afford to buy. Thus in a nation like Britain, which is dependent upon international trade for its economic well-being, many jobs depend particularly upon the efficiency and growth of our trading sector, both manufacturing and services, competing internationally in prices and costs, in quality, design and marketing. Profitable production is the key to employment, not only directly but in helping to pay for public services and as a main source of new wealth-creating investment.

1.3 For industry and commerce the task for managers and entrepreneurs is to adapt continuously to changes in markets and customer choice, and industrial enterprise must be partnered by an efficient and fair jobs market in which people are prepared to meet change, allowed to do so, and helped where necessary to adjust. This means greater flexibility in acquiring new skills, in taking on new responsibilities or methods of work, and accepting earnings which are in line with economic circumstances.

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1.4 Too often, however, we have ignored the importance of wealth creation as the route to more jobs and higher standards of living. Our unemployment problem is many-sided and deep-rooted: but its central cause has been a reluctance or inability to adapt sufficiently both in our attitudes and working practices. Our recent experience in the vastly changed circumstances of the world economy demonstrates this.

1.5 During the 1950s and 1960s living standards rose throughout the West. There was a general expectation of continuing growth, higher real wages, more leisure and virtually full employment, and it was widely assumed that Government economic policies could ensure steadily increasing prosperity. Higher living standards were seen as a right rather than something to be earned; the vital link between prosperity and efficiency, and industry's basic need to meet market demands, was often overlooked.

1.6 The world recession, triggered by the large oil price rises in 1973, required major adjustments within the economies and labour markets of all countries. These should have been tackled by some fundamental policy changes but many Governments responded simply by relaxing financial disciplines. Inflation rose alarmingly - in Britain to 26% in one year - and economic stability was threatened as business planning became more uncertain. Public services grew faster than their supporting economies, so that government spending and hence taxation increased, reinforcing demands for higher wages. Some countries - notably Britain - were slow to adjust either in industrial products or in ways of work. In some cases, productivity gains and reductions in overmanning were held back; in others high labour costs led to more substitution of machinery for manpower than if wages had not been pushed up so fast.

1.7 Most Governments responded differently to the 1979 oil price rise. They had learnt the need to control inflation as a pre-requisite for a sound economy. They therefore acted, some more quickly than others, to curb budget deficits and control monetary growth. This was essential, but involved a

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short term cost in lower growth and higher unemployment, because of the time required to adjust to new market conditions. Nevertheless, most countries are now adopting the consistent approach of the UK Government since 1979, that sustained growth without inflation can be assured only through prudent financial policies.

1.8 As a trading nation - exporting nearly one third of its output - Britain could not have hoped to escape entirely these effects of world recessions. But we have suffered more than most because of our special difficulties. Over a long period our growth rates of output and productivity have been below those of most major industrial nations while our inflation has been higher. We have adapted too late and too slowly to change. These long term weaknesses have been reflected in a declining British share of world trade in manufactures.

1.9 There are many reasons for this disappointing performance. Managements have not always shown the enterprise and flair needed to match market needs. Trade unions have often concentrated on short term pay rises and attempted job preservation, instead of looking to their members' longer term security and living standards and accepting the need to compete commercially. Levels of earnings have been too high and pay differentials have been too inflexible. Even now, real wages continue to rise too fast, relative to productivity. Employers generally have seriously under-invested in training of all kinds, while our provision of technical and vocational education has proved wholly inadequate for a modern economy. Resistance to change, on both sides of industry, has further hampered incentives and competitiveness.

1.10 Governments have added their own impediments. Stop-go economic policies have made the job of industry and commerce more difficult. Too many regulations and restrictions have handicapped effective business, while the structure of taxation has reduced incentives and distorted decision-making. Inflation, now increasingly under control, pushed up costs and interest rates, squeezed profits and made investment uncertain.

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1.11 These and other impediments to sustained employment growth are discussed in Chapter 3, together with the action taken by Government to help resolve them. But though crucial, the Government's essential role in economic and industrial affairs - to create the conditions for better competitiveness and higher output - is limited. It cannot in any lasting sense create jobs directly except through public sector employment. This has to be paid for through additional borrowing or taxation which will mean lower disposable incomes or higher interest rates which lead to lower investment, with consequent effects on employment elsewhere in the economy.

1.12 Many of the remedies and the apparently simple solutions for unemployment, discussed later, avoid the question of cost. Others appear to assume that, even in the long run, there is only a fixed amount of work which has to be "shared out" among the existing members of the workforce. While in the short run employment may rise more slowly than the available workforce, as the economy grows through higher productivity and investment, wealth increases and the number of jobs could expand. The short run arguments ignore these dynamic aspects of economic growth in creating employment.

1.13 Future levels of employment are therefore not pre-ordained; they will depend partly upon the state of world trade, but more still upon our ability to control inflation, and on competitiveness, productivity, and wage moderation and our ability to adjust to changed and changing circumstances - that is, upon what we ourselves choose to do. New opportunities are arising all the time and we need enterprise, skill and resolve to win back old markets and create new ones.

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CHAPTER 2

CHANGING PATTERNS OF EMPLOYMENT

2.1 Patterns of employment shift considerably over the years with changes in the structure of output and production, and in people's abilities, skills and choices. It is always difficult to forecast precisely where new jobs will arise, especially in current circumstances with the recession and the potential of new technology to change ways of working. As someone aptly observed, the future is not what it used to be. Nevertheless it is important to understand the major changes that have led to our present position, and to assess as far as we can the factors affecting employment in the years ahead.

Labour Force and Employment

2.2 At present around 33 million people in the UK are of working age. About 26 million - nearly half the total population - are in a paid job or seeking one. This is about 3 million more than 30 years ago, partly because of an increase in the population of working age and partly because a higher proportion of them are in work or seeking work. The number of men has remained around 16 million but the number of women has increased from 7 million to over 10 million.

2.3 There were twice as many married women in or seeking jobs in 1981 as in 1947. However, since about 1977 the proportion of married women active in the labour market seems to have levelled off at about 50%, no doubt mainly because of the recession. There have also been changes in male activity rates in recent years, in particular a decline amongst those aged over 55, reflecting the increasing trend towards early retirement.

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2.4 The future prospect is for the labour force to continue to grow, though more slowly as the population increases and a higher proportion of women look for work. The rate of growth depends in part on the economic climate, but over the next three years or so it is estimated that the annual increase will average about 130,000 (of this 100,000 will be due to population growth) tailing off towards the end of the decade. The question is how quickly the economy can generate enough jobs both to absorb these increases and to reduce unemployment from its current levels.

2.5 Three factors are especially important in an understanding of the overall employment situation in Britain compared with other countries. First, a higher proportion of total population is in work in the UK, 66% in 1982, than in our three main Continental competitors (France (61%), Germany (61%) and Italy (55%)) though our proportion is slightly lower than Japan (71%). Secondly, although the proportion of men of working age who are in the labour force has declined in all these countries, the proportion of women is significantly higher in the UK (58%), USA (62%) and Japan (57%) than in the Continental European countries. Thirdly, the UK has one of the highest proportions - 45% in 1981 - of young people above statutory minimum school leaving age and below 20 who are in work or available for work.

Employment Patterns

2.6 Of the 26 million people in the labour force, some 23 million are in work. In Britain, as in other countries, employment in the service sector has been increasing. Between 1959 and 1983, service sector employment rose from 9.8 million to 13.2 million (64 per cent of total employment) while manufacturing employment fell from 7.9 million to 5.5 million. Partly because of these trends, there has been a large increase in the numbers in non-manual occupations - from 8½ million in 1961 to over 11 million in 1981 - with a rising proportion of people in scientific, technological and professional occupations. The number of people in Britain who are self employed has also shown steady growth, to about 2½ million in 1984, about one in ten of the employed labour force.

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2.7 In most countries part of the benefit of economic growth has been taken in the form of reduced working time. This has meant fewer hours per week, fewer weeks per year because of longer holidays, and shorter working lives. For men the reduction in working life as the retirement age has come down has been as important as reduced hours per week. However, we still tend to work more hours and have shorter holidays than in other countries. In 1983, manual workers in manufacturing industry worked an average of 41.3 hours a week - more than in most other leading industrial nations.

2.8 The number of part-time workers in the UK has increased markedly, by over a million in the last 10 years. This is partly because of the changing pattern of employer demand (eg long opening hours of supermarkets) influenced by the structure of National Insurance Contributions, and partly to accommodate the preferences of individuals. Nearly 5 million people worked part-time in March 1984, representing some 23% of all employees as compared with 15.4% in 1971. 90% of all part-time workers are women, and in the year to March 1984 there were some 215,000 new female part-time jobs, a substantial proportion of the total growth of 335,000 in service sector employment.

Unemployment

2.9 Unemployment has been rising for many years as output growth has failed to keep pace with the growth of productivity and of the size of the labour force. The average level of around $\frac{1}{2}$ million in the 1960s more than doubled in the 1970s and has doubled again in the 1980s. This is not simply a British problem: since the oil price rises in 1974 and 1979 the upward trend has increased rapidly in almost all the major industrial economies. Initially, unemployment rose more rapidly in the UK than in other countries, but the rate of increase has slowed markedly in Britain to below that being experienced elsewhere. The current rate of 12.9% compares with 7.3% in the USA; 8.3% in Germany; 9.1% in France; 10.4% in Italy; 13.7% in the Netherlands; and 15.6% in Belgium.

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2.10 For all these countries, high unemployment among the young has been a new and worrying feature. Youth unemployment partly reflects the effect of depressed labour markets on new labour force entrants, but in Britain also reflects relatively high pay for the under 18s. The average earnings of young men relative to adults rose from 42% in 1951 to nearly 57% in 1981.

2.11 Long-term unemployment has also become a major cause for concern. The recession and slow growth of new employment opportunities have caused the numbers of long-term unemployed to increase much more than unemployment generally. Over 1½ million people have now been out of work for at least a year. Of these 700,000 have been unemployed for over two years and 400,000 for over three years. Five years ago about 340,000 people had been unemployed for over one year, of whom nearly 172,000 had been so for more than two years, and some 100,000 for over three years.

Prospects

2.12 Future growth of employment depends on the relationship between the rates of growth of output and of productivity. If output increases more quickly than output per man, employment will rise. As a rough rule of thumb, each percentage point increase by which output growth exceeds productivity growth would mean 200,000 more jobs each year, and 150,000 fewer unemployed and vice versa. Thus a very rapid increase in productivity may in the short run lead to lower employment if it exceeds output growth. But in the long run increased productivity is clearly essential to maintain growth and increase employment. Government policy therefore seeks to set a framework within which output and productivity can grow, and to influence the factors affecting them, including the control of inflation, technology and investment.

2.13 Prospects for individual industries and occupations will depend on their response to market changes. In general there may well be some continued decline in the trend of manufacturing employment (currently about 5½ million) alongside increasing output and productivity, even if there is some initial

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increase as employment recovers from the recession. The service sector is the area of strongest potential growth, with private-sector services providing most new jobs. The strength of job growth here depends on movements in pay, productivity and growth in the economy, since many services depend on higher output or greater consumer spending power. There will be many additional part-time service jobs which would tend to increase the proportion of women in employment.

2.14 Occupational changes are likely to be more rapid than in the past, and the shift from blue collar to white collar jobs will continue. This will partly come from changes in the structure of industry but even within individual industries more jobs will require higher levels of skill, and there will be fewer unskilled or semi-skilled jobs. The skills required will increasingly have a technical or technological bias, with more emphasis on "knowledge" skills and less on manual skills. And the faster the technological change, the greater the likely shift in occupational structure.

2.15 The application of new technology is certain to have a profound influence on employment. But though some people have expressed fears over the effects of new technology in destroying jobs, history shows that it generally creates wealth and employment. We cannot afford to fall behind our international competitors in introducing new technology to improve efficiency. So far, however, new technology has been introduced relatively slowly in this country; it should be more rapid in the next few years, with better business profits leading to more investment.

2.16 Most estimates of the employment effects of new technology have been largely confined to its direct effects in displacing jobs. But the indirect effects within and outside the industry concerned can include lower prices, higher real incomes, higher investment demand and improved competitiveness in quality, design and delivery, all of which will tend to increase employment. One recent study which looked at these wider employment effects suggested that while the industries making the change did lose jobs, this was more than

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offset elsewhere in the economy. This happens as the investment required to introduce new technology itself creates jobs; and as resulting cost reductions lead to lower prices, higher real incomes, and thus an expansion of demand.

2.17 There are of course transitional problems. New jobs may arise later than old ones disappear, and in different industries and locations. The more willing and able that people are to move to new tasks (with re-training where needed) and new areas, the less the problems and burdens of change will be.

2.18 Finally, some groups will continue to be particularly seriously affected by unemployment. The long term unemployed find it less easy to get jobs even when employment generally is increasing and unless there is strong growth in female employment, the large growth in the number of women seeking work may mean that female unemployment will continue to rise more quickly. However, among those aged under 18 unemployment should gradually decline for demographic reasons and through lower relative pay and the impact of Government's Youth Training and Young Workers' Schemes.

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CHAPTER 3

PROGRESS SO FAR

3.1 Since 1979 the Government has been pursuing a consistent strategy towards employment. The creation of employment comes directly or indirectly through the efforts of industry and commerce, and Government's main role is in helping establish a sound framework within which they can operate. This Chapter summarises the various aspects of Government's policies to date, as they have affected employment and unemployment.

ECONOMIC AND INDUSTRIAL POLICY

3.2 Economic policy since 1979 has had two major aims. The first is the control of inflation. Through the establishment of the Medium Term Financial Framework and the control of public expenditure the Government has restored financial and economic stability to the economy, and provided a foundation for economic growth. But in some sectors the response of industry in supplying the goods and services which people, at home and overseas, wish to buy has been less than adequate. The second aim has therefore been to improve the efficiency with which markets work and adjust, so improving the supply response of British industry to home and overseas demand, and hence increasing employment.

3.3 Much has been done by the Government since 1979 to improve incentives and the operation of markets. As a result profits and new investment are now rising strongly. Controls on prices, dividends, credit and foreign exchange have been removed. Reductions in personal income tax have increased incentives. The tax burden on industry has been lightened through changes in Corporation Tax allowances and rates. Share incentive schemes have been extended, and direct investment is encouraged - for example through the

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Business Expansion Scheme. Action has been taken to simplify and speed up the planning system, and to restrict the burden of local authority rates.

3.4 Competition has been encouraged. Restrictions on competition impede industry's response to new opportunities and inhibit the adjustments within the economy which bring new jobs. A strong legislative framework therefore now exists to promote competition and control monopolies and mergers. Particular monopolies that distort markets are being dismantled; regulations on particular industries have been removed; and nationalised industries have been returned to the private sector. So far 10 major companies and many smaller ones involving so far some 170,000 jobs have been transferred under the privatisation programme, with some significant improvements in turnover and profits.

3.5 As a nation we have been slower to innovate and introduce technological changes than some of our international competitors. This has reduced long-term job prospects. The Government has helped to stimulate necessary progress and adjustment in industry through its Support for Innovation Programme. Substantial financial support - some £270 million in 1984/85 - is available to help with research and development costs for new products and for the introduction and application of new technologies (such as microelectronics, robots, computer aided design and manufacture). Technical advice and consultancy schemes have been made available to help management become aware of technological and market opportunities.

3.6 Management performance is crucial to the success of British industry. Quite apart from the control of costs and price competitiveness, product design, marketing, quality and delivery on time, all these are crucial in winning the customer's favour at home and overseas. British managers have not been as good at securing high performance in these areas as their counterparts in other countries and they may be less well-equipped with up-to-date techniques of planning and financial control. This partly reflects the lower status British people have accorded to managers and industry than the

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professions. The Government has worked hard to change this and gain wider recognition of the value to the country of successful industrial performance and good business management.

3.7 The Government has recognised the crucial importance of the small firms sector in stimulating wealth creation, enterprise and employment. 95% of businesses in the UK are small, and they contribute 20% of GNP. Some 6 million people work in small firms. High priority is given to encouraging small firms, and many measures have been introduced to help them. These include fiscal measures to reduce taxation, measures to widen and improve sources of advice and training, and measures to make it easier for small firms to get finance.

MAKING THE JOBS MARKET WORK BETTER

3.8 An ineffective jobs market damages employment by placing barriers between individuals who wish to get jobs and employers who wish to employ them. It is important to recognise that economic forces operate in the jobs market as in other markets. If the jobs market is inflexible, this will tend to reduce employment, because employers do not find it worth their while to provide more jobs, or because individuals are unable or unwilling to take those on offer. The Government's approach has been to encourage adaptation to changes by setting out the realities of how the jobs market works, by recognising and acting when desirable protection for individuals has instead become an obstacle to job creation, and by seeking out and testing new ideas.

3.9 A basic influence on employment is its cost. The evidence shows that the higher the cost of employment in real terms the lower will be employment, since employers are more likely to economise on labour if it is expensive relative to machines and other inputs. And higher labour costs imply lower profits and worse competitiveness, which discourages employers from expanding output and investing in more capacity. These links between a rising real cost of employing people and the disincentive to jobs needs to be much more widely

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recognised. A reduction in the rate of growth of real wages - not necessarily the level - would be a major encouragement to employment. This could be achieved without people in jobs suffering a reduction in their standard of living, and would help the unemployed back into work.

3.10 Pay is essentially a matter for employers and employees themselves to determine. Only in this way can the different circumstances of each individual enterprise be taken into account. At the same time the Government has repeatedly stressed to those concerned that they have to recognise the effect of pay levels on the competitiveness and profitability of firms on which future investment and jobs depend. In the short term, higher pay benefits those in work even though it leads to less employment with, in effect, the unemployed paying the price; in the long run, the economic and employment consequences are bound to be harmful.

3.11 The Government, as a major employer itself, has negotiated on the principles that pay should reflect what is needed to recruit and retain employees, and what can be afforded. It has encouraged management and unions in the private sector to take a realistic approach to pay negotiations and to remove artificial constraints from them. It has repealed Schedule 11 of the Employment Protection Act 1975 (which could be used to require employers to pay the same wages as in other employment); and it has rescinded the Fair Wages Resolution (which had a similar effect in relation to public sector contracts).

3.12 More directly, the Government has introduced the Young Workers' Scheme which encourages levels of pay which reflect the experience of young people entering work. This, and the training allowance of the Youth Training Scheme, have resulted in more realistic levels of youth pay. The Government has also reduced employers' non-wage labour costs by abolishing the National Insurance Surcharge as from October 1984.

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3.13 Sound industrial relations based on good understanding and realistic bargaining are important to the labour market and so to jobs. Effective and constructive trade unions have an established and essential contribution to make here for the long-term support of jobs. In recent decades, however, the combination of out-dated and rigid attitudes, political preoccupations and excessive power has meant that many unions have failed to make such a contribution, at high cost to those of their members who have become unemployed.

3.14 The Government has taken action to encourage a positive attitude to change and greater efficiency through a more balanced framework of industrial relations law. The Employment Acts 1980 and 1982 made a start. Closed shops - with all their potential for impeding better working systems - can now be established and continued only if supported by a substantial majority of those they cover. Anti-competitive practices like refusing to let firms without closed shops tender for commercial contracts are now unlawful. And the protection of the law has been restored to those whose businesses and jobs are threatened by irresponsible or indiscriminate industrial action.

3.15 The 1984 Trade Union Act is somewhat different in that it deals primarily with relations between trade unions and their members. In future, direct elections to union governing bodies will have to be by secret, usually postal, ballot: ballots will have to be held at regular intervals by unions wishing to spend money on politics. And unions can no longer call a strike without risking legal action unless they first win the majority support of members concerned in a ballot. By helping to ensure that unions are thus genuinely representative of their members, these measures should improve both union credibility and industrial relations generally.

3.16 But there are limits to what the law can do: and it is not on the union side alone that new attitudes are needed. More and more employers are now realising the advantages, in getting better performance and acceptance of change, if communication ensures that employees are more closely involved in

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decisions affecting them at work. The Employment Act 1982 requires larger companies to report annually what they have done to strengthen employee involvement.

3.17 The range of legislative and administrative procedures which employers must follow when taking on or employing people can be another factor limiting employment. While some of these procedures provide necessary protection for individuals and ensure that proper tax or other payments are made, clearer and simpler procedures would in many cases help employment without adverse effects. Thus, while maintaining protection for individuals, the Government has relaxed some of the other statutory burdens on employers associated with employment. In 1979 the qualifying period of employment for protection against unfair dismissal was increased to one year. The Employment Act 1980 increased this period to 2 years for employment in firms with 20 or fewer employees.

3.18 Again, the 'red tape' involved in paying tax and national insurance may adversely influence recruitment particularly of unskilled or low wage workers. The PAYE system is complex because it aims to secure payment of tax throughout the year in a way that is both accurate - ideally requiring no end-of-year adjustment - and cumulative. It involves very little work for employees but considerable amounts for employers. To help small employers in particular cope with these requirements, the Inland Revenue published a simple guide in June 1984. More generally, the Government has set up an inquiry to examine the administrative burdens on employers caused by Government legislation and procedures, particularly those burdens which bear hardest on small firms.

3.19 The growth and development of employment requires effective mobility. People must be able and prepared to make job changes, perhaps involving movement from one part of the country to another. But there may be difficulties in their way. One is the lack of availability of suitable housing. Planning constraints on substantial new housebuilding in some of the more popular and attractive parts of the country are one problem, and the

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Government has tried to help free the housing market and therefore allow people to move more easily. Home ownership has been extended through the sale of council houses to tenants; a start has been made on reducing restrictions on private letting; the rate of stamp duty on house purchase has been reduced; and in the public sector the National Mobility Scheme and the Tenants Exchange Scheme have made it easier for council tenants to move from one area to another.

3.20 A further inhibition to job changing, especially in white-collar employment, is the operation of pension schemes, whereby an individual can be "locked in" to a job by the financial sacrifice of pension rights movement would require. This problem and ways of easing it are under consideration by the Government and the pensions industry.

3.21 Of course, people will only take a job or move if they see it as in their interests to do so, but sometimes the information on which they will decide may be misleading. Two examples will illustrate.

3.22 First, if the labour market is to work effectively, pay differentials should reflect more closely employers' needs for particular types of employees and the difficulties of recruitment, while providing incentives for people to take up work that is in demand. These factors change over time, and pay structures should be designed to adapt as circumstances alter. The Government has encouraged employers and employees to take account of this in their negotiations.

3.23 Secondly, the interaction of the tax, benefit and social security systems creates the "unemployment trap", whereby some people may be better off out of work than in employment. Since 1979 the Government has sought to protect the position of the worst off, notably by maintaining the value of supplementary benefits, but it has also abolished the Earnings Related Supplement and brought benefit for the unemployed into tax. This will have improved the incentive to work of those who have been unemployed for a fairly short period.

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3.24 Training and education must be effective so that people have the right skills or are prepared and able to acquire them as industry's needs change. While training is not in itself a way to generate more jobs, it is an essential support to job creation. Without adequate investment in training, industry and commerce will be unable to adapt and compete.

3.25 Since 1979 the Government has made improvement of Britain's education and training one of its priorities. The White Paper "Training for Jobs" pointed out that training is first and foremost an investment, and that the main responsibility rests with employers, who can best identify their own requirements. Trainees can contribute by accepting realistic pay or allowances while in training. The Government assists with young people's transition from school to work with the Youth Training Scheme, provides training for those out of work, and funds experimental courses and new developments using new technology and training techniques.

3.26 Much has already been achieved by industry and the Government through the activities of the Manpower Services Commission, particularly in the training of young people. Many of our industrial competitors, particularly their employers, have tended to devote much greater effort to preparing young people for working life than in the UK, where a far higher proportion of young people aged 16 and 17 go straight into the normal labour market. Great progress has been made since 1979 in tackling these problems. Perhaps most important is the Youth Training Scheme, offering school leavers for the first time in this country up to a full year of integrated work experience and training. Now into its second year, the Scheme has been demonstrably successful and as it develops, increasing emphasis is being put on improving training quality.

3.27 But the particular needs of young people start before they leave school. Education plays an important part in preparing young people for working life, and Government initiatives will improve the relevance of education to industrial and commercial requirements. In particular, the introduction of

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the Technical and Vocational Education Initiative is assisting changes in the school curriculum, with a greater emphasis on technical and vocational subjects. Some 62 local authorities are now running pilot projects for 14-18 year olds and funds are being made available for expansion of the Programme. The Certificate of Pre-Vocational Education is also being introduced to provide young people staying on at school for a year with a qualification more relevant to the world of work. Careers education and guidance help to bridge the gap between school and work, and an efficient Careers Service has an important role to play.

3.28 In addition, the links between schools (and colleges) and employers are being strengthened: the DTI's Industry Education Unit is working in collaboration with industry to provide, for example, relevant resource material for schools, colleges and Examination Boards and encourage industry-related expertise in both initial and in-service teacher training.

3.29 Changing the methods by which people acquire skills is of very great importance. Some industries are continuing to make good progress in modernising their training arrangements. But there is still much to do before time serving is fully replaced by training to standards; before unnecessary restrictions based on age or academic qualification are removed; and before skills already learnt are always properly recognised at each stage of training. The Government will continue to urge employers and trade unions to carry forward the reform of such training and, where appropriate, will make continued support of training conditional on satisfactory progress being made.

3.30 In this context, training and retraining of adults is vital. Here again, Britain suffers by comparison with its international competitors. For example, about two-thirds of the labour force in Germany have recognised qualifications of one kind or another: the proportion is similar in Japan while in the USA it is over three-quarters. In Britain the proportion is estimated at about a third. And these three countries all produce an output of professional engineers far in excess of that in this country. Some progress

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has been made since 1979 to develop and improve our training system for adults, and the education system, in helping to produce highly qualified manpower. A notable achievement is the establishment of the Open Tech, in which distance learning techniques are making for much more flexible training methods. There is however much still to be done in this area.

3.31 A more responsive jobs market implies new working patterns as well as new skills and adjustments in labour costs. Responsibility for using labour more flexibly and adaptably must lie primarily with employers. Many British firms are introducing new work patterns with such elements as flexible working time, job sharing, more part-time working and different forms of employment contract. Homeworking is a particularly interesting development with the potential of new technology in allowing people to work at some distance from their employers, yet linked by telecommunications. The scope for such innovations varies with the nature of the business and the make-up of the workforce. The Government has encouraged the spread of part-time working through its own Job Splitting and part-time Job Release Schemes. In this as in other areas the Government welcomes appropriate action by employers, and sees its own role as helping to break down barriers to the adoption of worksharing where it does have real advantages.

3.32 Efficiency in the jobs market must of course be accompanied by fairness in work. Discrimination on racial or sex grounds and unfair dismissal must be prevented, and adequate standards of health and safety at work maintained. The Government remains fully committed to these aims and has done much to further them, for example by supporting the legislation with codes of practice for the employment of women and ethnic minorities.

3.33 There are nevertheless important practical realities to be recognised. The search for fairness is bound to impose restrictions on employers' freedom of action. If these become too heavy, they can cost jobs; businesses - especially small or new ones - may be made less profitable, or employers become more reluctant to take people on. Fairness matters, and losing jobs is

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itself unfair. But it is a bad bargain for society if the attempt to seek fairness results in large job losses.

3.34 Special help for groups who may be at a disadvantage is also being maintained and developed. Schemes run by the Manpower Services Commission to help disabled people into jobs have been improved and the Commission seeks to ensure places for disabled people in its main employment and training programmes. Its Fit for Work Campaign and associated Award Scheme urges employers to consider disabled people for all vacancies and to retain newly-disabled employees. The Commission has also set up a Disablement Advisory Service to provide practical advice and guidance to employers on how to make full use of the skills and abilities of disabled people and to promote the wide range of special help that is available, including financial assistance. The Government has retained the Statutory Quota scheme for disabled people with a voluntary Code of good practice in support.

3.35 People from the ethnic minorities are often at a disadvantage in getting jobs, sometimes because of a lack of fluent English. To help them compete with other workers, the Manpower Services Commission is increasing provision for work-related language training. For the most part, however, the Government believes that needs in the ethnic minorities are best met from general programmes for the unemployed rather than special measures confined to them. The Race Relations Employment Advisory Service provides practical help to employers with a multi-racial workforce.

HELP FOR THE UNEMPLOYED

3.36 However successful the country may be in achieving sustained competitiveness and efficiency, there will always be some unemployment as people change jobs. Much more serious, the recession has led to a large increase in long-term unemployment. It is now generally recognised that there are no quick or easy solutions to the present problem of unemployment, and the Government's strategy therefore encompasses a range of measures to help those affected.

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3.37 There are two broad lines of approach. First, the benefit system provides income for those out of work while maintaining the incentive for people to get back into work. Secondly, measures have been developed which reinforce the policies summarised in this chapter to increase employment. These adopt a variety of approaches to help unemployed people, including temporary work, encouraging them to enter self employment, and to retire early. These schemes form part of a total programme of employment and training measures which are currently costing £2000 million a year and assisting nearly 700,000 people.

3.38 The largest of these is the Community Programme introduced in October 1982. In a full year it provides temporary employment for up to 200,000 long-term unemployed people on projects of benefit to the community, at a cost in 1984/85 of some £560 million. Priority is given to projects which do most to improve the long-term employment prospects of participants while providing work of practical value. To improve the effectiveness of the Programme, from October 1984 participation is being linked with short periods of basic skills training and work preparation. When these arrangements are fully in operation, 50,000 Community Programme participants are likely to benefit from training in a full year.

3.39 The Voluntary Projects Programme introduced in August 1982 also helps prepare unemployed people for work by providing about 40,000 of them a year with constructive voluntary activity. The Programme is being expanded and £12 million is being made available in 1985/86.

3.40 The Government also provides £25 million a year to Community Industry, which provides temporary jobs of community value for 7,000 personally and socially disadvantaged young people. Since April 1983, Community Industry has recruited 16 to 19 year olds outside the scope of the Youth Training Scheme.

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3.41 Following successful pilot schemes, the Enterprise Allowance Scheme has, since August 1983, helped unemployed people throughout the country who want to set up their own business but who may be deterred from doing so by the fact that they would lose their entitlement to benefit. Over 60,000 people have joined the Scheme so far and some 1,000 people enter it each week. From April 1985, resources have been made available to increase this to up to 1,250 people a week, at a cost of £111 million in 1985/86 and £125 million the following year. Surveys have shown that for every 100 firms established under the Scheme, over 50 additional new jobs have been created. The success of this Scheme thus directly contributes to the wider aim of encouraging the growth of new enterprises and self employment.

3.42 The Job Release Scheme makes it easier for older workers to give up work early and to release their jobs to unemployed people. The Scheme has been running for some years; it is currently open to men aged 64 and women aged 59. At present over 83,000 people are in receipt of the allowance paid under the scheme and approximately 350 applications are received each week. In 1984/85 some £284 million has been made available for the scheme.

3.43 This chapter has shown how Government policies are working together over a wide field to get the economy right and to encourage a lasting growth of employment. It has described the special help being provided for those hardest hit by unemployment. The next chapters consider ways of building further on what has been achieved so far.

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CHAPTER 4

THE ECONOMIC AND INDUSTRIAL FRAMEWORK

4.1 Previous chapters have outlined the rationale of the Government's policy, and its success in reducing inflation to below 5 per cent. In the light of the Government's strategy towards employment, its conviction is that sound economic and financial policies are the only basis for sustained employment growth. How should the framework of economic and industrial policy evolve in future?

4.2 Employment is now increasing, but unemployment is still rising albeit at a slower rate. In charting the course for the future, the reasons why unemployment rose to such high levels must be borne in mind. Three factors can be discounted.

4.3 First, the Government does not believe that there has been any shortfall of demand in the economy. Over the whole of the 1970s money demand rose by over 300 percent, with real output growth of only about 20 per cent. Last year money demand increased by about 9 per cent, but again most of this went in increased prices rather than more output.

4.4 Secondly, technological change is not to blame for our high unemployment. Historically, technology and investment have created wealth and employment, and it is difficult to argue that in the recession since the late 1970s, there has been a massive introduction of new technology destroying jobs. Indeed, the problem in Britain is widely recognised as being a sluggish response to new technological developments. We have too little rather than too much, and other countries such as the US and Japan have managed the introduction of new technology much more successfully.

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4.5 Thirdly, the increase in the numbers of people looking for jobs does not explain why unemployment has risen by so much. Of course if employment is static or falling, then a rise in the numbers seeking work will lead to an increase in unemployment in the short term. Thus over the past year most of the new jobs being created have been part-time and have been filled by women entering the labour force, and unemployment has not fallen though employment is rising. But these are short-term considerations. The general proposition that more people seeking work inevitably means higher unemployment is not true, since as Chapter 2 explained, it ignores the potential for growth and employment creation as the economy expands.

4.6 The Government's view, already explained above, is that we have not adjusted quickly or thoroughly enough in what we produce or in our employment practices to the new circumstances of the last 10 years. A major element in securing the framework for this adjustment is to pursue the appropriate economic policy. This means continuing, through the Medium Term Financial Strategy, to seek to restrain monetary growth; to reduce the proportion of the economy's resources pre-empted by public borrowing; and by maintaining firm control of public expenditure to ensure cost-effective use of resources, proper determination of priorities, and to create room for tax reductions. These will improve incentives and aid economic growth and employment.

4.7 There are those who would wish to take a different approach to generating jobs. They suggest a different macro-economic approach, that to create jobs and reduce unemployment the Government should borrow more, and undertake a further substantial increase in public spending. The practicalities of these proposals must be examined.

4.8 Macro-economic policy involves judgement of the best course of action to suit particular circumstances, and to achieve the balance between different policies and objectives. The Government's view is that its current policy stance is right, and that to increase the existing level of borrowing, or to go for major reflation, would be self-defeating. There are several reasons for this view.

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4.9 First of all, it is demonstrably not proven by events in the recent past. Governments in this country and others which have tried to reflate their way out of unemployment have met with failure in anything but the short-term. The effects on employment and unemployment have been short-lived, and the consequences of the reflation on the economy have been damaging, not least to employment, as wage and price inflation have risen.

4.10 It is not difficult to see why. Tax reductions unaccompanied by public expenditure restraints would mean increased borrowing. If excessive monetary growth and inflation were to be avoided interest rates would have to rise. This would depress investment and through their effects on the exchange rate damage industry's competitiveness; in due course unemployment would start to rise. Conversely, if interest rates were held down inflation would be higher.

4.11 Some point to the United States experience as evidence of the success of a more expansionary fiscal policy in creating jobs. But the long-term experience of the US and European economies does not support this argument. The current US budget deficit has led to high interest rates, and the authorities have recognised that this problem must be tackled. Moreover, over the last decade employment in the US rose by 21% while in the UK it fell by 4%. Over the same period real weekly earnings fell in the US by 10% but rose by 19% in the UK. This lends more support to the relationship between real wages and employment than to the role of fiscal policy - which was quite restrictive until the last few years - in creating jobs.

4.12 Some of those who advocate reflation have recognised the danger of renewed inflation, and have suggested agreed prices and incomes restraint to avert this. Past experience indicates the difficulties of this approach. Any form of prices and incomes policies - voluntary or otherwise - results in distortions and leads to a misallocation of resources within the economy as a whole.

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4.13 Should there be a major increase in public spending to provide infrastructure projects which would lead to more jobs? There is of course no doubt about the need for effective capital expenditure. Private sector investment is vital to improving efficiency and increasing output. There is a high and rising level of fixed investment in the British economy as a whole - (forecast) at £45½ billion (1980 prices) in 1984 - a post war record. Manufacturing investment is estimated to have risen by nearly 15% in the first 3 quarters of 1984 compared to the same period a year earlier, and surveys indicate that investment intentions are strong. Investment in the service sector in 1984 is on course to reach its highest ever annual level.

4.14 Nor is the Government opposed to public sector investment where it is appropriate and will earn a proper rate of return. Indeed, aggregate capital expenditure by the public sector has been broadly maintained, in real terms, at the 1978/79 level - some £24 billion in 1984-85. For example, spending on trunk roads has increased by 12% in cash terms in 1984-85 over the previous year; there is a large scale investment programme in water and sewerage services - costing some £620 million in 1984-85; and in 1983 repair and maintenance contracts for construction alone represented additional expenditure by the public sector of at least £5 billion.

4.15 But public spending on infrastructure cannot be considered solely in terms of possible employment consequences. Each proposal must be considered on its merits in the context of an intelligent and constructive approach to infrastructure, public expenditure priorities, and the likely rate of return on the project including the real benefits of quality improvement. Expenditure which is not cost-effective would waste resources and might harm employment and growth in the longer-term.

4.16 The overall employment impact of large-scale infrastructure investment programmes is in any case often overstated since they tend to be capital intensive and are to varying degrees import intensive. The number of jobs created by such projects, even allowing for multiplier effects, is quite small

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and the cost per job often very high. In addition, the consequences of financing the expenditure must be considered. If taxes have to be increased this will reduce disposable income and demand elsewhere. If public borrowing has to rise, interest rates will increase. In both cases there will be an adverse effect on employment.

4.17 Effective employment growth requires consistency in economic policy, but it also requires an ability to supply effectively demand in both home and overseas markets. Government's policies to improve the "supply side" of the economy and encourage enterprise and efficiency are therefore of great importance. Chapter 3 above described some of the main elements of the Government's current industrial policies. These include the encouragement of competition, the privatisation programme, support for the growth and development of small firms, and support for innovation and the adoption of new technology.

4.18 These policies will be continued as part of the Government's general aim to widen consumer choice, to make the market more responsive to consumer's needs here and overseas, and generally to eliminate unnecessary impediments to enterprise and competition. It is important that any industrial support should be selective and limited, rather than large-scale or indiscriminate. While the latter may give some apparent short-term benefits in preserving large numbers of jobs, insulating an industry from the pressures of international competition may prevent or delay necessary restructuring. In the longer term, this only leads to greater employment loss.

4.19 The Government intends to continue its privatisation programme. This will include British Airways, British Shipbuilders warship yards and as many as possible of Britain's airports. The exact shape of the programme will of course be determined by business and economic criteria.

4.20 For a country as dependent on international trade as Britain, another important aspect of generating more jobs is the expansion of trade, and the

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breaking down of trade barriers. Some people argue quite the reverse, that effective support could be given to British industry, and unemployment would be reduced, by restricting imports either generally or selectively for particular products or industries.

4.21 This argument overlooks the indirect effects of import restraints upon industry at large. The direct effect is to support employment in protected industries, but this is brought about by raising the prices of the products of those industries, and this leads to a reduction in the demand for the products of other industries. Generally speaking, any net gain to employment is transitory and in the longer term total employment may even be reduced.

4.22 The Government recognises that in certain special cases the use of temporary import restraints may nevertheless be justifiable. Demonstrable unfair competition where other countries are "dumping" products on the British market may call for action. Again there are cases in which use can be made of the breathing-space which they provide to bring the protected industry to full international competitiveness. But the indiscriminate use of import restrictions would serve only to insulate industry from the pressures of international competition and to prevent or delay necessary restructuring - as well as raising prices and reducing consumer choice.

4.23 Growth in total employment and output in the economy cannot therefore be achieved by extending import controls. Trade policy must continue to aim at the reciprocal opening up of markets, which benefits employment in two ways. First there are greater export opportunities for British business; and secondly the long run effect of more competition in home markets is improved efficiency in domestic production and lower costs which in turn provide the basis for more opportunities for sustainable employment.

4.24 It is suggested by some that industry and employment would benefit from greater special assistance to particular areas of the country. Others argue that such regional incentives distort the national economy, and that overall

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few if any additional jobs are created. Special assistance for particular areas has been part of successive Government's industrial policy for many years. The present Government has recently reviewed this policy and concluded that although the economic case for it may be weak, there is strong social justification for an effective scheme aimed at reducing regional imbalances in employment opportunities. Changes have therefore been introduced to ensure that this objective - more jobs in relatively badly off areas - is met more effectively. Capital grants - at 15% of approved expenditure - will be subject to a limit related to the number of jobs created; alternatively firms will in future be eligible for a job grant of £3000 for each new job and they will automatically receive the higher of the two grants. The new scheme is also being extended to cover a range of service industries for the first time, and selective assistance to projects that protect existing employment but which otherwise would not go ahead is being continued.

CONCLUSION

4.25 This chapter has briefly described the first part of the Government's strategy towards employment - the economic and industrial framework. Holding a steady course on current policies is the only effective way in which a healthy economic environment and competitive industry can be fostered. This will lead to increased employment and, in time, to lower unemployment. Employment can however be higher, within the framework of current economic policies, if the jobs market reacts flexibly and if existing impediments to employment can be removed. The next chapter deals with some possible ways in which this might be done and employment growth encouraged.

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CHAPTER 5

FURTHER ACTION TO INCREASE EMPLOYMENT

5.1 The economic and industrial strategy is creating the conditions in which output and wealth can grow. Employment growth is one outcome of this increase in wealth. The question is whether employment might be further encouraged by removing barriers to employers recruiting workers or people taking or changing jobs.

5.2 This chapter considers major impediments that may continue to hinder employment and suggests possible lines of further action, consistent with efficient and effective production.

FURTHER STEPS TO REDUCE LABOUR COSTS?

5.3 As chapter 3 pointed out, the real cost of employment is a major determinant of the numbers in work. A slower growth - not necessarily reduction - in real wages would feed through into more jobs. As a broad order of magnitude, a 1% change in the average level of real pay could mean between 150,000 and 200,000 jobs. So if earnings over the last two years had not outstripped prices, the result could have been an extra half million jobs a year created over a period of time. Growth in average earnings still exceeds inflation by nearly 3%, so that employers and trade unions who favour those in employment are pushing up their real earnings at the expense of the unemployed. The Government is exerting its influence, through persuasion and by setting an example as an employer itself, to encourage moderation in wage settlements.

5.4 The Government has also recognised the significance of non-wage costs of employment in affecting the number of jobs and has acted to help, notably

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through the abolition of the National Insurance Surcharge. A further idea now being widely canvassed is a possible reduction or change in the structure of employers' National Insurance Contributions (NICs) so as to reduce the costs of employing people at lower wages.

5.5 Such a proposition does present several problems. It would mean abandonment of the insurance principle on which the National Insurance system is currently based. It could be argued that it would impart an additional distortion rather than removing existing ones; and it would be a disincentive to the employment of high-wage skilled and qualified manpower and perhaps to the acquisition of skills. In addition, the jobs effect depends on the detailed relationship between labour cost changes and employment changes in different sectors of the labour force, on which the evidence is inconclusive. And if reductions in NICs led to higher wage settlements this would reduce the employment effect. For these reasons the change would not have the same effect as a slower rise in real pay. The cost burden would be shifted and any extra costs would have adverse effects on employment.

5.6 On the other hand, the proponents of the idea that NICs should be restructured point to a number of possible advantages. It could give employers an incentive to hire those heavily represented among the unemployed, such as semi and unskilled workers, including many of the long term unemployed. If there were no resulting increase in pay inflationary pressures would not be increased, and depending upon the particular structure adopted, the jobs effect might be created without undue additional cost. Some external studies suggest that the net employment gains could be quite large, confirming the potential for new jobs not only in the high technology areas, but also at the lower end of the wage scale. By enabling more people to find a way into useful employment, lower paid jobs bring social and economic benefits, to the individual worker, the employer and society as a whole.

5.7 Several other countries, including Germany and France, have taken steps to reduce employer labour costs, and the balance of advantage and disadvantage

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of different types of restructuring NICs, which could be revenue-neutral or might involve extra cost, does seem worth serious examination in terms of the magnitude, direction and timing of employment effects in the short run, and any distorting effects in the long run. This would clearly have to be done in the context of the DHSS social security reviews.

5.8 We have also been considering the adverse effects that the Wages Council system can have on the generation of employment opportunities, particularly for young people, and the administrative and other burdens which its rigidities can impose on businesses. We are publishing simultaneously with this document a consultative paper, as a basis for informed discussion, inviting views on these effects and on options for the reform of the system. The objective would be to reduce impediments to the creation of more jobs. This consultation also provides the opportunity for discussion on whether the system should be retained.

FURTHER REDUCTIONS IN ADMINISTRATIVE BURDENS?

5.9 Excessive bureaucracy is widely held to be another obstacle to more jobs. Some of the statutory regulations have already been relaxed, notably the protections against unfair dismissal. But there are still too many forms, procedures and legal obligations, which can be a major burden for some employers and can so easily stifle enterprise and inhibit growth.

5.10 The scrutiny of burdens being conducted in 7 Departments is now in its final stage and proposals for change will emerge shortly. The report will cover a broad range of requirements and practices that can bear on employment, including local government licensing and inspection procedures, and this should lead to some helpful simplifications and lifting of burdens, particularly on small firms. Though the effects on employment might not be rapid, further action in this field could contribute to a more promising environment for employment.

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[The burdens that may be imposed by employment protection legislation are to be considered by E(A) in January].

5.11 One particular way of minimising the effect of administrative and legislative burdens is by a form of "Passport" scheme. This would specifically exempt employers who take on people below a certain wage from PAYE and employers' National Insurance contributions, and from the main requirements of employment protection legislation. The inducements to the employer would be lower labour costs, thereby providing more jobs at realistic wage rates, and the exemptions and less paper work in taking on any new employee.

5.12 This general proposal could be applied in a number of different ways. The scheme could be open to all potential employees, or restricted to those currently unemployed or the long term unemployed. There could be attractions in linking it to the end of training under the Youth Training Scheme as the natural introduction for young people into the labour market. Or the Scheme could be open to anyone prepared to work or to start work under its terms, and perhaps restricted in the first instance to small firms, including new employers. Belgium has a scheme broadly of this kind which applies to a self-employed person recruiting his first employee.

5.13 The best approach would be a scheme to be launched and tested on a nationwide pilot basis and expanded if justified by experience. Detailed study of the impact and cost of some of these options is now under way. Any proposals would need to be linked in with the MISC 107 study of provision for 14-18 year olds and with the DHSS social security reviews insofar as changes in NI contributions are envisaged.

5.14 If an option were chosen which covered 17 year olds, this scheme would replace the Young Workers Scheme. If a different option were selected, it would be desirable to retain the Young Workers Scheme, which has had some effect in reducing relative youth pay and increasing youth employment, and

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could perhaps be more extensively publicised to urge more companies to take on young people under the Scheme.

INADEQUATE LABOUR MOBILITY?

5.15 Some jobs remain unfilled or are not created because people are unable or unwilling to move to a different area or to acquire new skills. Barriers to mobility need to be overcome to allow this kind of movement.

5.16 Action already taken on housing policy is noted in chapter 3. The Government is continuing to look for ways of further encouraging provision of accommodation in the private rented sector [H Committee is to consider proposals on de-regulation of the private sector].

5.17 On occupational pensions, the Social Security Bill proposes protecting the rights of 'early leavers' by requiring pension schemes to revalue their entitlements up to pension age, in line with inflation, by up to 5% a year. It will also allow people leaving an occupational pension scheme the right to a transfer value, thus paving the way for greater portability of pensions. Beyond this, consultations have been taking place in the context of the DHSS reviews about the possibility of introducing a more radical option in the form of personal pensions which would give people the freedom to choose their own pension arrangements. The Government is firmly committed in principle to move in this direction.

5.18 Better information about jobs and jobseekers helps mobility and job matching. The MSC Jobcentres will be streamlining the services they offer to make them more efficient and effective, and better suited to the needs of the modern labour market. Jobcentres will increasingly act as a 'gateway' to a range of opportunities for jobseekers. Proposals have been endorsed for a major investment in new technology, including a nationwide system to improve the speed and handling of employers' vacancies, thus helping to fill jobs more quickly. And tests are being carried out on ways of giving people direct

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access to information about all the options available to them, including new occupations, training programmes, opportunities in other areas and self-employment.

5.19 The MSC's mobility schemes are being revised in ways designed to make them more cost-effective. New arrangements are to be tested which will link assistance with removal expenses more closely with specific 'hard to fill' vacancies, and which will provide greater access to assistance with fares for those who are interviewed for jobs outside their home area. Though small in scale, these schemes can make a useful contribution to meeting the needs of employers and employees.

5.20 Greater mobility also calls for more and better training and re-training. This cannot now be a once-for-all affair. People in mid-career will increasingly need new or enhanced skills. The continued economic recovery itself depends crucially upon overcoming skill shortages, especially in the new and high technologies. The adult training strategy, as set out in the White Paper "Training for Jobs", is therefore of major importance and an essential complement to our policies for youth training and education. As one element, the MSC's own adult training provision is being restructured into two main programmes, concentrating on job-related training and training to help unemployed people. The job-related programme will be directed to known employment needs and to helping the creation and growth of new businesses. The other programme is specifically designed to help unemployed people improve their basic skills, remain employable and cope with the changing content of jobs and work patterns.

5.21 But the strategy is for action by industry and individuals themselves as much as by Government. So the first task is to persuade employers and individuals to invest much more in their own training, as in our main competitor countries. This is the purpose of the awareness campaign recently launched by the Secretary of State for Employment, in an effort to change attitudes and behaviour over the years ahead. The campaign will be led by the

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Manpower Services Commission and will actively involve employers, those who provide training and, indeed, the widest possible range of interests, in a sustained series of collaborative events, regional and local as well as national. An important aim will be to break down the barriers to access to training that still exist.

5.22 A consultative paper has been issued on the proposal for an experimental training loans schemes for adults. It recognises that some people who are indeed willing to invest in their own training so as to improve their job and earnings prospects may face a considerable financial problem in doing so. The scheme would help remove this obstacle. Individuals wishing to take part will provide a proportion, say 20%, of the required funds themselves and will be able to negotiate a bank loan for the remainder, half of which will be provided by the Government. Repayments will be made to the bank, which will in turn repay the Government's share. Up to £5 million is being set aside for the 1985-86 pilot scheme which should cover some 10,000 loans of varying amounts.

5.23 A possible complementary approach to encouraging and helping people to invest in their own training is suggested by the interesting new American practice of developing "individual training accounts". Under collective agreements, for example that between Ford and the Union of Auto Workers, employees contribute to a type of personal insurance fund which they can then draw on to pay for training or re-training throughout their working life or at time of redundancy. We are considering whether arrangements along the same lines could be effective in Britain.

5.24 In the same vein, further suggestions have been made with the object of allowing people to use assets they have built up in their pension funds for training. First, for self-employed people this would mean widening the existing uses of these assets, whether directly or for borrowing-back purposes. This could be relatively easy to do. Secondly, but more difficult, members of occupational pension schemes could have a similar facility against

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their assets in the aggregated fund. [DHSS have serious doubts about this]. This would have to overcome the resistance of fund managers to telling individuals what their assets are worth. A third change could be to increase the limit of tax relief on contributions for, say, 3 years for someone saving for a training course. This would require Inland Revenue approval.

MORE FLEXIBLE WORKING PATTERNS?

5.25 The adoption of new patterns of work, related to the needs and circumstances of individual businesses, is of interest as new forms of employment contract develop. For example, GEC runs a scheme whereby two young people share the same job, spending the time they are not at work in further education. Rank Xerox has introduced "networking" under which some of its employees have been helped to set themselves up as self employed, often working from home, with an initial period as subcontractors. This sort of scheme is made possible by the development of telecommunications and other technology that enables individuals to operate at a distance from those employing them. More flexible working time, part-time working and extended shift systems are developing in such diverse enterprises as supermarkets and North Sea oil rigs. Other changes are being introduced such as early retirement schemes and sabbaticals or "career breaks".

5.26 The Government has so far given some encouragement to part-time working through the Job Splitting and part-time Job Release Schemes. Generalised or legislative schemes for reducing working time which have been introduced abroad, especially in Europe, are likely to be ineffective and inefficient. The employment effects are quite uncertain, being dependent upon the reaction of employers and trade unions to the changes. They could increase pay, raise productivity, or work more overtime, with no necessary increase in employment. In general, measures to re-organise working time and patterns must be compatible with competitiveness and the circumstances of individual companies.

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5.27 The same factors affect the scope for intervention to limit overtime. It is hard to see how ceilings or target reductions could be imposed or administered cost-effectively in a way which added to jobs while safe-guarding competitiveness. Legal restrictions on time worked as in Italy or punitive taxation of overtime pay, for example, would be complex, costly for employers and inconsistent with the aim of greater flexibility and freedom for employers. Overtime is of course often the most efficient way of coping quickly with changes in demand or with small but regular amounts of work outside normal working hours. Systematic high levels of overtime not related to the needs of the job are another matter, but reductions are best pursued by negotiations within individual firms.

5.28 It might be possible for the Government to facilitate and encourage the spread of new working patterns where this is in employers' and employees' interests through the supply of information. Despite growing interest, knowledge of practices that are being adopted and the conditions making for successful change in different enterprises is inevitably sketchy and unsystematic. A clearing house, either inside or outside Government, could provide information and advice about flexible working patterns and provide a focal point for the sharing of experience and views. A particular objective could be to promote the Job Splitting Scheme and the part-time Job Release Scheme which currently have a low take up.

YOUNG PEOPLE AGED 16 TO 18?

5.29 The situation of 16-18 year olds is of special importance both in relation to current employment and training provision and for their longer-term future. In recent years the Government has put resources on an unprecedented scale into improving the transition between school and work, and helping unemployed young people. The Youth Training Scheme, the Young Workers Scheme and other measures costing between them nearly £1 billion in 1984-85 are having a major effect in reducing the numbers of school leavers who are unable to find some form of employment or training and in increasing the numbers receiving systematic work experience and vocational preparation.

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5.30 But as a recent study has shown we still lag behind competitor countries like Germany, Japan and the USA in the way we prepare young people for their adult working lives. More can be done to develop a comprehensive strategy for those under 18, taking account of the wages, benefits and allowances of those on the various different pathways from school to adult life as well as their continuing education and training. The aim would be to move towards the position where unemployment should no longer be an option for this age group. This would also involve continued efforts to break down barriers to training, including the reform of the apprenticeship system. Every individual should therefore have the possibility of education, training or a job, or some combination, at least until age 18.

[To await MISC 107 conclusions on policy]

CONCLUSION

5.31 This section has put forward a number of ways in which employment might be encouraged, both by removing barriers to employment and by more specific action. Further examination would be required of the practicability of some of them, partly to assess whether employers and individuals would respond in such a way that employment gains were achieved, and partly to estimate their cost-effectiveness, including public expenditure effects. Parallel work, including the DHSS reviews, the burdens scrutiny, and in MISC 107 and E(A) as noted above, will also need to be taken into account.

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CHAPTER 6

THE SPECIAL PROBLEM OF UNEMPLOYMENT

6.1 Even with a sustained rise in employment, there will remain for many years difficult problems of unemployment. With increased prosperity, there are likely to be increased disparities in unemployment between localities and between groups of people. Many communities will prosper, but some where employment has fallen sharply will find unemployment a much more intractable problem. Many unemployed individuals will find new jobs, but some who have little skill and long experience of unemployment will remain out of work.

6.2 The Government has already done much to help alleviate the worst problems of unemployment during the recession. But with real wages increasing for those in work, the unemployed are bearing the burden of adjustment. The question therefore is whether, with increasing prosperity, more could be done to bridge the gap between the "haves" with jobs and the "have nots" without, through specific measures to help the unemployed?

6.3 Perhaps the most significant and worrying aspect of the employment situation is the huge number of long-term unemployed. Some 1½ million people, nearly 40 per cent of the unemployed, have been out of work for more than one year, over 350,000 of them for over 3 years. The numbers are still increasing.

6.4 The long-term unemployed must be regarded as the priority group for any action to deal with the individual problems of unemployment, and this chapter considers a range of possibilities. The discussion builds on experience with the existing employment measures. These are systematically evaluated and reviewed, and there is considerable detailed understanding of how well and cost effectively different schemes work.

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EMPLOYMENT SUBSIDIES?

6.5 Many people advocate employment subsidies whereby employers would receive a payment (or relief from National Insurance contributions) for each long-term unemployed person they took on, either in total or as an addition to their existing labour forces. Such subsidies have some advantages: they can easily be targeted on particular groups of workers or areas; and they put people into "real jobs".

6.6 But analysis shows that most employment subsidy variants would be much less cost-effective than existing employment measures. If they are to have a substantial impact, they must offer substantial incentives. However, they tend to have high "deadweight" (ie many employers receive the subsidy for doing what they would have done in any case), and there is frequently substitution of one unemployed person for another.

6.7 Because of their cost, and because in their more sophisticated forms they are difficult to administer and control, subsidies have not been favoured in discussion of past policy options.

MORE WORK OF COMMUNITY VALUE?

6.8 The existing Community Programme provides 130,000 places for temporary employment with some 200,000 long-term unemployed people participating in the Programme each year. It pays the rate for the job, but with a weekly wage ceiling. The rules provide for minimum substitution and displacement of other jobs, partly by prohibiting private gain from the projects. The gross cost in 1984/85 is about £560 million (£204 million net), and the net cost of taking someone out of unemployment is about £1900. Many other countries, including Denmark, Netherlands and France, have temporary work programmes, providing work of community benefit.

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6.9 There are several possible ways in which additional temporary work for the long-term unemployed might be provided. First, under a "benefit plus" scheme, unemployed people could remain entitled to an amount equal to supplementary benefit with an addition (perhaps of £10 per week) in return for doing useful community work.

6.10 A version of a "benefit plus" scheme was proposed in 1981 when the Community Programme was introduced, and the reaction from all those who would have been involved was strongly adverse. Trade unions were opposed, and there was a unanimous view from employers, local authorities and voluntary bodies that they could not deliver places and would not be able to act as sponsors for projects. In addition, it appears that a "benefit plus" scheme might be no more cost-effective than the Community Programme, and an unconditional scheme without a ceiling would probably have cost more as married men with high benefit entitlement participated.

6.11 While a "benefit plus" scheme has superficial attractions, not least in its effect on pay, the practical difficulties are overwhelming. A "benefit plus" scheme to replace the Community Programme at a larger scale does not therefore seem desirable.

6.12 Secondly, the Community Programme might be expanded under its present rules. This would mean tapping sources of demand which would otherwise lie dormant, such as local authority environmental projects which did not feature in immediate plans. At the maximum this would involve an increase to 250,000 places, catering for over 300,000 individuals per annum. This could be achieved within one year. The additional cost would be £540 million gross (£170 million net) in a full year.

6.13 Thirdly, the Community Programme might be expanded even further to 375,000 places. This would mean breaking new ground with some change to the current rules and new approaches to the generation of projects, eg in planning for a major programme of repair and maintenance of public facilities. In

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particular, it would be probably necessary to allow projects with an element of private gain. This would have the benefit of involving the private sector much more than now, in a wide range of projects eg removing eyesores, improving industrial estates, refurbishing premises; and possibly larger local infrastructure projects. But it would be necessary to keep a close watch on the rules and their administration to guard against more substitution and reduced cost-effectiveness. Timescale for effect would be 2-3 years, depending on industry's response; additional cost estimated at about £1 billion gross (about £350 million net) in a full year.

6.14 Within all these possibilities, there is a question of whether a guarantee of an offer of a place should be offered to some groups of the long-term unemployed, say those who had been out of work for 3 years or more. This would represent a very positive response to the problems of those hardest hit by unemployment, and it would have the incidental effect of clarifying which of the unemployed are, for one reason or another, not really interested in an offer of a job.

6.15 The numbers to be covered under a guarantee scheme would however be very large. Over 350,000 people have now been unemployed for over 3 years and the number is increasing as more people flow in. A guarantee to them would take up all the places in the "maximum" option set out above and it is very doubtful whether a programme restricted to this group - which might contain a relatively high proportion of "unemployable" people - would be at all attractive to sponsors.

6.16 If a guarantee were thought to be important, a more practical option would be to offer a place to all the 18-24 year olds who have been unemployed for more than 3 years. Such people would very largely have missed out on the youth employment programmes now running; the number, about 60,000, would be manageable, and there would be a mix of people with different durations of unemployment within each project.

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6.17 A fourth option for community work might be to introduce an additional, charity-based Programme. National registered charities could recruit an agreed number of long-term unemployed people, with rules governing activities, and be paid a weekly "block grant" for each. This would be rather less than the unit cost of Community Programme in exchange for less red tape. Perhaps 50,000 participants might be attracted over 2 years at an estimated cost of £180 million gross (£67 million net) in a full year. Further study would be needed of likely responses if this were thought to be desirable. It could run alongside the Community Programme.

6.18 In all these options, two practical considerations are important. First, such programmes must as far as possible be provided and delivered locally and by those who best know and understand the local circumstances. Secondly, there should be full involvement of private sector companies, bringing to bear their commitment to the local communities where they operate as well as their actual experience of creating employment. The possibilities of joint ventures between private, public and voluntary organisations would have to be fully examined.

VOLUNTARY WORK SCHEMES FOR UNEMPLOYED PEOPLE?

6.19 Unemployed people suffer not only from reduced income: their skills can decline and with that their chances of getting back into work. The Voluntary Projects Programme (VPP) aims to provide opportunities for work or activity on a voluntary basis which can be undertaken by all unemployed people, without affecting entitlements to state benefit. Sponsors come largely from the voluntary sector and funds are available for a small number of paid employees to run a project. The cost of the Programme in 1984/85 was £7 million.

6.20 A possible development of this programme might be to redesignate projects and pay participants a training allowance for a minimum attendance of a week at a time during which they would cease to draw benefit. It would be necessary to specify carefully the training provided so as to justify the

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training allowance. Such a programme could build on existing schemes to around 50,000 places over 1-2 years. Because training allowances would be paid, the gross costs would be high at £160 million (£86.5 million net) in a full year.

6.21 The Opportunities for Volunteering Scheme administered by national voluntary organisations for the DHSS offers further opportunities for useful activity. The Scheme provides grants, amounting to £5 million a year, to local projects enabling unemployed people to participate in voluntary work, specifically in the health or personal social services. It has proved its value and the Government has decided to continue it on a long-term basis. A consultation paper has been issued seeking views on how this may be done most effectively; it might for example be targetted on particular groups.

6.22 Another more speculative possibility would be to allow long term unemployed people voluntarily to "sign off" the unemployment count for a period to work on worthwhile projects while still receiving benefit, or an amount equivalent to it. To pay benefit to people in some form of work would require legislation, and there would have to be safeguards against substitution and displacement of other employees. Such a scheme would have the same drawbacks as the "benefit plus" proposal, but a small-scale approach with sponsors who were prepared to pay benefit equivalent - thus eliminating the need for legislation - might be cost-effective. It could be run alongside the Community Programme.

EARLIER RETIREMENT?

6.23 The suggestion is often made that, if there are not enough jobs to go around, earlier retirement would reduce the numbers available for work and help get some of the younger unemployed back into work. But this again is the short-term argument that there is a fixed supply of jobs which have to be shared out. Early retirement is a measure with a long-lasting effect in reducing the numbers available for work, and those who advocate early

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retirement have not considered the potential for employment creation as the economy expands.

6.24 There are practical problems too. Lowering the statutory age of retirement would have high public expenditure costs in terms of pensions and supplementary benefits, and it would create problems for private pension schemes. Some workers might have to retire before they or their employers wished, and unemployment might not be much reduced if retired employees were not replaced, or if they themselves took new jobs.

6.25 Early retirement can of course be arranged under company pension schemes to suit the requirements of individual employers and workforces. The Government itself, like those in Belgium and Germany, has taken a much more selective approach. The Job Release Scheme encourages workers to retire voluntarily to make way for younger people. This has the advantages of being reversible and specifically focussed on reducing unemployment. This year the age of eligibility has reverted to 64 for able-bodied men, having been reduced to 62 between 1982 and 1984. The 1984/85 gross cost was £290 million (£128 million net) at a cost per person off the unemployment count of £1600. A return to the lower age would cost £46 million gross (£21 million net) in 1985-86 rising to £130 million gross (£62 million net) in 1986-87, enabling a reduction in unemployment of 44,000. Costs would continue to build up each succeeding year.

MORE INCENTIVE TO PART TIME WORK?

6.26 It is often argued that many unemployed people have little or no incentive to seek work since their total income while out of work exceeds their possible income if they found a job. The Government's changes to the social security system have lessened the effect of this "unemployment trap" which does however still apply to some people with high supplementary benefit (mainly because of family responsibilities) and low earnings potential. The relationships of people's incomes in and out of work will be a major feature of the current DHSS reviews.

SECRET

6.27 Lowering the rate of benefit, which is already means-tested, does not seem an appropriate solution to helping long-term unemployed people back to work but there is one change which might be worth consideration. At present an unemployed man receiving supplementary benefit (and/or his wife) may earn up to £4 a week without loss of benefit. Beyond that there will be an equal reduction in benefit for any additional earnings. This removes any financial incentive to take part-time work. It might be possible to improve the incentive to unemployed people to seek part-time low-paid work by increasing the amount of earnings that may be disregarded in assessing benefit entitlements. If such a change were effective it would of course increase expenditure on supplementary benefit; moreover it would diminish the incentive to take full-time work both for those who made use of it and more generally through the distorting effects on the whole structure of benefits. The DHSS review of social security will be considering this option.

CONCLUSION

6.28 This chapter has illustrated a number of measures which might be taken to help unemployed people, especially the long-term unemployed, most of them involving a reduction in the numbers. Some of the proposals have little or no cost to the Exchequer, but most would involve additional expenditure by Government. Two important points may be made.

6.29 First, to the extent that this additional expenditure is not met by savings elsewhere, there would have to be an increase in taxation or borrowing over what it would otherwise have been. This will involve some loss of jobs in the economy elsewhere, and there are therefore offsets to the beneficial effects of the measures.

6.30 Secondly, the net cost of such measures - especially the Community Programme - is much lower than the gross cost because of savings in benefit expenditure and increases in tax receipts, so that the actual increase in Government expenditure is a good deal lower than the initial cost might

SECRET

suggest. Such schemes can therefore be a very cost-effective way of reducing unemployment, and since they can be targetted on particular groups, they enable help to be concentrated on those who have been hardest hit by the recession.

SECRET

CONFIDENTIAL

PRIME MINISTER

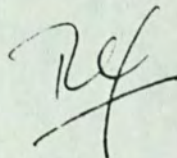
EMPLOYMENT EXERCISE

in working folder

We will be discussing at our meeting later today the paper attached to the letter of 3rd January from Tom King's Private Secretary to yours. This refers in Chapter 5 to the options for extending training provision for 16 to 18 year olds which are currently being considered by MISC 107.

It may be helpful to you and other colleagues to have by you the attached note, prepared by the Enterprise Unit, summarising the Group's discussions to date and the kind of scheme it seems likely to come up with. I should emphasise that the Group has yet to consider its draft report and Departments are not therefore committed to specific proposals. I think, however, that the note gives a fair and useful indication of thinking within the Group as a whole. I am sorry that, due to my absence from the office, I was not able to circulate the note earlier.

I am copying this to Nigel Lawson, Keith Joseph, Peter Walker, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, John Redwood and Sir Robert Armstrong.



Lord Young

14 January, 1985

CONFIDENTIAL

EDUCATION AND TRAINING AT 14 TO 18: A NEW INITIATIVE

An inter-departmental group was set up in October under the chairmanship of the Minister without Portfolio to examine possible changes in existing provision for 14 to 18 year olds. The Group (MISC 107) has made considerable progress towards outlining proposals for developing more coherent arrangements for this age group and expects to report its conclusions to E(A) next month. This note is a short summary of the Group's thinking and likely conclusions.

2. There is a strong case for a further initiative on 14 to 18 year olds:

- (a) despite the substantial numbers of school leavers now receiving training within the Youth Training Scheme, there are still some 200,000 youngsters under 18 who are unemployed at any one time;
- (b) existing schemes including the Youth Training Scheme (YTS), Technical and Vocational Education Initiative (TVEI) and Certificate of Pre-Vocational Education need to be co-ordinated and reinforced so as to produce a better return on the existing investment;
- (c) £200 million a year is currently spent unproductively on supplementary benefit payments to 16 and 17 year olds who are neither employed nor in training;
- (d) the United Kingdom lags seriously behind its major competitors in the standard of training in its work force. This hinders our ability to provide jobs for the future. The UK is the only country in which a majority of young people leave school at 16.

3. Subject to further consideration of costs and how these might be funded, MISC 107 has agreed to recommend a new training scheme that would build on the existing YTS. It would offer two year places for youngsters leaving school at 16 and one year places for those leaving at 17. Like YTS, the scheme would be mainly employer-based. It would also be voluntary in that neither employers nor youngsters would be required to participate in it, and employers would be free to continue to offer normal

employment outside the scheme to youngsters in this age group. The scheme would however be designed to be comprehensive so that it should be regarded as the normal route into employment for those who chose to leave full-time education.

4. The scheme would not be a "special measure" but a proper training scheme leading to recognised occupational qualifications such as those currently offered by e.g. the City and Guilds of London Institute (CGLI), Business and Technician Education Council (BTEC) and Royal Society of Arts (RSA). All trainees would be expected to aim for a specific qualification. In this sense the scheme would reflect the best features of the apprenticeship system, which has substantially collapsed over the last ten years. MISC 107 will recommend that a working group be set up to examine the existing structure of qualifications and take action to develop new or revised courses where these are needed. It will be important to secure recognition for on-the-job experience and develop skills in assessing trainees' progress.

5. In more detail:

- (a) the scheme would be open to employed and unemployed young people. The aim would be to guarantee places to all unemployed school leavers by September of the year in which they left school (on the lines of the current December guarantee of a place on YTS);
- (b) trainees would receive allowances. MISC 107 is likely to recommend a two-tier structure. If allowances in year 1 were at the same level as the current YTS allowance (£26.25), allowances in year 2 might be, say, £30;
- (c) it is estimated that the scheme would provide for some 420,000 young people each year. This compares with the current intake to YTS of 330,000 (numbers are adjusted in each case to relate to individual entrants, rather than numbers recorded as "starting" in the scheme, to eliminate double counting). The total size of the scheme would however be more than twice that of YTS, because the majority of trainees would stay for 2 years instead of 1;

(d) costs would depend critically on the scale of employer contribution, together with any offset from savings from other programmes. If employers were prepared to fund 60 per cent of the trainee allowance - in recognition of the scheme's contribution to meeting the costs of training their existing employees and the "value added" by additional trainees - the gross cost to Government might be some £360 million a year, in addition to the costs of YTS in its existing form. There would however be offsetting savings, including possibly some £240 million on SB. This offers the prospect of keeping first year costs (1986/87) within £100 million. These figures assume a high profile of recruitment into the scheme of both employed and unemployed young people; a lower recruitment profile e.g. for the employed would bring down the costs still further.

6. MISC 107 has considered two other options. One is for a scheme providing training up to trainees' 18th birthday, except where young people are already entitled to a longer period of training under existing rules. This would be significantly cheaper than the scheme outlined above. But it would be unlikely to appeal to employers or young people because of its arbitrary impact on the length of training to which individual young people were entitled; and it would be difficult to reconcile with sensible longer-term training arrangements. A second option would be to provide some form of community service, not necessarily involving training, for unemployed young people up to age 18 who have completed YTS. This has no obvious advantages compared with the scheme proposed by MISC 107, except its relative cost. There is no consensus within the Committee in favour of either of these options.

7. A training initiative on the lines proposed would have major repercussions on the further education system. MISC 107 has also discussed how to build on existing initiatives to develop vocational education at 14 to 16. The urgent need is for better in-service training for teachers, particularly to disseminate the lessons of TVEI. MISC 107 is being invited to recommend

additional funding of some £10 million per annum in 1986/87 to help finance such training. It would be important to see that this spending was properly targetted. Additional resources would be needed if the Group wished to recommend further extension of TVEI.

8. Introduction of a new training scheme offering places for all 16 and 17 year olds would enable serious consideration to be given to withdrawing supplementary benefit from this age group. From consultations we have been able to undertake so far, it seems possible that employers would be prepared to offer an adequate number of places to enable us to honour a September guarantee (though we shall probably still need some places - possibly up to 20 per cent - based on training workshops or community projects, at least in some areas). There is no evident justification for continuing to offer SB as of right to 16 and 17 year olds who have the guaranteed option of a training place under the proposed scheme.

9. Removal of independent entitlement to SB for 16 and 17 year olds would reduce public spending by some £245 million a year. Much of this reduction would be achieved by adopting a 2 year training scheme, even if rights to benefit were not specifically removed, since young people on the scheme would receive a training allowance and not SB. The PSBR effect would however be offset to the extent of £135 million by reduced tax and NI contributions payable by trainees. A new allowance-based training scheme should also contribute substantially to reducing young people's expectations about pay, not only at age 16 to 18 but at higher ages.

10. MISC 107 has not sought to develop a detailed specification for the proposed scheme. This would essentially be for MSC to work out in conjunction with all the interests concerned following publication of the Government's proposals, with the aim of launching the new scheme in September 1986. Both CBI and TUC have indicated their support for the concept of a 2-year training scheme, though their response to specific proposals would be influenced by the Government's attitude on SB.

Enterprise Unit

11 January 1985.

CONFIDENTIAL

PRIME MINISTER

EMPLOYMENT EXERCISE

I have read with interest the paper attached to the letter of 3 January from Tom King's Private Secretary to yours. As I have not been able to play a direct part in the deliberations of the group which produced this work, it may be useful for me to set out my views in writing before next Monday's meeting.

2 First, the question of whether we should publish a White Paper based on the present approach: I believe we should be very careful indeed before proceeding. I judge the present approach might very easily lead to an intensification of questions aimed at the Government on the basis of "why is the Government not doing more about unemployment?"; and "why does the Government not tell us what it expects unemployment levels to be in the future?". The former will strengthen those of our critics who claim that, if we wished, we could reduce unemployment. And a refusal to predict future levels of unemployment will make it look as if either we are ignorant, or that we are deliberately refusing to state what we know.

3 I therefore think that, if we are to proceed with a public document, we must stress carefully the limitation of what Government can do; and emphasise that, whatever the initiatives taken by Government, the outcome lies in the hands of many agencies whose roles are as important as that of the Government. We must make clear that the

JH5AON

Government's role is limited, and only if others within the economy take up the opportunities which we help fashion will the economy grow and unemployment fall. There is something of this in the present document, but it is not yet clearly established as one of the central messages. I believe we will only have the public impact we seek if this message is firmly established: at the moment the document contains within it all the notes that we would wish to have played, but is not yet a tune which could be sung.

4 On the particular proposals, I would not wish to oppose the extension of the Community programme, nor action on national insurance charges. But these will have to be seen in the context of the public expenditure decisions which we will be called upon to make in the course of the year. However, we need to see the results of the review of social security payments before judging the impact of any changes on that front together with tax changes which the Chancellor may have in mind. Perhaps, therefore, it is a little early to choose between some of the possible options.

5 I am copying this to Nigel Lawson, Tom King, Keith Joseph, Peter Walker, Patrick Jenkin, Norman Fowler, David Young and to Sir Robert Armstrong.

NT

NT
9 January 1985

PRIME MINISTER

Note

This supper did not take place due to snow. Question of carrying it left open.

AT 7/1

WORKING SUPPER AT CHEQUERS

The Chancellor, Mr. Tebbit, Mr. Ridley and Mr. Fowler will be attending, together with John Redwood and myself. They have been invited to arrive between 6 and 6.30 p.m.

Your main theme will be that 1985 will be a vital year for difficult decisions - thereafter, as the Election approaches, it will become progressively more difficult to take decisions which are unpopular in the short-term but which will have long-term benefits. You may like to open with a general discussion of how the Government can carry through its strategy in the face of doubts on the backbenches. How can the arguments about more capital spending which were confronted and defeated in 1981-82 be overcome this autumn?

John Redwood's two notes set out the separate policy questions which the Government will need to consider in 1985. No formal agenda has been circulated to the participants but, taking account of the responsibilities of those who are present, it might be helpful to tackle the subjects in the following order:

- (i) Mr. Fowler could report on the welfare reviews, including provision for pensions.
- (ii) Jobs exercise. What do the participants expect to emerge from the meeting on 14 January? Do they see advantage in a separate White Paper or is it better to concentrate the Government's presentation into the Budget Statement.?
- (iii) Privatisation. If BA is delayed what can be accelerated? Warship building? (problem of Cammell Laird to be overcome first). Buses?
Airports?

- (iv) Airports policy. Do those present, including Mr. Fowler as an ex-Minister of Transport, agree with you that the way forward is to maximise the development potential of Heathrow while seeking limited development of the other London airports? Can a Government majority be secured for this?
- (v) Science and Research. How can more benefit for the economy generally be secured from the massive defence research programme - Sir Robin Nicholson has just sent you a note on this. How can the switch to engineering and technology be achieved?
- (vi) What is to be done in 1985 with loss-makers such as BL and BSC?
- (vii) Sizewell. Officials in the Department of Energy say the public processes are essentially complete but that the inquiry should be completed by end-March 1985. They doubt if the Inspector's Report will be submitted to the Government before the fourth quarter of 1985. Special efforts will therefore be needed if decisions are to be reached before the end of the year.
- (viii) Trade union reform. What more can be done by legislation to encourage responsible trade unionism?

There will be important policy issues relating to local authorities, planning, housing policy, energy prices, public order and broadcasting. These, however, are best left on one side, given the composition of the gathering. You will also want to talk to the Chancellor about his Budget but this is better left for bilateral discussion.

AT

4 January 1985

JKRAQW

~~SECRET~~



b.c. Mr. Turnbull
Mr. Letwin

hwe

Lo
3

10 DOWNING STREET

From the Private Secretary

31 December, 1984.

Employment Exercise

The Prime Minister was grateful for your Secretary of State's recent minute on the Employment Exercise, to which was attached a draft of a possible document on this subject.

The Prime Minister was disappointed by the document's style. She feels that it lacks punch, and that it is too discursive to convey a clear message.

Nevertheless, the Prime Minister agrees that it would be helpful to discuss the draft at the meeting of Ministers which has been arranged for 14 January. I should be grateful if you could arrange for copies to be circulated, on a suitably restricted basis, to those who will be attending the meeting.

David Barclay

CS

David Normington, Esq.,
Department of Employment.

SECRET

PRIME MINISTERDRAFT EMPLOYMENT DOCUMENT

As you will see from Tom King's covering minute, there is a considerable amount of meat in this document, which will need to be discussed by the relevant ministers. There is also a large amount of useful background material that will help to sustain the Government's case.

An employment White Paper will be an invaluable component of a coordinated sequence of releases in March, including the Budget, the Report of the Social Security Reviews, and David Young's proposals for 16-18 year olds. Such a sequence will show that the Government has a programme for tackling unemployment that is both internally coherent and consistent with its general economic strategy.

By the standards of recent White Papers, the document is not too badly written. But the prose will need to be made considerably more energetic and persuasive if it is to do the trick. And there should be a shortened version available for wide circulation, in simple, colloquial English. We doubt whether either of these tasks can be done within the Department of Employment: you might ask Tom King to seek help from Ferdy Mount or some other first-rate stylist.

With such stylistic help, there is enough here to produce a document of real importance. We suggest that you give it a fair wind so that it can form part of the agenda for the meeting on 14 January. David

J. [Signature]

pp. Oliver Letwin

28 December 1984

*It is badly
written - no punch
no style - very discursive
and no clear message.*



fe 30

10 DOWNING STREET

From the Principal Private Secretary

24 December, 1984.

Dear Stuart,

Youth Training Scheme

Thank you for your letter of 18 December about a trainee in No.10, which the Prime Minister has seen.

~~85/1~~ The Prime Minister notes that it would not be appropriate to use the Young Workers' Scheme to sponsor a trainee in No.10, and accepts that we should therefore proceed on the lines recommended by your Minister of State when he saw the Prime Minister on 12 December and recorded in my letter of that date.

I am sending copies of this letter to Paul Thomas (Office of the Chancellor of the Duchy of Lancaster), Leigh Lewis (Office of the Minister without Portfolio), and Mike Corcoran (Minister of State's Office, HM Treasury).

Yours sincerely,

Robin Butler

Stuart Lane, Esq.,
Department of Employment.

dc

FROM: G SEGAL
DATE: 19 December 1984

MR FOLGER

cc Mr Peretz
Mr Monck
Mr Battishill
Mr Odling-Smee
Mr Scholar
Mr Culpin o.r.
Mr G White
Mr M Williams
Mr Page
Mr Turnbull No.10

Handwritten: x-ref

COST PER JOB OF PUBLIC INFRASTRUCTURE SCHEMES

This is to record that David Smith of the Times rang No.10 yesterday afternoon to ask for the source of the PM's remarks on this, as recorded at OA col 1202, 13 December. She said "the cost per job through increasing infrastructure can vary from £35,000 to £55,000." No.10 Press Office passed the query to us.

2. After consulting Messrs Monck, Odling-Smee and White, you advised me to speak on the following lines to Mr Smith, which I duly did:

"The Prime Minister did not have any particular document in mind. There have been various studies at various times but the figures given were similar to those which appeared in a recent book from Warwick University Institute for Employment Research. This showed a cost of some £50,000 per job for every additional worker from additional investment in the health industry and £32,000 per job in education."

Handwritten signature: G Segal

G SEGAL

~~Run Power~~ SEMIS



Minister of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213.....5949.....
Switchboard 01-213 3000

Robin Butler Esq
Principal Private Secretary
Prime Minister's Office
10 Downing Street
LONDON
SW1

*I should like to
draft reply to this.
Pl. put in my dip
with file.
PB/B*

Pure Mystery

Disappointing.

22.12.84 December 1984

Dear Mr Butler,

YOUTH TRAINING SCHEME

Thank you for your letter of 12 December following my Minister's meeting with the Prime Minister to discuss the application of the Youth Training Scheme to the Civil Service.

Further to my telephone conversation this is to confirm that the Minister has spoken to colleagues responsible for the Young Workers' Scheme and that, as he thought, the Scheme does not apply to the Civil Service or indeed to the whole of the public sector.

The Minister of State will of course keep the Prime Minister informed of progress in this area.

I am copying this letter to recipients of yours.

*Yours sincerely,
Stuart Lane*

STUART LANE
Private Secretary

mt
JK
19/12

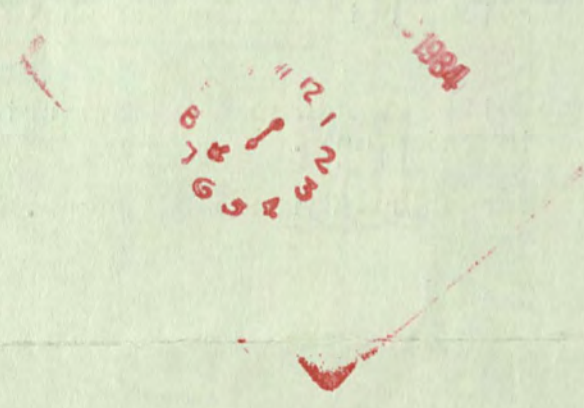
attached

Y.T.S. :- Marpower Pt 11.

Department of Transport
Custom House, Toft Street, London, E1W 3JF
Telephone: Gresham 446 111
SWISSAIR 01-313 1001



COPIED





file to

10 DOWNING STREET

From the Principal Private Secretary

12 December 1984

Meeting
Record?

YOUTH TRAINING SCHEME

The Minister of State spoke to the Prime Minister today about the application of the Youth Training Scheme to the Civil Service and in particular the provision of a trainee in 10 Downing Street. Your Minister of State explained that, if it was decided to go ahead with taking trainees into the non-industrial Civil Service, despite the disagreement of the trade unions, there would have to be a reference to the Regional Board which would oppose the schemes. The Chairman of the Manpower Services Commission could override the Regional Board, but this would be likely to lead to their resignation. He well understood that the Government might wish to force the matter to an issue and might wish it to be demonstrated that the trade unions were obstructing the provision of training places for young people, but the Government's position was weaker when there were sufficient places in the YTS without the involvement of the non-industrial Civil Service. He was therefore inclined not to push the matter to an issue at this stage but to have ready a contingency plan in case circumstances changed.

BF

The Prime Minister said that she was enthusiastic about having a trainee in her office. She wondered whether it would be possible to take one in under the Young Workers' Scheme. Your Minister of State said that he would investigate whether this Scheme could be applied in the public sector.

I am copying this letter to Paul Thomas (Office of the Chancellor of the Duchy of Lancaster), Leigh Lewis (Office of the Minister Without Portfolio) and Mike Corcoran (Minister of State's Office, H.M. Treasury).

Pauls

Mark Howdle, Esq.,
Office of the Minister of State,
Department of Employment.

DM

Employment as a Proportion of the Population

You will recall that figures we have on employment in the UK as a proportion of the population which show that a higher proportion of our population is in work than most other comparable countries.

The following is the Table from which this is drawn:-

Percentage of total population in work:-European Community Comparisons 1983 figures

Denmark	48 per cent
Luxembourg	44 per cent
United Kingdom	42 per cent
FRG	41 per cent
France	39 per cent
Belgium	37 per cent
Italy	37 per cent
Netherlands	35 per cent

Source: Eurostat Employment and Unemployment 3 - 1984

We have now obtained figures for the proportion of the population of working age in work, which show that the UK's advantage has actually increased by taking this measure. For 1982, for example, employment as a proportion of population of working age is 66% as compared with the European average of 60%. It may be worth, therefore, switching to these figures which, in any event,

are probably a better guide since they eliminate considerations of age structure.

Total Employment as a Percentage of Population from 15 to 64

	<u>1980</u>	<u>1982</u>	<u>Average 1960-82</u>
UK	71	66	71
Japan	70	71	71
West Germany	64	61	67
France	63	61	66
USA	67	66	64
Italy	56	55	57
OECD Europe	62	60	65

Source: OECD Historical Statistics 1960-82.

10 December 1984



10 DOWNING STREET

FERS

Mr Butler

Peter Morrison has asked for
5 minutes with the PM to
talk about a YTS trainee
for No 10. I have arranged
1545 on 12 Dec.

His private secretary will
phone you or me beforehand
to give us the gist of
the message.

JMB
4/12

7 December 1984

②

PRIME MINISTERAT
10/12JOBS

The Government needs a restatement of policy on jobs, as opposition will continue to centre on this issue. It needs to be of our choosing and timing, and consistent with the main economic strategy.

What can be done?

We are now approaching a crucial point in this Government's life. The opinion polls may not remain as favourable as they have done indefinitely, as the miners' dispute grows wearisome, and as memories of the bombing fade. People will again expect action and results. In spring 1984, it took a bold Budget, with losers as well as winners, to rally the press and opinion in favour of the Government.

The test of the next 4 months is whether the Government can deliver on its central strategies. It has a chance to deliver on the welfare state, on jobs, on further tax reform, on encouragement to personal rather than institutional savings, and on education and training.

Timing

The Government could win the argument and present solid achievement on the main issues by a series of linked statements:

Week 1: Results of Tom King's employment exercise - a programme providing scope for 375,000 more training and work places on Department of Employment schemes, coupled with labour market measures on Employment Protection and Wages Councils. In total, we should aim for half a million-plus jobs and scheme places.

Week 2: Young people and training - unemployment for the under-18s is no longer an option, to be announced by David Young.

Week 3: Budget statement announcing tax reform, raising of income tax thresholds, perhaps with some reduction in employer's National Insurance for the lower paid, which helps achieve the jobs target.

Week 4: Norman Fowler's announcement of the results of his wide-ranging Social Security Reviews. He seems to be working towards greatly simplified Supplementary Benefit, major changes in pensions, reductions in Housing Benefit and the ending of benefit for under 18s (who will be given training places).

Week 5: Major press conference by leading Ministers involved, perhaps chaired by you, to explain the total strategy on jobs, the welfare state and taxation; and to explain how it is a coherent whole designed to: (a) make the labour market work again; (b) give incentives and rewards to those who wish to save for themselves; (c) reduce the tax on jobs - the employer's National Insurance - and on lower incomes to tackle poverty and unemployment traps; (d) relieve poverty.

The art is now to bring these things together. Tom King and Norman Fowler should have their reports ready by end January, and Cabinet decisions can be made in mid February.

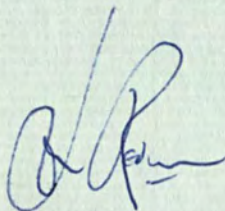
They need to be tied into Budget and public expenditure planning as:

- a. Tom King's 375,000 jobs and scheme places will cost an additional £300 million plus. This is about half the likely savings on the HB/SB Review.
- b. Cuts in employer's NIC could be important to the job initiative.

It is vital to have some such coherent programme. All of these schemes serve to put downward pressure on real wages, reduce employment costs and strengthen the labour market.

SECRET

By taking them as a whole, the individual less palatable parts of the programme could be sold to the public. Taken individually, it could be a dribble of disappointing statements allied to a few unpleasant banana skins.



JOHN REDWOOD

SECRET



10 DOWNING STREET

From the Private Secretary

27 November 1984

The Prime Minister has seen and noted your Minister of State's personal minute of 23 November about improvements in the efficiency of employment services, and the Skillcentre network in particular.

The Prime Minister was grateful to be kept in touch.

(David Barclay)

Mark Howdle, Esq.,
Department of Employment



PERSONAL

1) Mr Fletcher
2) Prime Minister

CCBT

PRIME MINISTER

The Skillcentre closures are likely to be announced next Wednesday.

amb
23/11

When we spoke briefly at the "Fit for Work" Awards lunch, you made it quite clear to Bryan Nicholson and I that you still did not feel that you were getting full value for money from the Manpower Services Commission. Message received - and the work still goes on.

In terms of efficiency, you may like to use the following example of what can be done. Between 1980/81 and 1983/84, I have managed to reduce the total cost of the Employment Service by 9% in constant prices; at the same time the cost per placing into employment has fallen by 21%; staff numbers have been reduced by 17%; and, perhaps the best news of all, the number of placings into jobs has risen by 8%. In addition, our latest proposals for the network will lead to further substantial staff savings and efficiency improvements.

Prime Minister:
Possible
Questions
material

✓

The Professional and Executive Recruitment story is quite good reading too. In 1980/81 the service employed 790 staff who were putting 4,900 people a year into jobs at a cost to the taxpayer of £5.4 million. The service now employs 290 people, who in 1983/84 placed 13,900 into jobs, while the service returned a small profit of £0.1 million.

My main reason in writing, however, is to draw your attention to a further initiative to secure greater value for money, which will become public knowledge on Wednesday next week. The Skillcentre network, although set a cost-recovery target by 1986/87, in fact faces the prospect of operating at a continuing loss of perhaps £12 million annually. The solution is to streamline the network through the closure by 1986 of 28



PERSONAL

of the 86 Skillcentres and annexes, with early retirement for around 420 staff and enforced redundancy for some 300. As you know, we are currently giving a high priority to re-directing the whole adult training budget towards skills most in demand and most likely to lead to jobs. To divert resources away from under-utilised capacity and out-of-date training in skillcentres towards more relevant provision is entirely consonant with this, and whatever the predictable reaction from some quarters, I am sure that this policy must eventually be seen to be sensible by the public as a whole.

I hope, therefore, that you will be glad to give this further "value for money" drive your personal support. I am, of course, seeing that our colleagues in the House with a skillcentre in or near their constituency are suitably briefed in advance.

P H M

23 November 1984

CONFIDENTIAL

PRIME MINISTER

23 November 1984

JOBS

Tom King's group has:

1. Drafted a themes paper.
2. Agreed to talk to Nigel about changes in National Insurance at the lower end - I was keen to avoid 3 separate bits of work and 3 different answers on what is a Budget subject.
3. Prepared a preliminary list of options:
 - a. Expansion of Young Workers Scheme.
 - b. A big expansion of the Community Programme.
 - c. Special system of small grants to voluntary bodies if they employ people.
 - d. Two new versions of the Voluntary Projects Programme with a training element, taking people off the register.
 - e. An "early retirement" scheme for the long-term unemployed.

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f. Pilot Passport scheme.

4. Work in hand on deregulation and Wages Councils.

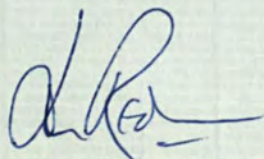
David Young is making good progress towards an extended training scheme for 16-18 year olds in MISC 107.

It is vital that each of the main protagonists now has territory to occupy, and the others do not trample on it.

The demarcation should be:

- i. David Young - unemployment not an option for under 18s.
(minutes of MISC 107 show scope of his proposals.)
- ii. Tom King - the Employment Paper and employment schemes, linked with more radical deregulation of the labour market.
- iii. Nigel Lawson - NIC and tax measures.
- iv. Norman Fowler - Reviews of Benefits and liaison with
iii.

Once they are further advanced, then you could call for reports and bring it together as a series of Budget-time planned and co-ordinated releases.



JOHN REDWOOD

MINISTER OF STATE

Jan 23/11

MEMORANDUM

From PRIVATE SECRETARY

To Mr Barclay

I attach, with apologies for the lateness of delivery,

TPM
(inform box
24/11)

- i) a personal note from Mr Morrison to the Prime Minister, ~~etc~~
- ii) for your information, a note by our officials showing a timetable of action, here and in the MSC, for the disclosure of the Shillcentre proposals - and an example of the letters that have gone through to ten Ministers with Shillcentres in or near their constituencies.

The issue will be covered thoroughly in next week's Prime Minister's briefing. Please contact me if I can be of any further help

Mark Handley

23/11

Wait for Francis

PS/MR MORRISON

cc PS/Secretary
 Mr Brand
 Mr Bayliss
 Mr Moorey
 Ms Oxford

STA

1. It may be helpful to set down a timetable of action by the Department:

Friday 23:- Mr Morrison to write to Scottish and Welsh colleagues enclosing for approval a draft letter seeking Chief Secretary's approval to the proposals.

- Mr Morrison to write to Ministers with a constituency interest in England in time for weekend ~~boxes~~.

Monday 26:- (if not Friday evening) draft Commission paper sent by MSC to the Department, Scottish and Welsh Offices.

- send letter to Chief Secretary enclosing draft Commission paper.

- Mr Maude to clear briefing package for Conservative members with a constituency interest.

-(if MoS agrees) short brief to be sent to No 10 for PM's questions

Tuesday 27:- meeting with colleagues from Scotland and Wales.

- if colleagues agree, authorise MSC to announce their proposals.

- Mr Morrison to approve briefing package for Conservative members.

Wednesday 28.11.30 - Mr Maude to arrange distribution of letters to Conservative approx members.

- (if MoS agrees) PS/Secretary to write to Clerk to Employment Committee enclosing Commission paper.

- (if MoS agrees) copies of Commission paper laid in the library in the House.

2. I attach at Annex A MSC's proposed detailed timetable for action on 28 November and should be grateful to know whether Mr Morrison is content with this (and with action by the Department set out above).

3. Mr Bayliss will submit separately a draft letter to the Chief Secretary, with covering letters for Scottish and Welsh colleagues.

4. I attach (Annex B) a draft letter to Ministers with a constituency interest in England. This is in general terms and Mr Morrison may wish to supplement it next Wednesday with detailed information (as for other Conservative members) about the effects on each constituency. We suggest Mr Morrison writes to all the Ministers listed at Annex C. Although this list is rather longer than Mr Maude's initial list, we have identified all these Ministers as having some constituency interest.

MP1A

John Dewsbury
for JOHN DEWSBURY
22 November 1984

TIMETABLE: 28 NOVEMBER

- 08.00 STA Operations Managers inform Skillcentre managers.
- 09.00 Meeting with Commissioners, at Selkirk House. Oral presentation by Ron Stephenson and John Mannell of STA. At the end of the meeting, Commissioners will get a copy of the Commission paper.
- c11.30 (i) Press Conference, in Selkirk House, led by Geoffrey Holland, supported by STA staff. Press Notice to be issued.
- (ii) Regional press conferences will be led by STA Operations Managers, and MSC TD Regional Directors.
- (iii) Conservative MPs get their letters from the Minister of State.
- (iv) [Commission paper sent to Employment Committee and laid in library in the House].
- c12.00 (i) Skillcentre Managers tell their staff, all of whom will get a 2 page note outlining the proposal.
- (ii) Alan Wisbey, MSC's Head of Personnel, informs Trade Union Side, gives them a copy of the Commission paper, and offers a meeting with STA officials.
- (iii) CBI, TUC, absent Commissioners, Chairmen of Scottish and Welsh committees also given a copy of the Commission paper.
- (iv) All other MSC staff informed.
- (v) MSC TD Area Managers give a letter to Area Manpower Board Chairmen.

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Minister of State

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213.....5949.....
Switchboard 01-213 3000

The Rt Hon Leon Brittan QC MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

23 November 1984

Leon Brittan

I am writing to give you advance notice of the announcement next week (probably 28 November) of proposals for the future of the Manpower Services Commission's Skillcentre network. These will be presented to Commissioners on 28 November in preparation for a formal decision on a recommendation to Ministers on 13 December. The proposals involve the closure by 1 April 1986 of the Middlesbrough Skillcentre near to your constituency. I will send you further details before the announcement about alternative training provision which will be available for your constituents.

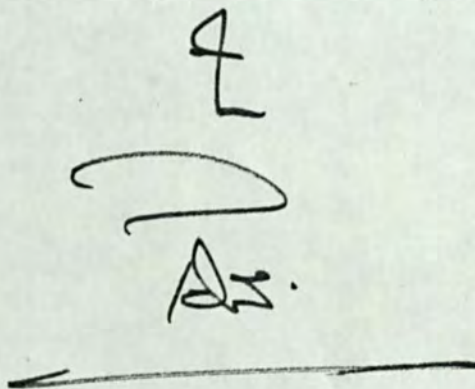
The Skillcentre Training Agency was established in 1983 as a separate agency within the Manpower Services Commission in order to manage the Skillcentre network on a cost-recovery basis. This reflected our desire that our support for adult training should be used more effectively to fund training for skills in real demand in today's labour market and not be tied up in subsidising institutions that could not pay their way. This will enable the Agency to operate without any subsidy from the taxpayer (currently planned to be up to £24m this year and £12m next year) thus releasing funds for more cost-effective training.

Our objectives for the Skillcentre Training Agency are an integral part of the Government's adult training strategy, announced in January this year in our White Paper 'Training for Jobs'. This made it clear that we are maintaining our

overall level of support for adult training. But by using resources more efficiently by 1986/87 we shall be able to double - to 250,000 - the number of people whom we help to train. At the same time, training will be more closely geared to the needs of the market, thus particularly improving the job prospects of the 125,000 unemployed people we expect to train with our support each year.

In reviewing progress towards breaking-even, the Skillcentre Training Agency has concluded that a radical reform of Skillcentre training provision is required to cater for changing needs. Plans involve both a reduction in overhead costs and changes in the type of training offered by Skillcentres. The proposed new network will be smaller, but remain a national network of 58 centres, following the closure of 15 main skillcentres, and 14 subsidiary training centres. In addition, an enhanced mobile instructor service will provide training when and where required. About 1,050 staff will be affected by these proposals, of whom about 350, mainly in industrial grades, are expected to be made redundant. The remainder are likely to be redeployed or to take voluntary premature retirement.

I am writing in similar terms to other colleagues with a constituency interest in England.

A handwritten signature in black ink, consisting of a stylized 'P' and 'M' with a horizontal line underneath.

PETER MORRISON

23 NOV 1984

11 11

PRIME MINISTER

MEETING WITH LORD YOUNG

Apparently my letter recording your wish to see greater urgency in the employment exercise has disturbed Lord Young. He would find it difficult to complete his exercise into 14-18 year-olds in time for inclusion in a document to be discussed in January. He is worried that Mr. King will seize on this letter, either to press Lord Young to go faster than he thinks right, or to submit his results piecemeal.

There is no reason to get anxious about this. The purpose of a letter was to prevent any further slippage in this exercise. If the deadline for the discussion had been set in February, which would have suited Lord Young, the pressure would have been taken off work on all the other components. In his minute to ^(para 5) you, Mr. King recognised that Lord Young's work might have to come in a bit behind the rest and that the document might have to be circulated with some gaps in it. Our aim has been to ensure that the gaps are kept to a minimum, not to set unreasonable deadlines for Lord Young.

AT

20 November 1984



NPO

bc John Redwood

10 DOWNING STREET

SECRET

19 November 1984

From the Private Secretary

Dear David,

EMPLOYMENT EXERCISE

The Prime Minister has seen your Secretary of State's minute of 15 November reporting on progress towards a Government document on Employment and Unemployment. She has noted the ideas in paragraph three which the Group has been considering and has suggested that a campaign to urge companies to take on young persons under the Young Workers' Scheme be added to them.

Given the state of play on the various components of this exercise, the Prime Minister does not believe that a meeting before Christmas would be appropriate. She has asked, however, that a timetable be set for the remaining work which would allow all the main options to go into the package of measures to be evaluated before Christmas so that a draft document can be ready for discussion in early January.

I am copying this letter to David Peretz (H.M. Treasury), Callum McCarthy (Department of Trade and Industry), Steve Godber (DHSS), Elizabeth Hodgkinson (Department of Education and Science), Leigh Lewis (Office of the Minister Without Portfolio), Edmund Hosker (Mr. Lamont's Office), DTI), and to Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

ANDREW TURNBULL

David Normington, Esq.,
Department of Employment.

SECRET

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JR

C.B.

Prime Minister ①

Peter Gregson and I also favour January, but
no slippage.

MR TURNBULL

AT
16/11

16 November 1984

THE EMPLOYMENT EXERCISE

Afford
ms


There are two options in order to maintain the momentum:
either hold a meeting in mid December before the Prime
Minister goes abroad, to keep everybody up to the mark; or
set a deadline early in January when Tom King's paper will
be available.

Whilst we favour as early a timetable as possible, meetings
that lack substance do nobody any good. We would therefore
suggest writing to Tom King to say:

1. He should have evaluated in his group the main options
to go in the package of measures by the middle of
December.
2. He should keep to his timetable for drafting the White
Paper by early January.
3. A date should be chosen in early January to consider
both the draft paper and the package of measures.

As this timetable would represent several weeks of slippage,
the letter could stress the urgency of meeting this new,
more relaxed timetable.

David Young's findings on his two groups relevant to
employment could be incorporated in the paper in the final
drafting sessions in February.



JOHN REDWOOD

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PRIME MINISTER

EMPLOYMENT EXERCISE

1 As you know, a small group including David Young, Norman Lamont and John Redwood is now preparing under my chairmanship a document on our approach to employment and unemployment. You asked me to report progress. — —

2 We are agreed on the nature of the document, and work is proceeding. Broadly it must try to meet the concern in the country and the Party about employment issues. We shall:

- analyse the nature of the country's employment and unemployment problem, including comparison with overseas experience;
- explain what we as a Government have done and are continuing to do to create conditions in which employment can flourish, and to deal with some of the worst problems of unemployment;
- explain why many of the alternative approaches put forward by those outside Government are misconceived and unacceptable; and
- consider what more we could or should be doing.



3 Three ideas for further consideration have emerged from our work so far. First, the Policy Unit have suggested that we

① re-examine a major "benefit plus" scheme. I have asked the interdepartmental official Manpower Group to look at this immediately and to report back as quickly as possible.

Secondly, I have asked for a brief information note of the employment effects of possible recastings of National

② Insurance contributions. If the outcome of this indicates further consideration, I shall take this up with Nigel Lawson and Norman Fowler. Thirdly, we are considering whether there

③ would be merit in any further measures targetted on the long-term unemployed. However, recent work has confirmed that existing measures are the most cost-effective way of making an impact on unemployment, and our further deliberations will keep this firmly in mind.

④ Campaign to urge business to take on a young person under the Young Workers Scheme.

4 I intend that a draft of the document should be ready for colleagues' consideration early in the new year, so that they can see the framework we are proposing.

5 There are of course several other initiatives with implications for employment which will come to a head over the next few months. These include the scrutiny of administrative and legislative burdens on industry; Norman Fowler's reviews

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of social security; David Young's enterprise studies of the 14-18 year olds, and of small firms; and my own policies on Wages Councils and employment protection and "Passport for a Job". Other continuing policies such as the competition initiative are also relevant. Some of this work will not be completed until early in the new year and the preparation of our preliminary draft will need to take this into account. However, I do not propose to delay our work, and the draft we circulate to colleagues will, where appropriate, leave gaps to be filled in as other work reaches agreed conclusions.

6 We have for the moment left aside the question of publication, but I hope that we can move towards some kind of published document. It is clear from the Conference and recent debates that pressures are increasing over the whole issue of unemployment, which is now the most significant of domestic political issues. A clear statement of the Government's concern and policies could do much to alleviate this, by bringing together the employment aspects of our current and continuing policies, and also provide a framework within which the decisions emerging from other initiatives could be set out as they affect employment.

7 At the same time, a published document would have to be convincing and it would therefore be right to defer final decision on publication until we see what emerges from my own exercise and the other initiatives.

-3-

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8 I am sending copies of this minute to David Young and Norman Lamont who have been working with me on this exercise and to Nigel Lawson, Norman Tebbit, Norman Fowler, Keith Joseph and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a large, stylized initial 'T' followed by a smaller 'K' and a period.

T K

15th November 1984

-4-

CONFIDENTIAL

CONFIDENTIAL

15 Nov 1994

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





10 DOWNING STREET

From the Private Secretary

14 November 1984

AGRICULTURAL TRAINING BOARD: OVERSEAS ACTIVITIES

The Prime Minister has considered your Minister's further letter of 12 November about the proposed extension of the Agricultural Training Board's activities to overseas operations.

In the light of the further information contained in your Minister's letter, the Prime Minister reluctantly agrees - subject to the views of the Legislation Committee - that the necessary legislation may be offered as a possible Private Member's Bill in the current Session.

I am sending copies of this letter to Colin Jones (Welsh Office), John Graham (Scottish Office), Richard Broadbent (Chief Secretary's Office, HM Treasury) and Richard Hatfield (Cabinet Office).

David Barclay

6

Ivor Llewelyn, Esq.,
Ministry of Agriculture, Fisheries and Food,



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

CCND

From the Minister

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1

Prime Minister⁽¹⁾
In view of the Treasury advice
at X overleaf, do you agree that
this extension of the ATB's
activities should go ahead?
12 November 1984

John Prime Minister,
A10

Reluctantly - yes
13/11

AGRICULTURAL TRAINING BOARD: OVERSEAS ACTIVITIES

In his letter of 10 October your Private Secretary asked that when discussions with the Treasury had been completed I should set out the kind of projects which I would envisage the Agricultural Training Board (ATB) undertaking if it was empowered to operate overseas; and the prospects for recouping the initial investment of public funds.

The projects in which the ATB could participate cover a wide range but one important area would be involvement in major export contracts. In recent years these have covered the installation of irrigation schemes and the setting up of complete dairy units in the Middle East. The training of local staff to run the new system is a vital part of the total export package and the participation of the ATB could improve our chances of gaining such contracts. In addition, the Board could undertake specific training to meet local needs. All such work would be undertaken in collaboration with private sector consultants and the additional skills which the Board could provide would increase our general export effectiveness.

The British Council and the ODA have confirmed that there is a considerable demand for such training skills and they would welcome the involvement of the ATB in the way I have suggested. The funds required to set up the Overseas Training Unit within the Board would be very small - about £10,000 - which could be provided as an interest-bearing loan from within the grant in aid. The Board estimates that costs in the first year would be around £25,000 rising perhaps, to £45,000 in year 2 and £70,000 in year 3 if business develops as anticipated. The level of profits - based on current consultancy rates and after paying off the loan - is expected to be of the order of £2,000 in year 1 rising to around £10,000 in year 3.

/I accept that ...

I accept that in cash terms these are modest returns but it is also an extremely modest investment. Treasury officials take the view that the arrangements could bring a net benefit to the Exchequer or, if the business failed to develop as expected, it could result in a net charge. But in view of the small sums involved they consider it would be reasonable to allow the ATB to have a crack at the overseas market, subject to keeping the operation under close review. They would also expect the ATB to withdraw rapidly from such activities if, in the event, the venture was unsuccessful. These are conditions which I would have insisted upon in any case and I have no difficulty in accepting them. !! / X

My own view is that the Board should be able to operate profitably overseas and that their involvement in such work will be of benefit to the private sector and will improve our general export performance. It would also fit well with our encouragement to the Board to maximise its revenue from non-Exchequer sources and the profits generated would be taken into account in determining the future level of the Board's grant-in-aid.

I hope that in the light of this further background you would be prepared to agree to the necessary legislation being offered as a possible Private Member's measure in the current Session.

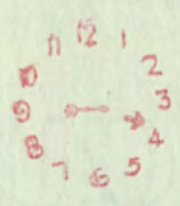
A copy of this letter goes to Nicholas Edwards, George Younger, Peter Rees and Sir Robert Armstrong.

James Ewart
Michael

MICHAEL JOPLING

Harporer PT 11
S/E/MS

72 NOV 1984





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

2
[Handwritten initials]

[Handwritten signature]

[Handwritten signature]

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

9 November 1984

[Handwritten initials]

9/11

Dear Andrew,

CONSULTATION DOCUMENT ON TRAINING LOANS

My Secretary of State wrote to the Prime Minister on 23 October about a consultation document on training loans. The Prime Minister and members of E(A), to whom he copied his minute, agreed to its publication. Accordingly my Secretary of State will publish the document on Monday following a formal announcement via a written PQ. A copy is enclosed.
...

I am copying this letter to private secretaries to other members of E(A) and Sir Robert Armstrong.

Yours sincerely,
Judith Rutherford

JUDITH RUTHERFORD
Private Secretary

Manpower Pt 10: Special Emp Measures



UNITED STATES DEPARTMENT OF LABOR

OFFICE OF SPECIAL EMPLOYMENT MEASURES

WASHINGTON, D.C. 20460

DATE: _____

TO: _____

FROM: _____

SUBJECT: _____

RE: _____

DATE: _____

TO: _____

FROM: _____

SUBJECT: _____

RE: _____

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RE: _____

TRAINING LOANS

A proposal by the
Secretary of State for Employment
for an experimental
training loans scheme
for adults

November 1984
Department of Employment
DE

This paper gives details of a proposal for an experimental training loans scheme for adults to begin in the financial year 1985/86.

Written comments about the contents of the paper are invited from all interested organizations and individuals.

The closing date for comments is 31 January 1985. They should be sent to Mrs R Davison, MP1A1, Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

Further copies of this document may be obtained from Mr A Frankel, Tel No 01-213 4474.

Introduction

1 Training is an investment for the country, for businesses and, above all, for the individual. The Government consider it vital that opportunities for training should, wherever possible, be increased and improved.

2 The main responsibility for this rests, as the recent White Paper 'Training for Jobs' (Cmnd 9135) made clear, with employers. It is up to them to train their workers in the skills that their businesses require. The Government also contributes massively through the training services of the Manpower Services Commission and through the education system in general.

3 There is also an important place for individual enterprise. Individuals are generally the best judges of how their own careers should develop, and if they want to undertake training on their own initiative, independently of either their employer or the state, they should be encouraged and enabled to do so. The Government therefore announced, in 'Training for Jobs', that it would examine the feasibility of a loan scheme for adults who want to finance their own training.

4 This proposal is to be seen as opening up an *additional* route, complementary to and separate from existing training schemes.

5 This paper outlines a pilot proposal on which all interested individuals and organizations are invited to comment, before the Government decide whether to introduce such a scheme, and the precise form that it might take.

Background

6 Most people who now finance their own training use their savings, or borrow from family or friends. Sometimes they can borrow from the organization that is running their course, and some borrow from banks or other financial institutions.

7 This last form of finance for training is, however, comparatively limited. Personal loans are normally granted on the basis of a person's current earnings or assets, and both banks

and trainees may be reluctant to enter into a commitment that depends, as a training loan often would, on the borrower's future potential earnings.

8 This reluctance is understandable. Nevertheless the advantage that a loan for training has over a loan for a car or holiday is that it can generate its own repayments by improving the borrower's earnings potential. From the lender's point of view therefore it can be seen not as a normal personal loan, but as a loan which otherwise may not be possible for an investment which is expected to produce a profit.

9 The same is true from the point of view of the borrower. This scheme is intended for those who arrange their own training in the firm expectation that it will improve their prospects including their earnings. This should be regarded by them, as well as by the lender, as an investment, in the same way as if they were buying premises for which a loan would be the normal source of finance.

10 For these reasons the Government wishes to take action to expand the market in loans of this type. If it is successful the advantages for all parties would be considerable. More people will be trained in courses of immediate vocational relevance at very low net cost to the public. There will be wider economic benefit from allowing market forces to affect the pattern of training. The provision of such courses will be encouraged. The lending institutions, for their part, will be able to develop a new area of business and use it to attract new customers.

11 One way of doing this would be for the Government to provide a guarantee for such loans. This would however require main legislation. In order to test the case for this, the Government therefore proposes, subject to the response to this consultative document, to run a limited pilot scheme, on the basis of *shared* loans on the lines set out below.

The pilot scheme in outline

12 The Government would invite a limited number of banks and other lending institutions, on a first-come first-served basis, to take part in the project. Those seeking a loan would apply to one of these institutions. They would be required to provide a certain

proportion, say 20 per cent, of the required finance from their own resources. If the bank judged that their application was basically a sound commercial proposition the bank would negotiate with them a loan for the remainder providing, say, half from its own resources, the other half being provided by the Government. The whole loan would attract the appropriate commercial rate of interest. Payments of interest and repayments of capital would be made to the bank, according to a timetable negotiated between them and the borrower. The bank would in turn repay to the Government its share of the loan and interest.

13 The Government is willing to make available up to £5 million in 1985/86 for the pilot scheme. This is expected to enable some 10,000 loans, of varying amounts, to be made.

Who could apply?

14 It is of the essence of the proposal that the scheme should be as open as possible. It is therefore proposed that the pilot scheme would be open to anyone over the age of 21, who is resident in Great Britain and who does not receive any other form of public support for the course in question.

What type of course will be covered?

15 In principle the scheme is intended to cover any kind of course which will improve the applicants' earning capacity more than sufficiently to re-pay the loan with interest. It will be up to the applicants to identify such a course and then to convince the bank that it represents a sound commercial proposition. To that extent the scheme will encourage training institutions to provide and market relevant courses. The training might be full-time or part-time, taken at a college or through 'distance learning' methods. Loans would not be available for very short courses lasting, say, less than two weeks, nor for those lasting more than a year full-time. Loans would not be available for any course in an institution of higher education for which a student award is available, or a part-time equivalent.

What would the loan cover?

16 The loan would cover payment of fees and in the case of full-time courses any necessary element for maintenance.

Administration

17 The Government would consider proposals from any United Kingdom bank or other United Kingdom financial institution to take part in the scheme, either singly or as part of a consortium. Those selected would be expected to undertake all marketing and administration of the scheme recovering their costs through their charges. They would be responsible for assessing and granting loans, again on a first-come first-served basis, within the amount of Government money allocated to them.

Terms of the loan

18 It would be for the banks to assess the risk and determine the terms on which they would be prepared to offer the loan, including the period of repayment and rate of interest, acting on a commercial basis in competition with one another having regard to the degree of Government funding which would be available. It is envisaged that most training loans would be repayable over a period of two to three years after completion of the course, or recommencement of employment. The rate of interest will vary with circumstances but is unlikely to be less than the banks' usual personal loan rate.

19 It is emphasized that the scheme would be intended to provide loans, not grants. Interest would be incurred from the beginning, and payment must take place in the end. While the lender might be willing to delay or suspend repayments in special circumstances, the debt would not be cancelled. In cases of default the lender would be expected to apply its normal procedures.

Scale of the pilot scheme

20 The Government is prepared to allocate £5,000,000 to the pilot scheme in 1985/86. This would be allocated to participating financial institutions, and passed on by them in the form of loans,

on a first-come first-served basis. With matching contributions from the financial institutions this would enable some 10,000 loans averaging around £1,000 to be made.

21 When a decision could be taken whether or not to extend the experiment or to proceed with the introduction of a permanent scheme will depend on the degree of take-up, the nature and particularly the length of courses for which loans are made. These factors will determine how soon it will be possible to assess the long-term viability of such a scheme. The operation of the pilot scheme would be closely monitored and further decisions made as soon as possible.

Where to send comments

22 The Government accordingly invites views on:

- (a) whether there is a need for a training loans scheme;
- (b) whether a Government shared loan or, in the longer term, a loan guarantee scheme would be a sensible way to encourage such loans;
- (c) the proposed features of the pilot scheme set out in this paper.

23 Comments should be sent by 31 January 1985 to Mrs R Davison, MP1A1, Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

Subject



LO K 2ABE

cc Master

10 DOWNING STREET

From the Principal Private Secretary

8 November 1984

SIR ANTHONY JOLLIFFE

The Prime Minister was grateful for the briefing in your and Ruth Thompson's letters of 7 November for her meeting with Sir Anthony Jolliffe today.

Sir Anthony Jolliffe said that his City of London Business in the Community initiative was going well. He already had 66 corporate members, 30 below the national total; and he hoped to have 250 by this time next year. He was setting up workshops in Hackney, Tower Hamlets and Islington, despite initial lack of cooperation by the local authorities. In Hackney, Samuel Montagu had agreed to give £¹/₄ million for a mixed development of private housing and workshops; and Abbey National were providing mortgages for the housing.

He was also tackling education problems in schools: he had spoken to the Headmasters Conference and urged them to bring an industrialist into every school in the country. He himself was planning to teach two lessons a week at Harrow School and at a comprehensive school in Willesden.

Sir Anthony Jolliffe added that he would be becoming President of the London Chamber of Commerce next June and hoped to cause that Chamber to be much more active.

The Prime Minister congratulated Sir Anthony on what he was doing: people like him were needed who were prepared to work on bringing employment to young people and not just talk about it.

I am copying this letter to Ruth Thompson (Department of Trade and Industry) and Elizabeth Hodgkinson (Department of Education and Science).

E. E. R. BUTLER

David Normington, Esq.,
Department of Employment.

Subject

VS2 A/BF.

M. SHERBOURNE

cc Master

SIR ANTHONY JOLLIFFE

When Sir Anthony Jolliffe, the former Lord Mayor of London, called on the Prime Minister today to report on his work for Business in the Community, he said that he had been discussing with Lord Sieff and Edwin McAlpine ways of bringing the present middle generation of industrialists - in the 40-50 bracket - into closer touch with the Conservative Party. Sir Anthony said that he held two luncheons a month to which he invited businessmen of his generation; and he had it in mind to invite some junior Ministers to meet them and put across the Government's case.

The Prime Minister said that she welcomed this and if Sir Anthony Jolliffe were to let her know when he was arranging the first of these luncheons, she would encourage some of her junior Ministers to attend. She mentioned David Trippier in particular.

E. E. R. BUTLER

8 November 1984

DEPARTMENT OF EMPLOYMENT



Caxton House
Tothill Street
London SW1H 9NF
Telephone 01-213

5949

Handwritten initials

WITH THE COMPLIMENTS OF
THE PRIVATE SECRETARY OF THE
MINISTER OF STATE

To: David Barclay: *Mr. Plesch*
8/11

As promised, an advance
copy of the material which
will go to every MP tomorrow
at the House.

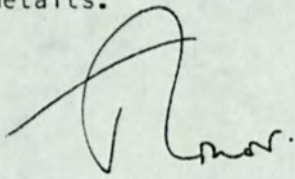
Mark Harold
8/11

REMs

cc Mr Emmett
Mr Howdle
Mr Hemmings
Mr Weston
Miss Brooker

PACKS FOR MP's

1. I attach a copy of the summary which will be attached to the Commission paper when it is sent to MPs.
2. The pack that will go to the MP's via House of Commons on 9 November will contain:
 - i. letter signed by REMs
 - ii. Commission paper
 - iii. Summary sheet
 - iv. local details.



T R R O'CONOR
Executive Director Wales and South

6 November 1984



**Manpower
Services
Commission**

Midlands Regional Office
8th Floor, Alpha Tower
Suffolk Street
Queensway, Birmingham
B1 1TB
Tel 021-643 6338
GTN 2965

Employment Division

Sir Phillip Holland MP
Gedling
House of Commons
LONDON
SW1A 0AA

Your reference

Our reference

Date 9 November 1984

Sir Phillip

DEVELOPMENT OF THE EMPLOYMENT SERVICE

As you know, at their meeting on 26 April the Commission discussed a paper on the development of the Employment Service.

The Commission asked that the paper be published and made available to all interested organisations for consultation and that Employment Division should report back to them in the Autumn.

The consultation process has resulted in modifications to the original proposals with the plans for the network being amended to reflect local and Area suggestions where possible.

I now enclose, for your information, a copy of the paper which will be presented to the Commission at its November meeting and a copy of the proposals covering your constituency.

Yours sincerely
George Binns

G BINNS
Regional Employment Manager

OFFICE	CURRENT STATUS			DEVELOPMENT PROPOSALS			OFFICE PROVIDING OTHER SERVICE	STAFF AFTER SUPERVACS	REMARKS
	STAFF	OPENING TIMES	SERVICE PROVIDED	STAFF	OPENING TIMES	SERVICES PROVIDED			
NOTTINGHAM A	44.5	Mon - Fri Sat - Sun	Full	46.5	Mon - Fri Sat - Sun	Full		44.5	
NOTTINGHAM B	6.5	Mon - Fri Sat - Sun	Information and vacancy display	6.5	Mon - Fri Sat - Sun	Information and vacancy display	NOTTINGHAM	6.0	
ARNOLD	4.5	Mon - Fri Sat - Sun	Full except TOPs	3.5	Mon - Fri Sat - Sun	Information and vacancy display + A	NOTTINGHAM	3.5	
BEESTON	4.5	Mon - Fri Sat - Sun	Full except TOPs	3.5	Mon - Fri Sat - Sun	Information and vacancy display + R, A	NOTTINGHAM	3.5	
BULWELL	11.5	Mon - Fri Sat - Sun	Full except TOPs	8.5	Mon - Fri Sat - Sun	Full except TOPs	NOTTINGHAM	8.0	
NETHERFIELD	4.0	Mon - Fri Sat - Sun	Full except TOPs	3.0	Mon - Fri Sat - Sun	Information and vacancy display + A	NOTTINGHAM	3.0	
HUCKNALL			No current provision	1.0	Mon - Fri 10am - 3pm	Information and vacancy display	NOTTINGHAM	1.0	
MANSFIELD	17.0	Mon - Fri Sat - Sun	Full	17.5	Mon - Fri Sat - Sun	Full		16.5	
SUTTON IN ASHFIELD	11.0	Mon - Fri Sat - Sun	Full	9.5	Mon - Fri Sat - Sun	Full except TOPs, LTU, SPS	MANSFIELD	9.0	
NEWARK	5.0	Mon - Fri Sat - Sun	Full	5.0	Mon - Fri Sat - Sun	Full		4.5	
RETFORD	5.0	Mon - Fri Sat - Sun	Full	4.0	Mon - Fri Sat - Sun	Full		4.0	
WORKSOP	8.5	Mon - Fri Sat - Sun	Full	7.5	Mon - Fri Sat - Sun	Full		7.0	

NOTES 1. All Jobcentres will provide vacancy filling, information and limited advice on MSC programmes.

2. These proposals for the development of the Employment Service will be introduced in the period 1985-1988.

3. Index to symbols - OT = order taking, M = matching, LTU = long term unemployed, CP = Community Programme, TOPs = training applications, A = advice
SPS = special programmes applications eg ETS = Employment Transfer Scheme, JRS = Job Release Scheme, EAS = Enterprise Allowance Scheme.

MANPOWER SERVICES COMMISSION
DEVELOPMENT OF THE EMPLOYMENT SERVICE

SUMMARY

1. Following a period of consultation officials of the Employment Division of the Manpower Services Commission are putting proposals for the future of the Jobcentre service before the Commission at its meeting on 22 November.

2. The proposals, which are set out in the attached paper, are designed to modernise the service by making it more accessible, efficient and cost effective. The main points are:

- (i) the addition of 82 new Jobcentres to give a total network of 1065 offices - the largest Jobcentre network ever;
- (ii) substantial capital investment in new technology which will both improve job vacancy handling and complement staff in their expanding role of providing information and advice;
- (iii) the maintenance of the present level of special help for disabled people and the long term unemployed;
- (iv) re-organisation to improve productivity which will entail limited centralisation of some specialist services. This will affect only a very small proportion of Jobcentre users and where extra travel of 3 miles or more is involved fares will be re-imbursed;
- (v) the cost of the service will be reduced by around £8 million a year by 1989. Staff savings over 3 years, achieved almost entirely through natural wastage will be 980 posts (530 posts from re-organisation and 450 posts from the introduction of an improved vacancy handling system).

3. The above proposals, if agreed by the Manpower Services Commission, will provide for the progressive modernisation of the existing service in the second half of the 1980s. The present service has 991 offices employing 8050 permanent staff, places 1.6 million people into jobs in a year and is used by around 250,000 people every working day.

MANPOWER SERVICES COMMISSION

DEVELOPMENT OF THE EMPLOYMENT SERVICE

Paper by the Chief Executive, Employment Division

1. Introduction

1.1 Proposals for the Development of the Employment Service were considered by the Commission at its meeting on 26 April 1984 (MSC/84/22). Following discussion, management of the Employment Division was instructed to:-

- (i) produce detailed first draft proposals for a revised Jobcentre network and service;
- (ii) publish these proposals together with the Commission paper and undertake wide consultation;
- (iii) test the untried elements in the proposals as soon as possible.

1.2 After the Commission meeting broadly endorsed the outline strategy, Ministers in the Department of Employment also confirmed their agreement to it.

1.3 The purpose of this paper is to describe progress and to invite Commissioners to approve revised proposals which will set the policy for the Development of the Employment Service in the period 1985-88. The main features of these revised proposals are highlighted in the next section of the paper. Then in Section 3 I refer as a benchmark to the Jobcentres' network, services and staffing at 1.10.84. In Section 4 (and Annex 1) I describe the stages involved in producing the revised proposals and those features of the proposals which have been welcomed by those consulted. Section 5 explains how the revised proposals are designed to deal with the main criticisms of the earlier proposals which emerged from the consultation. In Section 6 I set out my conclusions and recommendations for decision by the Commission.

2. Summary of Revised Proposals

2.1 The revised proposals show several changes from the outline strategy considered by the Commission at its meeting in April. The main points are now as follows.

2.2 Jobcentre Network

- (i) The network would be expanded through the addition of 82 Jobcentres.
- (ii) There would be 8 towns where mergers of two Jobcentres into one would take place but otherwise no Jobcentre closures.
- (iii) A total of 1065 Jobcentre outlets - the largest there has been.
- (iv) There would be 530 main Jobcentres offering a full range of services compared with only 350 main Jobcentres in the outline strategy.

2.3 Jobcentre Services

- (i) The classification of all Jobcentres according to three different levels of service (the 3 tier concept of the outline strategy) has been abandoned. The range and level of service offered by Jobcentres other than the 530 main Jobcentres has been determined flexibly to suit local circumstances, and at 662 of the existing 991 Jobcentres, it is planned to make no change in the range of services currently provided. About 85% of existing Jobcentre users are currently catered for in these 662 Jobcentres.
- (ii) Jobcentres would continue to provide, at the same level as now, special help for disabled people and the long term unemployed.
- (iii) The job-broking, information and advice services would be run more economically by centralising some specialised services at particular Jobcentres; but the travelling problems posed by these developments for some jobseekers would be minimised in all areas of the country by the proposal to repay the fares of any jobseeker who needs to travel more than three miles to reach another Jobcentre for these services. Moreover, in some areas - where this offers a cost effective solution - the problem would be avoided by providing the specialised services on a peripatetic basis to all Jobcentres linked to the main Jobcentre.
- (iv) To enhance Jobcentres' "gateway" role we would make a major investment in the widespread installation of modern technology such as information videos.

2.4 Implications for Jobcentre Staffing

We accept the view of many of those consulted that it would not be possible to provide an effective and efficient Jobcentre service along the lines described if Jobcentre staffing were reduced by as much as 800 posts, the maximum envisaged in the outline strategy; but we consider that an effective and efficient service can be maintained with staff savings essentially by natural wastage of 530 over 3 years - a reduction of one third on the maximum.

3. The Jobcentre Network - Services and Staffing at 1 October 1984

3.1 At present the network comprises 991 offices of which 855 endeavour to offer a full range of services on the spot, including some peripatetically delivered specialist services. The remaining 136 Jobcentres are mainly small offices providing only a vacancy display, registration facilities and limited advice.

3.2 On 1 October 1984 there were 8050 permanent staff employed in these Jobcentres.

3.3 Through this network the Employment Service has in recent years operated at about a 25 per cent share of the engagement market; in 1983/84 Jobcentre staff placed 1,654,000 people in jobs and of these 977,000 (60%) were placed through self service* procedures. There were 70,000 placements of disabled persons and 113,000 placements on to the Community Programme which assists the long term unemployed. Around 250,000 people visit Jobcentres every work day.

4. Preparation of Revised Proposals

4.1 Regional Employment Managers produced first draft proposals embodying the original three tier concept and the maximum 800 staff savings presaged in the April paper. These proposals were circulated for consultation in early July to Members of Parliament, Area Manpower Boards, Local Authorities, Trades Unions and Trades Councils, MSC staff and their Trades Unions, other organisations and individuals. Overall, four thousand organisations and individuals were consulted and replies were received from almost three thousand.

* Under self-service procedures, vacancies are displayed on cards on boards; job-seekers select a vacancy and then contact a member of Jobcentre staff for further information, submission to the vacancy, etc.

Furthermore, Regional Employment Managers attended numerous meetings with Area Manpower Boards, MSC Trade Unions and their own staff, at which views were expressed both on the general thrust of the proposals and on the level of service and staffing planned for particular Jobcentres.

4.2 The main aspects of the proposals which received support from those consulted were:-

- (i) plans to open additional new, small Jobcentres;
- (ii) the intention to maintain an equivalent level of service;
- (iii) plans to make more extensive use of new technology;
- (iv) the concept of medium term planning for the Employment Service.

Nevertheless, a large majority of those consulted were critical of several elements of the proposals. The responses to these criticisms are outlined in the next section.

4.3 Comments on the first draft proposals were requested by the end of August. Regional Employment Managers then took stock of these comments and revised their first draft proposals. These revised proposals were agreed with Employment Division senior management and form the basis of my submission to the Commission.

4.4 In parallel with this process of consultation, Employment Division management has been working towards discharging the remit given by the Commission to test the untried elements of the Development proposals. Testing of new technology and new small offices is now in progress but tests of the three tier network were discontinued following industrial action. More detailed information is set out in Annex 1.

5. Employment Division's Response to the Main Criticisms of the Proposals

Reduction in Jobcentre Services and Staffing

5.1 The most common criticism of Regional Employment Managers' first draft proposals was the level of staff savings envisaged (800 posts) and the associated reductions in services at certain offices. There was a strong groundswell of opinion in favour of retaining present levels of services at all Jobcentres. The services likely to be available to unemployed jobseekers were the chief cause of concern but the possible effects on employers were also questioned.

5.2 A number of changes have been made to the first draft proposals in response to these criticisms. First, Regional Employment Managers have revised their network proposals to provide for many more main Jobcentres (530) - and 662 of the 991 existing offices will retain their present range of services. These 662 offices cater for 85% of existing Jobcentre clients.

5.3 Second, in terms of the overall network proposed the establishment of 82 new offices would extend local access to Jobcentre services for both jobseekers and employers and provide the largest ever Jobcentre network.

5.4 Third, apart from 8 office mergers, no Jobcentre closures are contemplated, although Jobcentres may be relocated from time to time, for example, when leases expire. Further details, including the proposed locations of the 82 new offices are in Annex 2.

5.5 Fourth, Regional Employment Managers' acceptance of the need to retain a wider range of services at many Jobcentres has altered our view of the staff savings available from this reorganisation of services. We would now plan for a reduction of 530 posts (490 in Jobcentres together with a further 40 posts in Area, Regional and Head Offices).

5.6 Two other aspects of the revised proposals for the future network reveal changes from the proposals put to the Commission in April. The three tier network of Jobcentres, Jobshops and Jobpoints was a central feature of the initial proposals, with each offering a defined level of service. In practice the network that has emerged following consultation is more flexible and allows those offices giving less than a full service to provide an appropriate mix of services specifically tailored to the local environment in which the Jobcentre operates. Secondly, in the April Commission paper it was suggested that sites for new small offices might include supermarkets, building societies and post offices. In the event, endeavours to find suitable locations in such premises have not yet been successful and have generated some opposition from Trade Unions. Seven new offices have been opened in libraries and other local authority sites and we plan to open more than 80 new such offices by April 1988 and will keep open the possibility of adding to that total.

Centralisation of Services

5.7 The first draft proposals featured extensive centralisation of services

and would have required more jobseekers to travel to main Jobcentres. Many consultees argued against such arrangements, citing the cost and other difficulties entailed. Clearly the increase to 530 main Jobcentres offering a full range of services will substantially reduce the need for jobseekers to travel to other Jobcentres. In addition the revised proposals have been amended to incorporate significantly less centralisation of services. An alternative solution which has been proposed, where it would offer a cost effective solution, is to arrange for specialised services to be provided on a peripatetic basis.

Payment of Fares

5.8 Many consultees did not believe that jobseekers would travel considerable distances to another Jobcentre because of the cost of the fares. We have therefore reviewed our current arrangements for the repayment of fares to jobseekers obliged to travel to distant Jobcentres. At present jobseekers can be refunded the cost of travelling to another Jobcentre for a pre-arranged interview for journeys of more than 6 miles, or more than 3 miles where there are particular difficulties. We plan to extend these arrangements, repaying the cost of the fare to the main Jobcentre in all cases where jobseekers are obliged to travel more than 3 miles for a specialist interview. Moreover, we plan to give much greater publicity to these arrangements so that jobseekers are made aware that they can recover the cost of travel in these cases.

The Impact of New Technology on Personal Contacts and Advice

5.9 Significant capital spending on new technology was a major feature of the outline strategy. This aroused concern amongst some consultees because of the value which they attached to personal advice and counselling by Jobcentre staff. They feared that machines would replace staff in the sensitive task of providing help and advice to jobseekers, particularly to the disadvantaged groups. We believe that such fears are unfounded. The objectives of investing in new technology for the Employment Service are twofold:-

- (i) to enable jobseekers to have direct access to information about jobs and job hunting;
- (ii) to improve the efficiency of the job-broking service by upgrading the computerised handling of vacancy work through the introduction of SUPERVACS, to which Government approval has been given and which will be completed during 1988.

5.10 While the use of new technology still needs to be fully proved, early test results for videos and Jobsearcher indicate some of the options available for using new technology to complement the work of staff. Sensible use of such equipment will extend accessibility and enable jobseekers to get basic information quickly and reduce the amount of time that staff need to spend on giving this information to jobseekers on a repetitive basis. As a result staff should be able to channel their efforts into dealing with follow up enquiries and helping those jobseekers in greater need of personal help. We therefore see new technology as a cost-effective way of helping to develop the role of Jobcentres as a gateway to information about occupations, training, further education and MSC's and others' programmes.

5.11 Videos which provide jobseekers with information about working for yourself, services for disabled people, getting back to work and job hunting skills are being tested in 38 Jobcentres. Early indications are that most jobseekers can operate the equipment without difficulty and find it a helpful source of information. Further information is available in Annex 2.

Services for the Disabled and Long Term Unemployed

5.12 Considerable concern was expressed by some consultees that those already disadvantaged in the labour market, and particularly disabled people, long term unemployed and members of ethnic minorities, would be worst affected by the changes proposed. Throughout the preparation of all our proposals for the development of the Employment Service we have recognised the need to maintain our present level of services for the disadvantaged. This was a very important consideration for Regional Employment Managers in working out their first draft proposals and most of the changes in the revised proposals already described would be of particular benefit to the disadvantaged. We are confident, therefore, that our proposals will ensure that the disadvantaged do receive the special help they need at the same level as at present.

Criticisms of the Consultation Process

5.13 Apart from commenting on particular aspects of the proposals some consultees were critical of the way in which the consultation was handled. The time allowed for consultation was claimed to be insufficient and doubts were expressed about whether the consultation being undertaken was genuine. We consider that the two months of July and August was reasonable time for consultees to express their views given that the outline strategy put to the

Commission in April had already been widely publicised through the media. Commissioners can judge for themselves whether the consultation undertaken was genuine from the changes introduced in response to consultees' views which I have just described.

Impact of the Revised Proposals on Jobseekers and Employers

5.14 I should like to conclude this section by summarising the main effects of the revised proposals on jobseekers and employers.

Jobseekers

5.15 The effect of these proposals on jobseekers will be that:

- (i) many jobseekers in more than 80 locations will benefit from the opening of new Jobcentres;
- (ii) many jobseekers will benefit from the improved accessibility and quality of information made possible by the introduction of modern technology;
- (iii) services to disabled people will continue to be provided at the same level of assistance as at present;
- (iv) Jobcentres will maintain special efforts to help long term unemployed people;
- (v) a limited number of jobseekers may need to travel to a main Jobcentre to obtain the specialist services they require, but those fares over 3 miles will be paid.

Employers

5.16 Our plan is for the Employment Service to be able to handle the same volume of employers' vacancies as it does at present. Moreover, while the trend towards greater use of self service will continue, the gradual introduction of SUPERVACS will improve the speed and efficiency with which such vacancies are handled. In a few areas employers will be asked to notify their vacancies to a Jobcentre further away from their business because of the centralisation of order taking. We also propose to provide the most staff-intensive methods of screening jobseekers only for those employers who most obviously need this level of service. While there will certainly, therefore, be changes in the way that some employers' vacancies are to be handled we are confident that we shall continue to provide a good service to employers under these proposals. The aim

will be to ensure that employers and jobseekers are getting the best possible value for money from the job-broking role of the public Employment Service.

6. Summary and Recommendations

6.1 It will already be evident that the consultation process has resulted in major modifications to the original proposals:

- (i) the rigidities of the three tier classification have been replaced by a much more flexible approach attuned to local needs;
- (ii) detailed amendments have been made to the network proposals to take account of local and area concerns and suggestions;
- (iii) many more Jobcentres will provide a full range of services and the extent of centralisation of services in other Jobcentres has been modified significantly;
- (iv) arising from the proposals the staff saving almost entirely by natural wastage over 3 years would be 530 posts, a third less than the maximum of 800 posts originally envisaged.

Employment Division senior management in the field and at Head Office believe that the proposals now submitted to Commissioners provide the best basis for an effective, efficient and economic public employment service in the second half of the 1980s.

6.2 The proposals would be implemented on a rolling programme over three years to be completed by 31 March 1988, although the introduction of SUPERVACS will take place mainly in the third year. We would expect to achieve the 450 staff savings from the introduction of SUPERVACS in the same way as for the 530 saved under the development proposals. The net effect on MSC expenditure would be a reduction of £8m per year by 1988. An outline of the estimated costs and savings is shown in Annex 3.

6.3 Finally, in commending these proposals to the Commission I would suggest that the wide ranging consultations which the Commissioners instructed Employment Division management to undertake have also had positive benefits in that they:

- (i) have stimulated intense interest in, and very strong support for, the functions which the public Employment Service performs in meeting the needs of the present labour market. There is a striking consensus of views among the diverse interests consulted

that an effective public employment service has a key role to play;

(ii) have won strong support for

- a locally accessible Jobcentre network to be further extended;
- a job-broking service valued both by employers and jobseekers;
- continued provision of specialist help for disadvantaged jobseekers;
- a wider gateway role for Jobcentres, aimed at giving jobseekers access to wider education and training opportunities, other DE and MSC schemes and small business support and advice linked to the Enterprise Allowance Scheme;
- the introduction of new technology provided that it is used to enhance this advice and information role.

6.4 I therefore invite Commissioners to:

- (i) approve the basic network proposals, comprising an increase to 1065 Jobcentres (paras 2.2 and 5.2 and Annex 2);
- (ii) welcome our intention to develop the "Gateway" role of Jobcentres to provide wide and positive public access to information about occupations and services for both jobseekers and employers (paras 2.3 and 5.10);
- (iii) endorse the introduction of new technology, as and when proven, including SUPERVACS and videos (paras 5.9 to 5.11 and Annex 1);
- (iv) note that these recommendations provide for a staff reduction of 530 posts but that these posts will be saved over the three year period of the plan through natural wastage. Every effort will be made to avoid any compulsory redundancy;
- (v) authorise Employment Division to implement these recommendations.

EMPLOYMENT DIVISION

November 1984

DEVELOPMENT OF THE EMPLOYMENT SERVICE
NEW DEVELOPMENTS AND TESTING

1. Three Tier Network

1.1 One of the Development proposals was to make more effective use of resources by centralising some of the more specialised activities in main Jobcentres. Three tiers of provision were proposed with main Jobcentres offering full services and smaller Jobcentres with 3-9 staff and Jobcentres with 1-2 staff (possibly located in premises belonging to other organisations) providing lower levels of service.

1.2 The test areas were:

- (i) South West Region - Newton Abbot, Bovey Tracey, Teignmouth Ashburton and a new small Jobcentre at Chudleigh.
- (ii) London Region - Tooting, Balham, Wimbledon, Mitcham, Morden.
- (iii) North West Region - Bury, Prestwich, Ratcliffe, and a new small Jobcentre at Ramsbottom.

1.3 The aim was to test the new structure with revised staffing and levels of service in each office for a period of 3 months and to report to the Commission. However, strike action resulted in significantly reduced test periods in London and the South West while in the North West no tests were carried out.

1.4 Following agreement at national level between Management and TU Sides industrial action ceased on 11 September 1984. It was agreed that tests would be carried out on new small Jobcentres and also on videos which would be installed in a range of offices including some of the new locations.

2. New Small Jobcentres

2.1 Seven new, small Jobcentres have opened with several more openings expected shortly.

2.2 The new locations together with a brief description of the premises are as follows:

- (i) North West - Garstang - Library, Ramsbottom - Unemployment Benefit Office
- (ii) Wales - Abergele - Library
- (iii) South West - Chudleigh - "Portakabin"
- (iv) South East - Watton - District Council Office
- (v) Midlands - Burntwood - "Portakabin"
- (vi) Northern - Shildon - "Portakabin"

2.3 Evaluation started on 8 October 1984 and a report will be available to the Commission in February 1985.

3. Interactive Videos

3.1 Video is seen as having a particularly important role to play within the overall policy of enhancing the accessibility and quality of information to jobseekers. The project set up to test the effectiveness of video in Jobcentres is now well advanced.

3.2 Two interactive video disc systems have been chosen which will allow the jobseeker to select the main film to be viewed and also particular sections within that film. Commissioners will have seen and used the systems at their October meeting. During the tests the 2 systems will be compared with each other for reliability, cost and ease of use. There are 4 films on the discs of which "Working for Yourself", "Health Problem or Disability", and "Getting You Working Again" are interactive in structure. The 14 minute long "Successful Job-hunting" film is linear.

3.3 Thirty eight Jobcentres have been equipped with interactive video including at least 3 locations in each Employment Division Region. Three of the offices are new small Jobcentres.

3.4 Areas to be covered in the evaluation report will be:

- a. the effect on:
 - staff time
 - type and level of questions asked by jobseekers
 - applications and positive outcomes in the subject areas;
- b. differences in usage and effectiveness between various sizes of Jobcentres;
- c. a qualitative assessment of jobseeker and staff attitudes.

3.5 In addition to use on an individual basis the "Successful Jobhunting" film will be used and evaluated in group counselling sessions in selected Jobcentres and 3 Employment Rehabilitation Centres. Further support will be provided in the form of a jobhunt pack which provides relevant advice and exercises for the jobseeker.

4. Jobsearcher

4.1 Jobsearcher is a micro-computer alternative to conventional display methods which allows jobseekers direct, unaided access to vacancies and other information. It consists of a micro-computer, Visual Display Unit and simplified keyboard, housed in an upright unit. A free direct-line phone to the linked Jobcentre is provided so that jobseekers can pursue enquiries about vacancies and other matters.

4.2 Using the simple keyboard the jobseeker enters his or her requirements: type of job, location and minimum wage. The computer searches its files for vacancies which satisfy those criteria, and displays them on the screen.

4.3 The first Jobsearcher sites went public in September 1984. Two machines are installed at public libraries in Billericay (Essex) and Berkhamsted (Hertfordshire); Jobsearcher is also available in the self-service area at Southampton Commercial Jobcentre.

4.4 Early indications are that Jobsearcher is popular with the public. Very few users have had problems using the equipment, and the service is generating an encouraging number of vacancy enquiries and submissions. Jobcentre Managers report considerable employer interest arising from the

Launch of Jobsearcher.

4.5 A detailed evaluation of Jobsearcher is now under way. It will examine the performance of the system hardware and software, reactions of users and staff and project costs.

5. Further Information

5.1 An additional Annex (Number 4) will be sent to Commissioners shortly before the meeting with up to date information including reports on the 3 tier network tests.

DEVELOPMENT OF THE EMPLOYMENT SERVICE
FINAL NETWORK PROPOSALS

1. The final proposals prepared by Employment Division management envisage a network of 1065 Jobcentres. This includes 82 new, small Jobcentres. (See list below).
2. The level of services will remain unchanged at 662 existing offices. Under the proposals 530 offices in the current network will be main Jobcentres offering full services, while 453 offices will provide a varying range of services. (By contrast the first proposals envisaged only 350 main Jobcentres.) It is expected that the 82 new, small Jobcentres will provide a vacancy display, registration facilities and limited advice.
3. The proposals suggest that there will be 190 part-time offices compared to 31 at present, reflecting the times when the public most frequently uses the services in each area.
4. The numbers and percentages of the various types of offices are set out in the table below.

	Number	Percentage
Main Jobcentres	530	50%
Other Jobcentres		
(a) Existing Offices	453	42%
(b) New, small Jobcentres	82	8%
Total	1065	100%

5. It is proposed to establish new, small Jobcentres in the following locations.

Scotland:	Castlemilk, Drumchapel, Pollock, Dyce, Dalmellington, Corstorphine, Lady Road
Wales:	Blaina, Cardiff East, Abergele, Whitland
London:	Thornton Heath, Penge, Isle of Dogs, Harrow, Barkingside, Stoke Newington
Northern:	Gosforth, West Denton, Hebburn, Pallion, Shildon, Thornaby
North West:	Upton, Birchwold, Chorlton, Garstang, Wigton, Appleby, Formby, Halewood, Saddleworth, Chapel-en-le-Frith, Ramsbottom, Partington
Yorkshire & Humberside:	Hebden Bridge, Holmfirth, Slaithwaite, Brigg, Immingham, Harehills, Pocklington, Tadcaster, Stocksbridge, Hillsborough, Mosborough
Midlands:	Market Rasen, Hucknall, Beaumont Leys, Weston Favell, Great Barr, Coleshill, Southam, Bearwood, Brierly Hill, Burntwood, Newport, Alcester, Bloxwich, Eckington, Bolsover, Ashbourne
South East:	Ashdown, Hadleigh, Watton, St Ives, Potters Bar, Billericay, Henley, Totton, Waterlooville, Bordon, Haslemere, Paddock, Tenterden
South West:	Redfield, Knowle, West Swindon, Winton, Chudleigh, Torrington, Ivybridge

DEVELOPMENT OF THE EMPLOYMENT SERVICE

NET EFFECT ON MSC EXPENDITURE
1984/85 - 1994/95TABLE ONE - COSTS AND SAVINGS (NET PRESENT VALUE OVER 10 YEARS USING 5%
DISCOUNT RATE)
(£ MILLION)

<u>COST AND SAVINGS</u>	<u>SAVING</u>	<u>£M COST</u>	<u>NET SAVING</u>
1. STAFF (Savings from reduction of 530 staff)	33	-	+ 33
2. PREMISES (Costs of new small Jobcentres)	-	4	- 4
3. SUPERVACS (Savings from reduction of 450 staff. Costs of computer systems for about 800 offices)	28	21	+ 7
4. OTHER COSTS (Videos and jobseeker fares and Jobsearcher)	-	7	- 7
	61	32	29

TABLE TWO - PROFILE OF MSC COSTS (INCLUDING SUPERVACS) AND SAVINGS IN CASH
TERMS (£ MILLION AT 1984/85 PRICES)

<u>Year</u>	<u>Total Savings</u>	<u>Total Costs</u>	<u>Net Savings</u>
1984/85	-	0.6	- 0.6
1985/86	1.2	6.1	- 4.9
1986/87	4.4	6.1	- 1.7
1987/88	8.0	9.7	- 1.7
1988/89	9.8	2.3	7.5
1989/90	9.9	2.3	7.6
1990/91	10.1	2.3	7.8
1991/92	10.0	2.3	7.7
1992/93	10.0	2.3	7.7
1993/94	10.0	2.3	7.7
1994/95	10.0	2.3	7.7



JU480

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
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7 November 1984

F E R Butler Esq
Principal Private Secretary
10 Downing Street
London SW1

Dear Robin,

PRIME MINISTER'S MEETING WITH SIR ANTHONY JOLLIFFE, 8 NOVEMBER

I understand that you wrote to David Normington in Mr King's office today asking for some background information on Sir Anthony Jolliffe's City of London Business in the Community initiative in advance of a meeting the Prime Minister is to have with Sir Anthony tomorrow before her speech to the Lord Mayor's Banquet.

I am afraid we have not had much time to look into your enquiry, but I am told that Sir Anthony founded the City of London Business in the Community about this time last year, just before his term as Lord Mayor finished. It is part of the national Business in the Community organisation, established to foster the interests of local enterprise agencies throughout the country, and recently merged with the CBI's Special Programmes Unit. The object of the Unit is to raise money from City businesses and institutions to support Local Enterprise Agencies.

The City of London Business in the Community has concentrated its efforts in encouraging companies to involve themselves with the work of inner London boroughs in this field, where there has been a tendency for local authorities to dominate. Our officials think their work has been useful, though - and this is clearly not a point for Sir Anthony Jolliffe - there is some concern, which I believe is shared by Mr Trippier, that BiC overall tends to devote rather too much attention to London, at the expense of the rest of the country.

/I enclose ...



I enclose a newsletter on the Unit's activities which you may find of interest.

I am sending a copy of this letter to David Normington at the Department of Employment.

Yours ever,

Ruth

RUTH THOMPSON
Private Secretary

Enc



CITY OF LONDON BUSINESS IN THE COMMUNITY

NEWSLETTER

MAY - JUNE 1984

City of London Business in the Community (CoLBIC) was launched just over six months ago. The Chairman's Committee, led by Sir Anthony Jolliffe, and the Directors present this first Newsletter on the Unit's work.

Objectives

As part of the national organisation, Business in the Community (BIC), CoLBIC shares the same objectives, the prime one being to encourage industry and commerce to become more involved on a local basis with the economic, training, social and environmental needs of the communities in which they operate. BIC also aims to bring together local authorities, organisations and business in developing effective action.

CoLBIC's Directors have emphasised these objectives in their approaches to City organisations and they have found that the philosophy of corporate social responsibility is gaining welcome and increasing support from the business sector. Nevertheless, it is clear that much remains to be done to help alleviate economic and social deprivation in areas close to the City boundaries.

Action

In its role as an arm of BIC linking with Inner London, CoLBIC has so far established contacts with the local authorities in Hackney, Tower Hamlets, Islington and Westminster; useful discussions have also been held with Enterprise Agencies in those areas. It is hoped to begin talks soon with the local authority in Southwark and, later, with other London Boroughs. CoLBIC's ultimate role within the whole London Area will be kept under review as the developing shape of BIC becomes clearer following the merger with the Special Programmes Unit of the Confederation of British Industry.

Projects

The shaping of projects for partnership involvement between the various sectors cannot be effected at high speed. However, encouraging progress is being made.

LONDON BOROUGH of HACKNEY

A number of projects of various types are being considered. These include the provision of a secondee to assist in the management of small enterprise workshop space, the conversion of an empty building to small workshops, the establishment of a business advice centre in the heart of the Borough and an extension of training for the disadvantaged (similar to that already undertaken by Project Fullemploy).

LONDON BOROUGH of TOWER HAMLETS

Discussions have begun on proposals for possible City involvement in initiatives in Tower Hamlets, including the provision of secondees, small workshop space and finance. Another possible area of help lies in firms and organisations making experts available for occasional talks with groups of small businesses on specialist topics.

LONDON BOROUGH of ISLINGTON

At the request of Action Resource Centre, the Unit is seeking a financially-orientated secondee to work in the local Enterprise Agency. The Council's officers have expressed considerable interest in establishing links with the City through CoLBIC. Suggested assistance might include "experts' clinics" (as mentioned under Tower Hamlets), advice services to small workshop groupings, and the development of small workshop premises and adult training facilities.

AFRO-CARIBBEAN BANKING PROJECT

For some time, the Afro-Caribbean community in boroughs close to the City has felt the need for its own banking institution. CoLBIC is arranging for a small working group of experts from banks operating in the City to advise the Steering Group of the essential steps for carrying the project forward from the preliminary study and demand survey stages.

THE FASHION CENTRE, HACKNEY

By courtesy of the Clothworkers Company, the Hackney Fashion Centre, with CoLBIC's assistance, organised in the Company's Hall a successful seminar on Developments in the Clothing Industry. Speaking there, Sir Anthony Jolliffe stressed the importance of initiatives like the Fashion Centre and mentioned the potential role of the City in helping foster such activities. The Fashion Centre gives local manufacturers the opportunity to show merchandise to buyers through exhibitions in one location. It has helped enhance business and increase employment locally.

VOLUNTARY ORGANISATIONS

Discussions are taking place with representatives of the voluntary sector about maintaining effective relationships between the voluntary sector and BIC.

with emphasis on CoLBIC's role in the City. Links are being forged with individual charities. CoLBIC invited Member and contact organisations to pass unwanted but usable office furniture and equipment to the charity Practical Action for transmission to organisations concerned with unemployment and youth training. This request drew an encouraging positive general response, including one major donation of furniture.

CITY of WESTMINSTER

CoLBIC has linked one of its contact organisations experienced in setting up Information Technology Centres (ITECs) with the administrator of an ITEC project in North Westminster. CoLBIC has for some while been involved with the development of an ITEC recently opened in Long Acre, Covent Garden.

TOURS

Sir Anthony Jolliffe and a group of City businessmen have undertaken a guided tour of Hackney, organised by the Borough, to see some of the economic and other problems there. Further similar visits will be arranged in Hackney and elsewhere as project plans develop.

CITY of LONDON POLYTECHNIC

Contact has been established with the Polytechnic which is itself becoming increasingly active in the community field, especially among ethnic minorities, through its Business Liaison Project.

CHAIRMAN'S ACTIVITIES

As an extension of his activities with CoLBIC, the Chairman has visited Newham, Walsall and Glasgow and addressed the annual meeting of the Secondary Heads Association.

IN THE FUTURE

CONFERENCE FOR INSTITUTIONAL INVESTORS

CoLBIC is to administer a conference being hosted by Morgan Grenfell & Co. in the autumn; the aim is that institutional investors should discuss how they might play a role in the corporate social responsibility field, given statutory and other provisions governing their operations.

FULLEMPLOY - ACCESS TRAINING SCHEME

CoLBIC will seek work experience in City firms for one year from Autumn 1986 for each of six individuals undertaking Project Fullemploy's five year "Access" training scheme; operated with the Polytechnic of North London, this scheme aims to take disadvantaged young people through to B.A. degrees in Business Studies.

MEMBERSHIP

A small founder membership provided the financial base for CoLBIC. Since the launch, the Directors have visited about 100 organisations to discuss the Unit's role and enlist support. As a result, there are now 44 Members. Such concrete evidence of support is welcome, as is the implicit indication of Members' willingness to become part of the resource base for projects stemming from the initiative. The Chairmen (or equivalent) of Member organisations form CoLBIC's Council of Sponsors which is likely to hold its first meeting in Autumn, 1984.

These early months have been stimulating for the staff of the Unit; the prospects of carrying forward the partnership concept in corporate social responsibility in the areas around the City are challenging and exciting.

City of London Business in the Community

227a, City Road, London EC1V 1LX.

Executive Director: Neville R. Bedford. (Seconded from The Bank of England).

Director: Peter Roberts. (Seconded from British American Tobacco Co Ltd.)

Telephone: 01-253 3716

Chairman

Sir Anthony Jolliffe, GBE.
Multiple Management Ltd.

COMMITTEE

Mr. J. D. Rowland

Cllr. P. Bowness

Mr. A. T. Gregory

Mr. H. Hinds

Mr. T. A. Molloy

Mr. C. K. R. Nunneley

Mr. K. Price

Mr. J. G. Quinton

Mr. D. G. Scholey

Lord Selsdon

Mr. G. M. M. Wakeford

The Very Rev. A. Webster

Mr. B. Wright

Stewart Wrightson Holdings Ltd. (Deputy Chairman)

London Boroughs Association

The British Petroleum Co. Plc.

GLC

Banking Insurance and Finance Union.

Robert Fleming Holdings Ltd.

Citibank N.A.

Barclays Bank Plc.

S. G. Warburg & Co. Ltd.

Midland Bank Plc.

Mercers' Company

Dean of St. Paul's

London Enterprise Agency



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54

10 DOWNING STREET

From the Principal Private Secretary

7 November, 1984

Sir Anthony Jolliffe

I am writing to confirm my telephone message of this morning.

Sir Anthony Jolliffe has asked to come and tell the Prime Minister about the progress he is making with promoting employment schemes for young people and, in the interests of holding this meeting before the Prime Minister speaks at the Lord Mayor's Banquet on Monday, it has been arranged for tomorrow.

With apologies for the deadline, may I ask if you could let me know what information your people have about the contribution which Sir Anthony Jolliffe's initiatives are making and also let me know if there are any points which the Prime Minister could usefully make to Sir Anthony Jolliffe about his activities. I am afraid that I will need this advice by close of play this evening.

F. E. R. BUTLER

David Normington, Esq.,
Department of Employment

Manpower: Special Employment Measures Pt 10



Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6460.....

Switchboard 01-213 3000

Robin Butler Esq
10 Downing Street
London SW1

7 November 1984

Dear Robin,

SIR ANTHONY JOLIFFE

You asked for information about Sir Anthony Joliffe's employment initiative.

The Department and the MSC had some limited contacts with Sir Anthony and his office when he was Lord Mayor of London and was considering a number of ways of launching a London employment initiative. This culminated in a meeting between Mr Tebbit and Sir Anthony.

Sir Anthony's initiative was eventually launched on 7 November 1983. It took the form of the setting up of "City of London Business in the Community", an organisation with the aim of stimulating business in the City of London to become more involved in tackling the social and economic needs of inner London. Initiatives under consideration at the time were support for the Youth Training Scheme, the development of a programme for improving links between schools and industry, working with the London Enterprise Agency to provide advice, expertise and venture capital to new small businesses, and the development of workshops in old commercial premises as a breeding ground for new businesses.

Since the launching of the initiative we have had very little contact with it. We know that City of London Business in the Community has been giving considerable help to the London Chamber of Commerce's 1,000 ^{place} Youth Training Scheme in inner London - through the promise of secondees, encouraging firms to participate in the Scheme, and attempts to develop a more effective means of finding jobs for young people when they come off the Scheme. We know very little else about their activities.



This is, of course, not necessarily an indication of lack of achievement. Business in the Community - both nationally and locally - is a private sector initiative to help the private sector. There is no need for Government involvement in it. Furthermore the specific aim of the initiative was to work through existing organisations like the London Chamber of Commerce and London Enterprise Agency and so they have not always adopted a high profile themselves.

It goes almost without saying that, whatever its progress in the first year, Sir Anthony Joliffe's initiative is an excellent one. The aim of tapping the massive expertise and financial resources of businesses in the City of London to provide training for unemployed youngsters and to help new businesses set up in the inner city is wholly to be encouraged and supported. Beyond that there are no particular points we would want to suggest that the Prime Minister raises with Sir Anthony.

I am sorry not to be able to provide a more helpful note. I have been in touch with the Department of Industry about their links with the initiative and they will be letting you have a note direct.

Yours sincerely,

David Normington

D J NORMINGTON



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Tom King MP
 Secretary of State for
 Employment
 Caxton House
 Tothill Street
 LONDON SW1

5. November 1984

Tom King

TRAINING LOANS

In your minute to the Prime Minister, you invited colleagues' agreement to your issuing the consultative document on training loans circulated with it.

I am content that the consultative document should issue, and am grateful to you for taking account of my particular concerns by excluding from the proposed scheme all courses for which student awards are available. As you know, we must be careful that nothing is done to prejudice the UK position in the litigation before the Courts concerning the eligibility of EC nationals for student support for higher education and vocational training in this country. I am also anxious that the proposed scheme should not cut across any future scheme which the Government may wish to introduce to encourage more self-support by students. There will be a number of further points to settle before the pilot scheme is launched, for example how to establish a suitable mechanism for determining which courses are excluded from the scheme. Officials here are ready to assist in resolving these and any other questions which may arise as a result of the consultation.

I am copying this letter to the Prime Minister and other members of E(A), and to Sir Robert Armstrong.

Tom King

MANPOWER: SEM'S

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26 NOV 1984

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Sir Anthony Jolliffe, GBE

ASJ/SW

1st November, 1984

31 Davies Street
London W1Y 1FN
Tel: 01-491 8020

F.E.R. Butler, Esq.,
Principal Private Secretary
to The Prime Minister,
10 Downing Street,
London. S.W.1.

Prime Minister

No need to read this speech
but you may like to compliment Sir A.
Jolliffe on it. It is robust on the value of
small businesses and on the miners.

Dear Robin,

This is a copy of a speech I am delivering tonight at Milton Keynes
which I thought you might find of interest. As a layman I intend to
speak up - I hope others will join me.

FERB

7.11

Kind regards.

Yours sincerely,

Jack C. Wood

for Anthony Jolliffe

(Dictated by Sir Anthony
and signed in his absence)

SPEECH TO BE DELIVERED BY
SIR ANTHONY JOLLIFFE, GBE.
TO THE
PRESIDENT'S DINNER
OF THE
MILTON KEYNES AND DISTRICT CHAMBER OF COMMERCE & INDUSTRY

THURSDAY 1ST NOVEMBER 1984

FIRST OF ALL, MAY I THANK YOU FOR THE WARMTH OF YOUR RECEPTION THIS EVENING AND FOR THE MAGNIFICENT HOSPITALITY THAT YOU HAVE MADE AVAILABLE FOR YOUR GUESTS. I WAS DELIGHTED TO ACCEPT THE INVITATION YOU OFFERED ME SOME MONTHS AGO TO COME AND SPEAK TO YOU TONIGHT. YOU SEE, HAVING SERVED THE OFFICE OF LORD MAYOR OF LONDON AND MADE THE BEST PART OF ONE THOUSAND SPEECHES IN A YEAR, IT IS VERY DIFFICULT TO STOP TALKING AND ANY OPPORTUNITY TO SPOUT IS NEVER MISSED, SO FOR THAT I THANK YOU.

- 2 -

HAVING SAID THAT, I WOULD ASSUME THAT ALL OF YOU ASSEMBLED HERE TONIGHT WILL NOW SETTLE DOWN INTO YOUR CHAIRS WITH THAT SINKING FEELING THAT SOMEONE IS NOW ON HIS FEET WHO WILL GO ON AND ON AND ON. LET ME ASSURE YOU THAT IS NOT SO. I WILL BE AS BRIEF AS POSSIBLE, BUT THERE ARE CERTAIN THINGS I WANT TO SAY TONIGHT AS I THINK THEY NEED TO BE SAID. WE HAVE A PROBLEM IN THIS COUNTRY, AND THAT IS, THAT THINGS THAT SHOULD BE SAID IN PUBLIC ARE NOT ALWAYS SAID, BECAUSE PEOPLE ARE NOT PREPARED TO STAND UP AND BE COUNTED.

IN MY GUILDHALL BANQUET SPEECH TWO YEARS AGO, I SAID THAT IN ASSUMING THE OFFICE OF LORD MAYOR OF LONDON, I INTENDED TO DO WHAT I COULD TO PROMOTE BUSINESSES AND, ESPECIALLY, SMALL BUSINESSES IN THIS COUNTRY AND TO LEND WHAT SUPPORT I COULD TO THE PROBLEMS OF UNEMPLOYMENT.

DURING THE YEAR I TRAVELLED EXTENSIVELY WITHIN THE UNITED KINGDOM, VISITING SOME 26 CITIES, TOURING 123 FACTORIES AND TALKING TO PEOPLE ON THE FACTORY FLOOR. I LEARNED A LOT AND I HOPE THOSE ON THE FACTORY FLOOR LEARNT SOMETHING TOO.

WHAT I MAINLY LEARNT WAS THAT THERE IS A GOOD SPIRIT IN THIS COUNTRY. THERE IS A WILLINGNESS TO WORK AND TO BE SUCCESSFUL. ONE OF THE THINGS THAT SEEMED TO BE LACKING WAS COMMUNICATION BETWEEN MANAGEMENT AND WORKFORCE.

THE WORKING PEOPLE OF THIS COUNTRY WILL RESPOND AND WILL PRODUCE THE GOODS, SO LONG AS THEY FEEL THAT THEY ARE PART OF A TEAM, WORKING WITH MANAGEMENT RATHER THAN BEING IGNORED OR LOOKED DOWN UPON BY THEM. MANY OF OUR INDUSTRIAL PROBLEMS TODAY ARE NOT DOWN TO THE WORKFORCE, BUT ARE DOWN TO MANAGEMENT AND THAT IS SOMETHING THAT WE HAVE TO APPLY OUR MINDS TO.

DURING MY VISITS I TOOK THE OPPORTUNITY OF GETTING INTO DISCUSSION WITH DIRECTORS AND OWNERS OF SMALL BUSINESSES, AND TIME AND TIME AGAIN THEY TOLD ME THAT THEY FELT THAT THERE WAS A LACK OF INTEREST AND UNDERSTANDING IN THEIR PARTICULAR PROBLEMS SHOWN BY THEIR BANKERS. MANY COMPANY DIRECTORS TOLD ME THEY GOT ON WELL WITH THEIR LOCAL BANK MANAGERS BUT THE PROBLEM WAS THEY NEVER ACTUALLY SAW ANYONE FROM HEAD OFFICE OR FROM THE CITY.

I BELIEVE THE BANKS ARE AT FAULT INASMUCH AS THEY DO NOT GET THEMSELVES MORE INVOLVED IN THEIR CUSTOMERS' BUSINESSES. I KNOW IT IS NOT EASY FOR THE BANKERS TO DO THIS - BUT HOW CAN MAJOR LOAN DECISIONS BE MADE BY A BANK - WHEN NO-ONE FROM THE BANK HAS SEEN THE PREMISES, THE PRODUCT OR THE PEOPLE?

SMALL BUSINESSES ARE THE BACKBONE OF THIS COUNTRY. IT IS VITALLY IMPORTANT THAT IF WE ARE TO SUCCEED AS A NATION; AND A MAJOR PART OF THAT SUCCESS LIES IN THE CREATION OF WEALTH, THEN WE HAVE TO LOOK TO SMALL BUSINESSES TO CREATE THAT WEALTH. IT IS, THEREFORE, IN THE BANKS OWN INTEREST TO ENCOURAGE SMALL BUSINESSES AND START-UPS AND TO ASSIST THEM IN THEIR GROWTH. THEY DO NOT FULFILL THAT ROLE AT THE MOMENT. THEY ARE NOT PREPARED TO GIVE THE SUPPORT THAT THEY SHOULD TO SMALLER COMPANIES. ALTHOUGH THERE IS A GREAT TALK ABOUT VENTURE CAPITAL, THE PROPORTION OF BANKS FUNDS THAT ARE PUT INTO VENTURE CAPITAL ARE, BY COMPARISON TO THEIR TOTAL FUNDS, NEGLIGIBLE.

IF WE ARE GOING TO BE SUCCESSFUL THEN WE HAVE TO BREED ENTREPRENEURS AND ENCOURAGE THEM. OF COURSE, SOME WILL GO BROKE, THAT IS INEVITABLE, BUT YOU ONLY HAVE TO LOOK AT THE RECORD IN AMERICA WHERE YOU WILL FIND THAT MANY AMERICAN MILLIONAIRES OF TODAY HAVE BEEN BANKRUPT SOMETIME DURING THEIR CAREERS. THE AMERICAN BANKING SYSTEM IS SUCH THAT IT HAS ENABLED THOSE PEOPLE TO START UP AGAIN AND EVENTUALLY BECOME SUCCESSFUL.

IF I WERE IN GOVERNMENT, I WOULD CONTINUE TO IMPOSE THE WINDFALL TAX UPON BANKS, BUT I WOULD NOT PUT IT INTO THE GENERAL EXCHEQUER'S FUND. I WOULD SEE THAT THESE FUNDS WERE DIVERTED SPECIFICALLY INTO THE AREA OF WEALTH CREATION THROUGH THE FORMATION AND ENCOURAGEMENT OF SMALL BUSINESSES. IF THE BANKS WILL NOT DO IT VOLUNTARILY, THEN THEY WILL HAVE TO HAVE RULES IMPOSED UPON THEM TO ENSURE THAT THEY DO GIVE THE HELP AND SUPPORT WHERE IT IS NEEDED MOST.

MR. CHAIRMAN, YOU SPECIFICALLY ASKED ME TO REFER TO SMALL BUSINESSES TONIGHT AND, BEFORE LEAVING THAT SUBJECT, I THINK WE SHOULD ALSO CONSIDER THE RESPONSIBILITY OF LARGER COMPANIES TO HELP SMALLER COMPANIES. IT IS IN THE INTEREST OF THE LARGER COMPANIES IN THIS LAND TO ENSURE THAT THERE IS A BUOYANT ECONOMY AND, IF THERE IS TO BE A BUOYANT ECONOMY THE MAJORITY OF BUSINESSES MUST BE BUOYANT.

THERE ARE CERTAIN MAJOR MULTI-NATIONAL COMPANIES IN THIS COUNTRY, AND YOU ALL KNOW WHO THEY ARE, WHO ARE SITTING ON HUGE BANK BALANCES. THOSE BANK BALANCES HAVE BEEN CREATED TO A LARGE EXTENT BY TAKING UNFAIR CREDIT FROM THEIR SMALL SUPPLIERS.

I WONDER HOW MANY BUSINESSES HAVE GONE INTO LIQUIDATION BECAUSE THEY COULD NOT GET THEIR INVOICES PAID WHEN THEY FELL DUE FOR PAYMENT FROM THOSE MULTI-NATIONAL COMPANIES. IT WOULD SOFTEN THE BLOW IF THOSE LARGE BALANCES WERE RE-INVESTED BACK INTO INDUSTRY, BUT UNFORTUNATELY THEY ARE NOT.

ANOTHER AREA WHICH NEEDS TO BE DEVELOPED IS THAT OF MARKETING. WE SEEM TO BE SO POOR AT SELLING OURSELVES IN THIS COUNTRY. AS I SAID IN MANY OF MY SPEECHES AROUND THE COUNTRY LAST YEAR WE MUST SPEAK UP FOR OUR COUNTRY. WE ARE, IN FACT, A GREAT NATION. WE MUST LEARN FROM THE AMERICANS WHO ARE ALWAYS TELLING US HOW GOOD THEY ARE. I BELIEVE WE ARE AS GOOD, IF NOT BETTER, IN ALL AREAS OF BUSINESS AS THE AMERICANS SO WHY DON'T WE SAY SO AND KEEP SAYING SO.

IN TALKING ABOUT BELIEVING IN OURSELVES WE ALSO HAVE TO BELIEVE IN THE YOUTH OF TODAY - FOR THEY ARE ALL OUR FUTURES. WE ARE LIVING IN AN AGE WHEN THE OPPORTUNITIES FOR THE YOUNG PERSON ARE BETTER THAN THEY HAVE PROBABLY EVER BEEN. WE ARE ALL AWARE OF THE DREADFUL PROBLEMS OF UNEMPLOYMENT AND THE NEED TO GET YOUNG PEOPLE WORKING BEFORE THEY LOSE THE WILL TO WORK.

THAT IS WHERE MY MAIN INTERESTS LIE TODAY. YOUTH UNEMPLOYMENT, OR THE NEED TO SEE YOUTH EMPLOYED, TO BE MORE POSITIVE. DURING THE LAST MONTH OF MY MAYORALTY I WAS PLEASED TO BE ABLE TO LAUNCH THE CITY OF LONDON BUSINESS IN THE COMMUNITY, WHICH IS AFFILIATED WITH THE NATIONAL BUSINESS IN THE COMMUNITY, TO TRY AND MOTIVATE THE CITY TO FULFILL ITS SOCIAL RESPONSIBILITY IN SEEING THAT SOMETHING IS DONE ABOUT UNEMPLOYMENT IN THE INNER LONDON AREA.

IT COMES AS A SHOCK TO MOST PEOPLE WHEN I SAY THAT THE UNEMPLOYED IN HACKNEY, BRIXTON AND TOWER HAMLETS IS GREATER THAN IN ANY AREA IN THE UNITED KINGDOM.

IF WE ARE GOING TO DO SOMETHING TO HELP YOUNG PEOPLE THEN, IT IS NOT ONLY A QUESTION OF TRYING TO FIND THEM SOMETHING TO DO WHEN THEY HAVE LEFT SCHOOL, IT IS SEEING THAT THEY ARE EDUCATED WHILST THEY ARE AT SCHOOL IN THE RIGHT WAY TO PREPARE THEM FOR THE LIFE AHEAD. FOR INSTANCE, HOW TO PRESENT THEMSELVES AND HOW TO BE INTERVIEWED, TO UNDERSTAND THE NECESSITY TO HAVE A JOB NO MATTER WHAT THAT JOB IS. THEY MUST UNDERSTAND THAT ALL JOBS ARE EQUALLY IMPORTANT AND CONTRIBUTE TO THE WELL BEING OF SOCIETY IN THEIR OWN WAY.

WE MUST DO AWAY WITH THE SOCIAL NONSENSE THAT A PROFESSIONAL IS MORE IMPORTANT THAN A PRODUCER OF GOODS. IF THERE IS NO INDUSTRY THERE WILL BE NO NEED FOR PROFESSIONS. WE MUST ALSO TRY AND ENCOURAGE THEM TO DEVELOP SKILLS THAT THEY HAVE WHICH ARE OVERLOOKED BY THE TEACHERS, BECAUSE THOSE TEACHERS ARE PURELY INTERESTED IN ACADEMIC SUCCESS AT THE EXPENSE OF ALL ELSE.

ONE OF THE GREAT PROBLEMS THAT WE SUFFER FROM TODAY IS THE FACT THAT THE SCHOOLS HAVE ENCOURAGED AND DIRECTED THEIR PUPILS INTO THE ACCOUNTANCY, LEGAL, BANKING AND OTHER SERVICE PROFESSIONS. WE MUST GET THE BALANCE RIGHT IN THIS COUNTRY AND PRODUCE ENGINEERS AND PEOPLE WITH MANUFACTURING SKILLS AT THE SAME RATE AS WE PRODUCE THOSE FOR THE SERVICE INDUSTRIES. AT THE SAME TIME WE MUST NOT OVERLOOK THE FACT THAT THERE IS A NEED TO EDUCATE THE TEACHERS SO THEY KNOW WHAT INDUSTRY AND COMMERCE IS LOOKING FOR FROM THEIR PUPILS.

TO DO THIS, WE AS INDUSTRIALISTS, HAVE TO ENTER THE SCHOOLS THEMSELVES AND TAKE PART IN THE TEACHING. YOUNG PEOPLE WILL BE FAR MORE EAGER TO LEARN FROM AN INDUSTRIALIST - SOMEONE WHO HAS ACTUALLY BEEN OUT THERE IN INDUSTRY AND ACHIEVED PROFITABILITY AND SUCCESS, THAN THEY ARE FROM A TEACHER WHO REALLY DOES NOT KNOW WHAT THE BUSINESS WORLD IS ALL ABOUT.

THROUGH BUSINESS IN THE COMMUNITY I AM WORKING ON A SCHEME WHEREBY EVERY SCHOOL IN THE COUNTRY HAS AN INDUSTRIALIST SECONDED TO IT AND THAT INDUSTRIALIST WILL ACTUALLY TAKE ONE OR TWO LESSONS A WEEK IN ORDER TO PREPARE YOUNG PEOPLE FOR THE TIME WHEN THEY LEAVE SCHOOL AND TO HELP THEM TO BE BETTER EQUIPPED FOR THEIR WORKING LIVES. I HAVE FOUND THAT SCHOOLS ARE MOST ANXIOUS TO OPEN THEIR DOORS TO INDUSTRY FOR THIS VERY PURPOSE. IT IS NOW A MATTER OF ENCOURAGING INDUSTRY TO PROVIDE THE PEOPLE THAT ARE REQUIRED.

THIS YEAR IS THE 40TH ANNIVERSARY OF D-DAY. WHAT A SIGNIFICANT YEAR. 1984 - BIG BROTHER AND ALL THAT. THE THREAT OF HITLER 40 YEARS AGO; AND NOW WE HAVE THAT BATTLE ALL OVER AGAIN. THE PRIME MINISTER WAS ABSOLUTELY RIGHT WHEN SHE SAID THAT WE HAVE TO FIGHT THE ENEMY FROM WITHIN. WE DO HAVE AN ENEMY WITHIN, AND IF WE ALL SIT BACK AND SAY NOTHING AND DO NOTHING, THEN WE SHALL NOT HAVE THE SUCCESS IN FIGHTING THAT ENEMY THAT WE HAD WHEN WE FOUGHT HITLER 40 YEARS AGO.

YES, I AM TALKING ABOUT THE MINERS, BUT THE MINERS ARE NOT THE ENEMY. LET ME TELL YOU A STORY. DURING MY YEAR AS LORD MAYOR, I SPENT A DAY DOWN A MINE IN NOTTINGHAM AND TALKED TO THE MINERS - THOSE AT THE PITFACE AND THOSE ON THE SURFACE AND IT BECAME VERY CLEAR TO ME THAT THEY WERE MADE OF THE RIGHT STUFF. THERE WAS NOTHING WRONG WITH THEM AT ALL. WE COULD BUILD THE FUTURE ON PEOPLE LIKE THIS.

I WAS SO IMPRESSED WITH THEIR ENTHUSIASM AND THEIR WILL TO SUCCEED THAT I INVITED 30 OF THEM TO THE MANSION HOUSE TO HAVE LUNCH WITH ME. FOR MANY IT WAS THE FIRST TIME THAT THEY HAD VISITED LONDON. IT WAS MEMORABLE FOR THEM BUT IT WAS ALSO MEMORABLE FOR ME. IT WAS VERY OBVIOUS THAT THEY WERE SATISFIED WITH THEIR LOT IN LIFE - WITH THEIR PAY, WITH THEIR WORKING CONDITIONS. THEIR ONLY PROBLEM WAS THE FACT THAT THEY FEARED MR. SCARGILL AND WHAT HE MIGHT DO. HOW RIGHT THEY HAVE PROVED TO BE.

MR. SCARGILL IS NOT INTERESTED IN THE CLOSURE OF PITS, OR IN THE MINERS THEMSELVES. HE IS USING THOSE INNOCENT MEN AS A TOOL TO DESTROY OUR DEMOCRACY. LET ME JUST GIVE YOU SOME EXAMPLES TO SUPPORT THAT STATEMENT:

IF THERE IS ANY CRITICISM THAT I CAN LEVEL AT THIS GOVERNMENT IT IS THAT THEY HAVE BEEN TOO GENEROUS TO THE MINERS. WHEN YOU CONSIDER THAT THEY HAVE INVESTED, SINCE THEY HAVE BEEN IN OFFICE, £4 BILLION IN THE MINING INDUSTRY.

THE COST OF EXTRACTING COAL FROM UNECONOMIC PITS IS TWICE THE PRICE OF THE REALISABLE VALUE FO THE COAL EXTRACTED.

THE CLOSURE OF THE 5 PITS, THE REASON FOR THE EXISTING DISPUTE, WAS UNDER RE-CONSIDERATION BY THE NATIONAL COAL BOARD BUT MR. SCARGILL WAS NOT PREPARED TO TALK ABOUT IT ONCE HE HAD GOT THE STRIKE MOVING.

DURING THE 11 YEARS OF LABOUR GOVERNMENT, 330 PITS WERE CLOSED IN THIS COUNTRY, WITHOUT ANY DISPUTE AT ALL.

IN JULY THE NATIONAL COAL BOARD HAD AGREED TERMS AND IT WAS COMMON GOSSIP WITHIN THE TRADE UNION MOVEMENT THAT ALL TRADE UNION LEADERS WOULD HAVE ACCEPTED THE DEAL. MR. SCARGILL WAS THE ONLY MEMBER OF THE TRADE UNION MOVEMENT WHO WOULD NOT ACCEPT THE DEAL.

IN THE NEGOTIATION WITH ACAS, THE NATIONAL COAL BOARD HAVE AGREED TO A NUMBER OF AMENDMENTS. IN ORDER TO FIND A WAY OUT OF THE SOLUTION THEY HAVE MOVED THEIR GROUND CONSIDERABLY SINCE THE DISPUTE STARTED. MR. SCARGILL IS STILL BOASTING THAT HE HAS NOT MOVED IN ANY WAY SINCE THE DISPUTE STARTED.

NACODS, WHEN THEY HAD MADE THEIR AGREEMENT WITH THE NATIONAL COAL BOARD, SUGGESTED THAT THEY AND ACAS SHOULD CONTINUE TO DISCUSS OTHER ISSUES AFFECTING THE MINING ISSUE. MR. MACGREGOR AGREED TO THIS - MR. SCARGILL REFUSED TO AGREE. MR. O'CONNOR OF NACODS HAS RECENTLY SAID THAT THE DEAL THAT THEY HAVE AGREED WITH THE NATIONAL COAL BOARD WAS EXACTLY THE DEAL THAT MR. SCARGILL WAS LOOKING FOR. MR. SCARGILL NOW REJECTS THAT DEAL AND CONTINUES HIS CAMPAIGN.

YOU MAY BE INTERESTED TO HEAR SOME OF MR. SCARGILL'S QUOTES:

IN THE 1972 BIRMINGHAM DISPUTE HE SAID:

"HERE WAS THE LIVING PROOF THAT THE WORKING CLASS HAD ONLY TO FLEX ITS MUSCLES AND IT COULD BRING GOVERNMENTS, EMPLOYERS, SOCIETY TO A TOTAL STANDSTILL. I KNOW THE FEAR OF BIRMINGHAM ON THE PART OF THE RULING CLASS. THE FEAR IS THAT WHAT HAPPENED IN BIRMINGHAM COULD HAPPEN IN EVERY CITY. "

ON THE 7TH SEPTEMBER 1975 HE SAID:

"WE WISHED TO PARALYSE THE NATION'S ECONOMY. IT'S AS SIMPLE AS THAT. WE WERE FIGHTING A CLASS WAR AND YOU DON'T FIGHT A WAR WITH STICKS AND BLADDERS. YOU FIGHT A WAR WITH THE WEAPONS THAT ARE GOING TO WIN IT. "

ABOUT THE YOUTH TRAINING SCHEME, ON THE 6TH SEPTEMBER 1983 HE SAID:

"WE ARE FIGHTING A CLASS ISSUE AND A CLASS ENEMY. YOU SHOULD NOT BE TALKING ABOUT HOW TO IMPROVE THE YOUTH TRAINING SCHEME, YOU SHOULD BE TALKING ABOUT HOW TO GET RID OF IT. "

ON THE 16TH APRIL 1980 HE SAID:

"THE LABOUR PARTY CONSTITUTION CALLS FOR A COMPLETE CHANGE OF SOCIETY AND THE ESTABLISHMENT OF A SOCIALIST SYSTEM AND THAT MEANS A RECOGNITION OF THE CLASS WAR. "

IN APRIL 1981 HE SAID:

"THE FACT THAT WE HAVE HAD CONSTITUTIONAL CHANGES WITHIN THE PARTY MEANS THAT FOR THE FIRST TIME WE HAVE AN OPPORTUNITY OF CHANGING THOSE PEOPLE IN PARLIAMENT WHO DO NOT SUBSCRIBE TO THE CONCEPT OF SOCIALISM. "

MR. SCARGILL IS A MARXIST, TRAINED, ENCOURAGED AND HELPED BY RUSSIA. HE HAS SUPPORTING HIM TRAINED AGITATORS AND I SAY TRAINED BECAUSE THEY ARE. THEY ARE BULLY-BOYS. I-KNOW OF INSTANCES IN THIS COUNTRY WHERE THEY ARE GOING INTO PUBS AT NIGHT, SPENDING THE WHOLE EVENING DRINKING, REFUSING TO PAY AND WALKING OUT. WHOLE VILLAGES ARE FRIGHTENED OF THEM.

ARE WE PREPARED TO ALLOW MR. SCARGILL AND THESE THUGS TO DESTROY THE FABRIC OF THIS COUNTRY? THE FABRIC FOR WHICH SO MANY DIED 40 YEARS AGO. I AM TELLING YOU HERE AND NOW THAT IF WE DO NOT DO SOMETHING ABOUT IT, MR. SCARGILL WILL SUCCEED. HITLER BECAME THE LEADER OF GERMANY - WE MUST NOT LET A SIMILAR THING HAPPEN IN THIS COUNTRY.

IF WE ARE NOT CAREFUL THERE WILL BE NO MILTON KEYNES CHAMBER OF COMMERCE IN 5 YEARS FROM NOW. THAT MAY SEEM DRAMATIC, BUT I THINK IT COULD BE TRUE. IT IS UP TO ALL OF US WHO BELIEVE IN THIS COUNTRY AND WHO BELIEVE IN DEMOCRACY TO SEE THAT THAT DOES NOT HAPPEN. DO NOT LET APATHY DESTROY US ALL - WHERE GOOD MEN SAY NOTHING, EVIL MEN SUCCEED.

THAT IS WHERE THE CHAMBERS OF COMMERCE COMES IN AND CAN PLAY A ROLE. IT IS A ROLE THAT THE C.B.I. SHOULD HAVE DONE AND HAS NOT DONE. THERE HAS TO BE A VOICE SPEAKING UP FOR ALL THE BUSINESS INTERESTS IN THIS COUNTRY, WHETHER THEY BE SMALL OR LARGE.

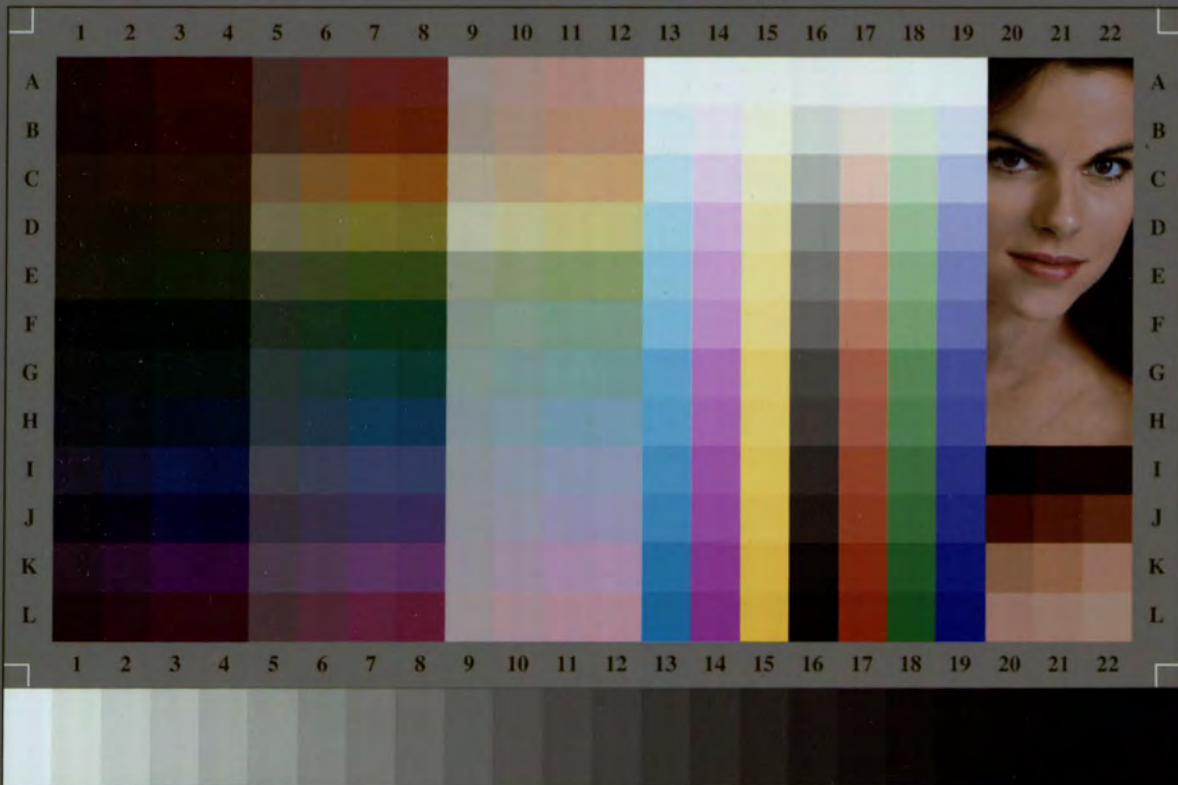
MAYBE THE CHAMBERS OF COMMERCE AND THE C.B.I. SHOULD GET TOGETHER. WE ARE FIGHTING A WAR TO KEEP DEMOCRACY. WE MUST JOIN FORCES TO SEE THAT WE WIN. I BELIEVE THAT THE CHAMBERS OF COMMERCE IN THIS COUNTRY HAVE AN IMPORTANT ROLE TO PLAY IN ALL THE MATTERS I HAVE DISCUSSED THIS EVENING. THE AREA OF SMALL BUSINESSES WHERE THEY CAN FIND, THROUGH THEIR MEMBERSHIP, SECONDEES TO HELP START-UP SITUATIONS AND TO HELP SMALL BUSINESSES. THROUGH THEIR MEMBERS TO FIND THOSE THAT ARE WILLING TO GO INTO SCHOOLS AND HELP TEACHERS AS I HAVE EXPLAINED AND, FINALLY, TO SPEAK UP FOR THIS COUNTRY AND SEE THAT THAT UGLY MINORITY WHO ARE MARXIST BACKED AND MARXIST INSPIRED ARE NOT ALLOWED TO WIN.

IT IS ON THAT NOTE THAT I ASK YOU TO RISE AND DRINK WITH ME TO THE CONTINUED HEALTH AND STRENGTH OF THE MILTON KEYNES CHAMBER OF COMMERCE, WHO I HOPE WILL CONTINUE TO PLAY AN IMPORTANT PART IN THE SUCCESS OF MILTON KEYNES IN PARTICULAR, AND IN THE COUNTRY IN GENERAL.

I GIVE YOU THE TOAST:

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