

Confidential Filing.

Special Employment measures.

Employment &amp; Training Bill.

Youth Services Review.

Industrial Training.

Unattached: Various "Action For Jobs" Brochures

MANPOWER.Part 1: January 1980Part 14: June 1986

| Referred to         | Date | Referred to         | Date | Referred to | Date | Referred to | Date |
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| <del>2.6.86</del>   |      | <del>17.10.86</del> |      |             |      |             |      |
| <del>10.6.86</del>  |      | <del>21.10.86</del> |      |             |      |             |      |
| <del>12.6.86</del>  |      | <del>22.10.86</del> |      |             |      |             |      |
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PART  
ENDS

PREM 19/1840



●PART 14 ends:-

N. BLACKWELL TO PM 31.10.✓

SS/Emp-to PM 10/86.

PART 15 begins:-

DRW TO PM 4.11.✓

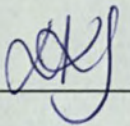


## Published Papers

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

Department of Employment  
Department of Health and Social Security  
Payment of benefits to unemployed people

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Signed  Date 11/11/2014

**PREM Records Team**



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CCBG



Prime Minister 2

This will no doubt  
elicit a Treasury response.You have a bilateral with  
Lord Young on Sunday.

JLW

30/10.

PRIME MINISTER

I am becoming increasingly concerned about the way in which running cost and manpower controls may be constraining us in developing programmes to meet our objectives in reducing unemployment and saving public expenditure in ways which are inevitably staff intensive.

Within my own department, the Restart counselling scheme is showing itself to be very successful both in helping long term unemployed people back into work and in reducing the unemployment count. The pilot programme looks set to demonstrate excellent value for money - the costs of running the programme more than covered by the continuing savings in benefit. Since July we have been running this nationally and the early indications are that the count effects are probably at least as good as in the pilot areas. The tougher availability for work testing which I have just announced looks like being another winner, making a significant impact on the unemployment count and paying for itself several times over in benefit savings. And you are already aware of the beneficial impact of my deployment of extra UBS staff to combat fraud.

What such programmes have in common is that they involve the deployment of extra staff, as an alternative to the deployment of large amounts of programme expenditure in the form of grants and allowances, in pursuit of our objective of reducing unemployment. That this sort of approach made sense, notwithstanding the increases in running costs and manpower

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involved, we recognised collectively over a year ago at the E(A)15th meeting. We still however have an in-built bias in our running costs and manpower control systems against these approaches even though we can demonstrate that this is a much more cost-effective way of reducing unemployment. Indeed the schemes we have recently introduced both reduce unemployment and yield considerable public expenditure savings. So far from representing any weakening in our controls, the reality is that we are using additional manpower resources to regain control over programme expenditure, and over the unemployment count, which we have been losing as the result of past 'efficiency' cuts involving reductions in manpower in the employment and benefit services. A glaring example is the earlier removal, in order to reduce civil service manpower, of compulsory registration by the unemployed, without any effective system put in its place at the time to test availability for work.

I am, of course, totally committed to containing and reducing administrative overheads. But I do think that we should find some way of identifying and distinguishing cases where we are in effect substituting manpower for much less cost-effective programme expenditure in order to reach our policy objectives. Certainly we should not let our self-imposed controls bind us in choosing the most effective weapons to secure a sustained reduction in unemployment and to obtain the associated reductions in benefit.

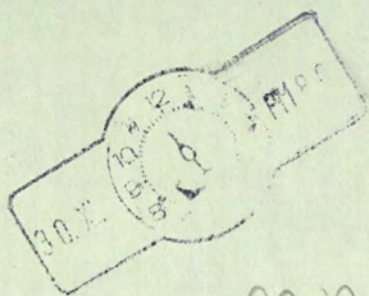
I am sending a copy of this minute to the Chief Secretary.

D Y

October 1986

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MANPOWER: Emp measure pt 14

CONFIDENTIAL

14

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*Prime Minister* (4)

PRIME MINISTER

29 October 1986

YOUNG ENTERPRISE

On Wednesday of this week I attended a special presentation on Young Enterprise. It was so exciting that we felt you should hear about it. Indeed, David Young described it as the most impressive event he had seen since he entered politics.

17,000 young people between the ages of 15 and 19 are given enterprise experience by running their own companies (800 of these last a year). They are supervised and sponsored by Industry and Commerce. 1,000 schools are involved - sadly, mostly private schools. I asked one pupil from a Croydon school if the local comprehensive was involved. She replied: "Oh no, the teachers there are against this. They don't like profit."

Fortunately, these young people valued the experience. They even sold 25p shares to classmates and many paid dividends, one at 200%!



HARTLEY BOOTH







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FCS/86/245

PAYMASTER GENERAL

EC: Employment Initiative

1. Thank you for your letter of 17 October. You have done very well to get such widespread support for our employment initiative. In particular, your idea of associating the Italians and Irish with our paper was an excellent one since it made it much less susceptible to criticism from others, including the Commission.

2. We now need to ensure that our initiative is not eroded by the Commission and others. I therefore agree with you that we need to continue the slightly unorthodox approach. I support your idea of

associating the Danes with our resolution, for all the reasons you mention. At the same time, we want to keep the initiative as our own and really make something of it at the London European Council. If the Danes alone table<sup>the</sup>/resolution there is a risk that our ability to push it forward in the way we think best would be impaired. I believe too that, if the resolution is tabled by the Danes alone, other member states will think that we have lost faith in it. I seriously doubt if they will see the Danes (whose reputation is not high in the Community) as a good substitute for the UK.

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3. We have succeeded thus far by dint of your skill and energy in pushing the initiative and by working in partnership with two other member states who are not generally assumed to see eye to eye with us on Community issues. I would therefore suggest, as a slight variant of your idea, that you think of tabling our draft resolution if possible with the Irish, Italians and Danes as co-sponsors. Since the resolution is modelled very closely on your original paper, it should be possible to secure Italian and Irish support and still table the resolution early in November. I believe this will be more effective than having it appear with Danish parentage alone.

4. I am copying this minute to the Prime Minister, Nigel Lawson, Sir Robert Armstrong and Sir David Hannay.

GEOFFREY HOWE

Foreign & Commonwealth Office  
23 October 1986

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MANPONTA



SKNIS

PT 14



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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON SW1H 9NF

22 October 1986

Dear Ken.

EC EMPLOYMENT INITIATIVE

Thank you for sending us a copy of your letter to Geoffrey Howe of 17 October.

I fully endorse the aim of changing the agenda of the Social Affairs Council away from the kind of "social engineering" proposals of the past; but I am sure you will be mindful that achieving this aim must not be at the cost of a resolution which increases pressure for looser Community Budget and public expenditure discipline, or for measures which sit ill with our overall policies.

I would be most grateful if you could keep my officials in touch with the progress of the draft resolution, and consult the Treasury before reaching agreement at important stages. The agreement of a text with the Danes is clearly one such important stage. The initial draft ought to be fairly uncompromising.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Sir Robert Armstrong, and Sir David Hannay.

*Lms eva*

*Pm*

PETER BROOKE



Manpower: Special Employment Measures PT14







Caxton House Tothill Street London SW1H 9NF

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

*Prime Minister 2*

20 October 1986

*DLW  
20/10*

*Nigel,*

# INCENTIVES

I know you share my concern over the problem of incentives, as do many other people to judge from speeches at the party conference. I thought you might like to see a recent letter which illustrates graphically the problem faced by some of the unemployed.

... Mr Paine wrote to me explaining that one reason for his difficulty in finding a job was because most available jobs paid less than the £122 he received in benefit each week. I attach his letter together with my private secretary's reply and would like to highlight a number of the issues involved.

First, he appears to be unaware of the in work benefits which help to close the gap between his income in work and out of work. Benefits such as FIS should help him to consider a range of low paid jobs so that in practice he can afford to take a job at £70 or £80 a week and still maintain his net income. I am arranging for our new Claimant Advisers to give unemployed people information on in work benefits to show how they can afford to take low paid jobs without losing net income. This should help.

Second, and more worrying, Mr Paine needs to achieve a fairly high level of earnings to put clear water between his net income on benefit and his net income in work. To put a gap of £20 between in and out of work income he would need to earn over £160 a week. And of course from that £20 he would have to meet travel costs and in work expenses. What is also noticeable is that his net income from work varies very little between a job earning £70 a week and one earning £120 a week.



Mr Fowler, as you know, is trying to reduce from 6 months to 3 months the period in which the



unemployed will get no help with mortgage interest.

Third, Mr Paine's problem partly arises because he is a home owner paying mortgage interest. So when he is unemployed his mortgage interest payments are paid for him but when he is in work, he will not get housing benefit (except for rates), unlike those who rent.

The figures which DHSS produce on the problem of incentives do not show that problem because they typically assume that people pay rent rather than owning homes. Our approach to benefits conflicts with our aim of increasing home ownership.

I recognise that Mr Paine's case is not a typical one since about 60% of the unemployed are single. But, there are around 300,000 unemployed families with one or more children aged over 11 and I have no doubt that the proportion of these people who are paying mortgages has been rising.

This individual case has brought home to me more forcibly than overall statistics how important it will be to try to find ways to tackle the problem of incentives. We both recognise how hard that task is going to be but I hope to approach you in the near future with some ideas for the next Budget which may help.

I am copying to the Prime Minister.

*Handwritten signature/initials*  
an d,  
1/9/82



Mr Paine assumed married, non-working wife, 3 teenage children, one 16/17, two 11-15

out-of-work

ordinary supp ben rate £48.40  
for married couple

supp ben additions for  
dep children

2 aged 11-15 (2x15.30) £30.60  
1 aged 16 or 17 £18.40

sub total £97.40

standard assumptions for  
household rates

£7.25

sub total £104.65

residual (to be explained  
by mortgage interest  
payments and other costs  
etc)

£17.35

TOTAL £122.00

in work

tax allowance £70.29  
(married man)

FIS prescribed amount £125.90

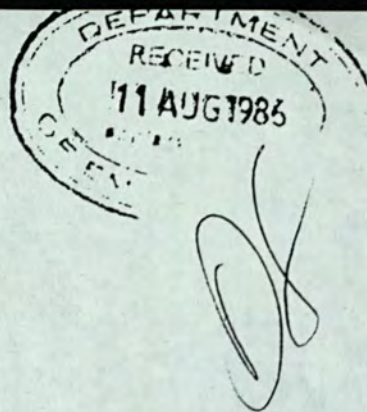
HB needs allowance £114.65

assumptions

- household rates £7.25

| Earnings | Tax    | NI     | FIS    | CB     | HB(rates) | TOTAL   |
|----------|--------|--------|--------|--------|-----------|---------|
| £70      | -      | £4.90  | £27.95 | £21.30 | £5.37     | £119.72 |
| £80      | £2.82  | £5.60  | £22.95 | £21.30 | £4.97     | £120.82 |
| £90      | £5.72  | £6.30  | £17.95 | £21.30 | £4.57     | £121.80 |
| £100     | £8.62  | £9.00  | £12.95 | £21.30 | £4.05     | £120.68 |
| £110     | £11.52 | £9.90  | £7.95  | £21.30 | £3.40     | £121.23 |
| £120     | £14.42 | £10.80 | £2.95  | £21.30 | £2.75     | £121.78 |
| £130     | £17.32 | £11.70 | -      | £21.30 | £1.83     | £124.11 |
| £140     | £20.22 | £12.60 | -      | £21.30 | £0.53     | £129.01 |





Lord Young  
Employment Secretary  
Houses of Parliament  
London

6-8-86

Dear Lord Young,

I am 40 years old and have three teenage children, and have been unemployed since June '85. I have applied for 33 jobs that pay enough to cover my mortgage and other expenses.

I have been self employed, relating to all bookwork and have had dealings with transport, mainly p.s.v.

Although I have had all the practical experience it comes to the point that I do not have any letters behind my name, and it comes down to the cost of paying for a course when one is unemployed.

I have been into my local job centre who say they can not help, that is why I am writing to you to see if it would be possible for a grant to pay for a C.F.C. course.

The amount of social security I receive is £122 per week, and that is one reason why I have not been able to get a job from the job centre, because nearly all the ones they have are a lot less than that. This is another reason why I am asking you for help.

I did receive details of a C.F.C. course that is held locally in Devizes, which I still have.

I have a newspaper cutting and one of the points that you say is, trying to update old skills.

Trusting that you will be able to help me from this situation, I look forward to hearing from you.

Yours sincerely

A handwritten signature in ink, which appears to be 'P A Paine'.

P A Paine





Caxton House Tothill Street London SW1H 9NF

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P A Paine Esq  
26 Devonshire Place  
Melksham  
Wiltshire  
SN12 7DP

*MB*  
26 September 1986

*Dear Mr Paine,*

The Secretary of State for Employment has asked me to thank you for your letter of 6 August and to reply on his behalf. I apologise for the delay in replying.

Lord Young was very concerned to learn of your difficulties in finding work, despite your extensive efforts. As you have been out of work for over a year, you are entitled to the special help which Jobcentres give to long term unemployed people under the Restart programme. I have therefore asked Mrs B Daniel from the Wiltshire Restart Team to contact you to arrange an interview. At the interview, you will be able to discuss your employment needs and find out about the wide range of help which is on offer for people who are seeking work. In particular, the Restart Team will be able to arrange for you to see someone, if you wish, to discuss the various benefits and allowances which are available to people in work, and which can make quite a difference to their basic level of take home pay.

The Restart Team will be able to discuss whether training might be of benefit in your search for work. You mentioned particularly a Certificate of Professional Competence Course and asked if grants were available. Although the Government, through the Manpower Services Commission, does provide financial help for re-training in a wide variety of skills, this does not include support for people studying for the CPC. As I am sure you will appreciate, the public money available for training is limited and in order to make the best use of it the Commission concentrates its support on skills which are most in demand. I understand that, in general, the transport industry provides the necessary training to meet its needs for qualified managers and the Commission does not therefore provide any extra support.





However, the Government is keen to help people who wish to take up a particular training course to update their skills or develop new ones and has introduced Career Development Loans for this purpose. This experimental scheme is running in four areas of the country, one of which is Bristol and Bath. To be eligible, a borrower has either to live or intend to train in one of the areas covered. Neither Melksham nor Devizes is covered but, if you were able to find a suitable training course based in the Bristol and Bath area, you would certainly be eligible to apply to a bank for a loan. Loans are available for between £500 and £5000 from participating banks. ... I am enclosing an information pack to help you decide whether to follow up this possibility.

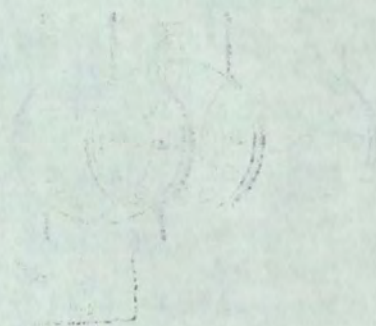
Thank you again for writing on this matter which is clearly of great personal concern. Lord Young hopes that you will soon be able to find a suitable opening.

*Yours sincerely*

*C Slocock*

CAROLINE SLOCOCK  
Private Secretary









file

ceBG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 October 1986

Dear Chris,

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

The Prime Minister has seen the Paymaster General's letter of 25 September about measures to alleviate the effects of major redundancies, and the subsequent correspondence.

The Prime Minister is grateful for the work which has gone into the proposals and is content with the machinery proposed, with certain provisos. First, she has suggested that the machinery should be operated initially for a trial period of six months. Secondly, the Prime Minister believes Ministers should be consulted before the official group begins work on a package of measures in any particular case. Ministers ought to agree first that the redundancies concerned are suitable for the special treatment. Thirdly, although the possibility of additional resources in particular cases cannot be ruled out, the Prime Minister believes it would be right to approach the exercise on the basis of diverting existing resources. Fourthly, nothing should of course be said in public about the existence of the new arrangements. Finally, the Prime Minister has suggested that it would be useful to include the Ministry of Defence in the arrangements, and she hopes steps will be taken to ensure this.

I am copying this letter to the Private Secretaries to the members of E(A).

Jan,  
David

David Norgrove

Chris Capella, Esq.,  
Paymaster General's Office.

JH



CCBG  
✓

Department of Employment

Caxton House Tothill Street London SW1H 9NF  
5949

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Switchboard 01-213 3000

The Rt Hon Sir Geoffrey Howe, QC, MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
London SW1A 2AH

17 October 1986

CJP  
COP  
17/X.

Dear Sir,

## EC: EMPLOYMENT INITIATIVE

I have been considering how best to take forward the broad agreement which we obtained at the recent Edinburgh Social Affairs Informal to our employment initiative. As you know, the Ministers present gave near total support both to the four main priorities in our Employment Growth paper and to our proposal that these should be embodied in a resolution of the Council to be adopted at the Social Affairs Council in December.

As far as the text of a resolution is concerned, my officials will be circulating very shortly to yours, and to those of other interested colleagues, a text which I have agreed. As you would expect, this is very close to the summary of proposals which appeared at the end of the Employment Growth paper. The advantage of this approach is that the resolution will be based on specific action points (to which to date very little opposition has been expressed in other Member States) which stand the greatest chance, in my view, of actually changing the Social Affairs Council agenda away from the kind of 'social engineering' type proposals which so dominated it in the past.

As far as our tactics from now on are concerned, I think that it remains of crucial importance to prevent this exercise from being identified as a purely UK initiative. Associating the Irish and Italians with the Employment Growth paper has certainly succeeded in this respect up to now and I think we should now take this a stage further. Beyond the Irish and the Italians the country which has shown the greatest enthusiasm for what we are attempting to do has been Denmark under their new Employment Minister, Dyremose. I have in mind therefore to ask him to table the resolution which we have



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drafted. That would prevent the Commission from building up a head of steam against it - as there is some indication that they are already trying to do - on the grounds that it is simply a UK attempt to impose our own economic policies on the Community.

A further reason why I think it would be extremely valuable to involve the Danes in this way is that it would then tie them in to following up the action points in our resolution when they take over the Presidency next July. I do not hold out any great hopes that the intervening Belgian Presidency will pursue this energetically - their preoccupations in this area lie elsewhere but there is I believe a real prospect that the Danes will do so particularly if it is their own resolution that they are following up.

Obviously, much will depend on whether the Danes are willing to be associated with our initiative in this way and what changes they might ask to be made to our resolution as a quid pro quo. I have therefore asked my officials to go out to Copenhagen next week to explore these issues with their opposite numbers. But subject to a satisfactory outcome to these discussions, I would intend to proceed on the basis I have indicated. For our part, as Presidency, I would intend to make it clear that we have discussed this matter with the Danes and that they are tabling the resolution in agreement with us. I would expect the Danish Minister to explain that he has tabled a resolution after a discussion with me and as the next stage in taking forward our initiative.

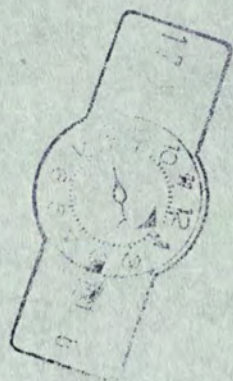
I would be happy to have a word about this with you if you would wish. My tactics have been rather unorthodox throughout but they have worked so far. In my opinion it will only be possible to make lasting progress in this Council if we do try to break away from some of the procedural habits of the past!

I am copying this letter to the Prime Minister and Nigel Lawson; and to Sir Robert Armstrong and Sir David Hannay.

KENNETH CLARKE

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PRIME MINISTER

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

At one of the meetings of E(A) to discuss shipbuilding you commissioned work on how the handling of major redundancies might be improved.

An interdepartmental group has now recommended setting up an official group, chaired by the Department of Employment, to advise Ministers, on a case by case basis, whether in particular circumstances a special package might be justified to alleviate the effects of redundancies.

Ministers are generally content. But the Chief Secretary has two concerns. First, he argues that there should be prior collective Ministerial agreement that a particular case is suitable for processing through the new official machinery. This would act as a further filter to prevent too many cases being brought forward. Secondly, he argues, against the Paymaster General, that packages of measures should be financed from within existing resources. ✓

I suggest you might say:

(i) you are generally content with the machinery proposed, but before the official group carries out detailed work on a package of measures Ministers should agree that the redundancies concerned would be suitable for the special treatment;

*Yes not*

(ii) although the possibility of additional resources in particular cases cannot be ruled out, it would be right to approach the exercise on the basis of diverting existing resources;

*Agreed not*



(iii) it is important also that the Ministry of Defence should be included in the arrangements and you hope steps will be taken to ensure this.

Content ?

Yes

DLN

(DAVID NORGROVE)

16 October 1986

DCABLX

Note ① No hope to be said about the existence of this committee  
② Suggest it has a brief period 7 say 6 months



## YOUNG PEOPLE IN THE LABOUR MARKET

*Employment*  
*Low*  
*Jobs*

### Key Facts

- Unemployment among under 20s has fallen by 134,000 (21%) over the past 3 years.
- Unemployment among young people also serious problem for other major European competitors:- EC figures for July 1986 show the percentage of unemployed under 25s in the total u/e figure Spain 43%, Italy 47.8%, France 34.5%, UK 35.9%, Germany 22.6% (UK about average [36.8%]).
- YTS ensures young school leavers need not be unemployed.
- All 16 year old school leavers who cannot find work will be offered a suitable place by Christmas on the new 2 year YTS providing high quality training and chance to work towards a recognised vocational qualification.
- 460,000 places offered on 2 year YTS this year, highest number ever. Up to 500,000 young people will be in training on YTS at any one time.
- Around 60% of YTS (1 year) leavers go into jobs, many others enter further education or training. Two year YTS results should be even better.
- Employment prospects for YTS graduates improved by New Workers Scheme which encourages employers to take on young people at realistic rates of pay.
- The Scheme will provide support for up to 100,000 by end of March next year.
- By the end of September around 30,000 new worker applications had been received and more are coming in every day.



Other points to bring out:

- TVEI is being made available at all schools and colleges nationally. Pilot confirmed value in helping to develop more relevant school curricula and provide better preparation for world of work.
- Pilot Career Development Loans Scheme testing the market for loans for vocational training to make it more accessible to those over 18.
- Enterprise Allowance Scheme is giving young adults opportunity to move into self-employment. In 1985/86 the scheme helped over 14,500 young people under 25 to start up their own business and over 10,300 up to the end of September of this year.
- Reform of Wages Council will help to price young people into jobs.

15 October 1986

KK10/3



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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
London  
SW1H 9NA

14 October 1986

*Dear Ken,***MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES**

You wrote to me on 25 September enclosing a paper by officials in response to a remit by E(A) for proposals for developing and targeting existing schemes to alleviate the effect of redundancies in the worst affected areas. I have since seen letters by Nicholas Ridley, Wynn Roberts and Michael Jopling.

Despite the work that has been done on this remit, I still have a number of serious reservations about the whole proposal. As the paper points out, it is hard to reconcile with our general approach to industrial restructuring and with the range of schemes and measures (usefully listed as annexes to the paper) which are already available to deal with redundancy and high unemployment. Moreover, as you recognise, this exercise is likely to have at best a limited impact on the problem of high unemployment compared to other approaches which we have recently considered. I would not therefore want to see this approach adopted other than in cases that were genuinely exceptional in their severity. For this reason it might be worth considering whether it would be better to seek prior collective Ministerial agreement that a particular case is suitable for processing through the new official machinery now proposed.

Subject to that very important caveat, I agree that the broad case by case approach suggested in the paper is generally sensible. Major redundancy situations can

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differ very widely both in their immediate impact and their long term effects. I would therefore go along with the setting up of an official group to advise Ministers on the case for and the composition of a package in individual cases following collective consideration as proposed above. The final decision whether to go ahead with a special package is a matter calling both for careful analysis and political judgement. It would therefore be for Ministers to decide once the official group had completed their work.

As you surmise, I do have serious reservations on two other points. The first concerns the financing of any special package of measures. While specific decisions will be taken as occasions arise, I think we should make it a firm aim that packages are financed within existing resources, ie by diverting and focussing help to the affected areas. This should normally be possible particularly for measures which have a short lead time which will often be the ones which are most relevant as a quick response to major redundancies. Certainly I could not accept a situation where a decision to implement a special package automatically led to a call for additional resources.

My second reservation concerns the suggestion in the paper that, despite the E(A) remit which referred to "existing" schemes, it might be sensible to go beyond this and relax the rules or introduce new initiatives. Like Wynn Roberts I hope we can resist this. Once we start making rule changes in response to a major redundancy situation, we will quickly come under pressure to extend the relaxation to other areas where there is an existing level of high unemployment or where redundancies are threatened. This would be costly in itself and would work against the focussed assistance which it is our aim to provide - a clear case of the tail wagging the dog. Any changes to existing schemes or proposed new schemes should be considered on their merits and quite separately from redundancy packages. Certainly I would expect that to be done if any of the suggestions in paragraph 14 of the paper are to be pursued further.

Two final points. First, I very much agree with Nicholas Ridley's suggestion that the official group look at experience gained over the operation of the various enterprise companies, perhaps particularly BSC (Industry) which has been operating for several years. Second, as the paper implies, the effectiveness of any package will depend crucially on the delivery system at local level. I accept that one cannot be too prescriptive and the choice will largely depend upon local circumstances. Nevertheless in my view we are more likely to see effective results if there is a commercially minded individual or body in the lead. I think we should aim for this wherever possible.

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

*Yours etc,*  
*JM*  
JOHN MacGREGOR

CONFIDENTIAL





JU505

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

5422

GTN 215

(Switchboard) 01-215 7877

13 October 1986

**CONFIDENTIAL**

The Rt Hon Kenneth Clarke QC MP  
Paymaster General &  
Minister for Employment  
Caxton House  
Tothill Street  
London SW1H 9NF

*Dear Kenneth,*

**MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES**

Thank you for your letter of 25 September enclosing a copy of the paper which our group of officials produced.

I agree that the approach adopted in the paper is the right one. Clearly one cannot anticipate in any detail the circumstances of hypothetical cases so the establishment of an official group, on which DTI officials will sit, to advise us about suitable measures in particular cases as they arise seems the best solution. No doubt they will ensure that all departments with sponsorship responsibilities are consulted as necessary. I also endorse the view that the approach should be highly selective, as Nicholas Ridley emphasises.

I note what you say about relaxing the rules of existing schemes and trying out new initiatives. So far as the schemes operated by my Department are concerned, the room for manoeuvre is fairly small. We do not want to create a new category of Assisted Area by the back door, as it were, only two years after abolishing Special Development Areas. Apart from that consideration, the key factor is finance. It emerges clearly from the paper that there is little scope for a DTI component in a package of measures unless new money can be provided. I therefore agree with what you say in your letter about the question of resources.

Some of the possible rule changes or initiatives listed in the paper need further consideration by officials. No doubt they can be elaborated on further by the official group; in particular if

17  
1986  
BOARD OF TRADE  
BICENTENARY





we are to follow up your suggestions about encouraging the banks to be more liberal in the provision of finance to small businesses in areas of very high employment it would seem sensible if this idea was discussed with the banks at an early stage.

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

A handwritten signature, likely 'Paul', written in dark ink. It consists of a large, sweeping 'P' followed by a smaller 'a' and 'l'.

PAUL CHANNON

A handwritten signature, likely 'Paul', written in dark ink. It consists of a large, sweeping 'P' followed by a smaller 'a' and 'l'.

JS1AKG



MANPOWER SEMS PT14





CONFIDENTIAL



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

JM/PSO/11874/86

The Rt Hon Kenneth Clarke QC MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON  
SW1H 9NF

2 pps

10 October 1986

NBN

*Don Kenneth*

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

Thank you for the copy of your letter of 25 September to John MacGregor about the proposal to set up an official group to advise on individual cases involving major redundancies. I have also seen Nicholas Ridley's response of 3 October.

I think that this approach is well worth trying. Provided such special packages are used sparingly, this approach could offer advantages in tackling the economic problems facing areas of high unemployment and in ensuring that the measures that we are able to take are presented as helpfully as possible.

I was surprised to learn that my officials had not been directly involved in the work of the official group and I would suggest that it could be useful if my Department were more closely involved in the future work of the standing Group. We have had some experience in handling these problems, particularly in relation to British Rail and the changes that are taking place in the railway workshops.

/ I am copying this to the Prime Minister and to other members of E(A).

*John Moore*  
JOHN MOORE

CONFIDENTIAL









PRIME MINISTER

2

DWS  
7/10ACTION FOR JOBS

I thought you would like to see the latest results of the opinion research, carried out by MORI, which we have been using to chart the effectiveness of our Action for Jobs campaign. The attached summary shows the position at the end of September compared with that in July and August. The picture is one of very rapid progress in public awareness of the campaign and is powerful evidence of the value of television advertising.

The key results on the recognition of the campaign are:

- spontaneous recognition of the open door symbol is up by 17% since July to 24%;
- 29% of people now recall seeing Government advertising about jobs or training on television using the opening door - a rise since July of 14%;
- 26% of people have now heard of Restart - a rise of 17% since July.





Q 7

Even more encouraging are the results on the last page of the attached summary, which show an increasing recognition of what the Government is doing in four categories: providing practical help to get jobs; tackling unemployment by helping people run their own businesses; running schemes to help with training and improving job prospects; and providing financial support for businesses and job opportunities. When we started this research in July the Government's contribution was recognised above those of other organisations in only one of the four categories - that concerned with help for training. At the end of September recognition of Government action had increased by between 5% and 7% in all the four categories and is now mentioned more often than other organisations in three out of the four.

It is of course early days in the life of this campaign but I am very encouraged at this latest evidence that we are getting our message across.

I am copying this to Willie Whitelaw, Nigel Lawson and Norman Tebbit.

D Y  
October 1986



FIELDWORK DATES : 19-23 September 1986

SAMPLE SIZE : 2039

NO. OF SAMPLING POINTS : 178

All figures are percentages  
Wave I, II results are used for comparisons

ASK ALL - Jobs

Q1a SHOW SYMBOLS CARD

Base: All respondents

On this card are a number of symbols. Which of them, if any, do you recall having seen on any advertising recently? JUST READ OUT THE NUMBER UNDER THE SYMBOL.

|                             | July | Aug | Sept | Change |
|-----------------------------|------|-----|------|--------|
|                             | %    | %   | %    | ±%     |
| Symbol 1 -----              | 58   | 57  | 52   | -5     |
| Symbol 2 -----              | 44   | 49  | 45   | -4     |
| Symbol 3 'Door' -----       | 7    | 16  | 24   | +8     |
| Symbol 4 -----              | 11   | 11  | 10   | -1     |
| None of these -----         | 20   | 18  | 20   | +2     |
| Don't know/no opinion ----- | 6    | 6   | 7    | +1     |

IF 'DOOR' SYMBOL MENTIONED:

Q1b What advertising or publicity, if any, do you associate that symbol with? POINT TO SYMBOL 3. (PROBE FOR DETAILS BUT DO NOT PROMPT. MULTICODE POSSIBLE)

Base: All mentioning 'door' symbol

|                                            | July | Aug | Sept | Change |
|--------------------------------------------|------|-----|------|--------|
|                                            | %    | %   | %    | ±%     |
| TV advertisement -----                     | 12   | 28  | 35   | +7     |
| Advertisement in national/local press ---  | 1    | 2   | 2    | -      |
| Mention of posters -----                   | n/a  | n/a | 1    | n/a    |
| Mention of booklet -----                   | 6    | 2   | 2    | -      |
| Mention of "Action for Jobs" -----         | 6    | 12  | 16   | +4     |
| Mention of "opening more doors" -----      | 5    | 11  | 9    | -2     |
| Mention of Govt. advertising/schemes ----- | 5    | 8   | 7    | -1     |
| Mention of Restart scheme -----            | *    | -   | 3    | +3     |
| Mention of Youth Training Scheme (YTS) --  | 8    | 4   | 5    | +1     |
| Specific mentions of other schemes -----   | 11   | 7   | 10   | +3     |
| (WRITE IN)-----                            |      |     |      |        |
| Any other mentions to do with jobs         |      |     |      |        |
| or employment -----                        | 6    | 11  | 15   | +4     |
| Mention of training schemes -----          | 4    | 3   | 4    | +1     |
| Mention of enterprise schemes or           |      |     |      |        |
| assistance for small businesses -----      | 2    | 1   | 1    | -      |
| Other (WRITE IN) -----                     | 24   | 10  | 7    | -3     |
| Don't know/can't remember -----            | 26   | 21  | 15   | -6     |

An asterisk (\*) represents a figure of less than 1/2 percent, but not zero.



POINT TO SYMBOL 3 ('DOOR') ON SHOWCARD

Q2a This symbol is used by the Government to promote a range of schemes to do with training and employment.

What slogan or saying, if any, do you associate with this symbol?  
(DO NOT PROMPT. MULTICODE POSSIBLE. CODE BELOW)

IF 'ACTION FOR JOBS' AND 'OPENING MORE DOORS' NOT MENTIONED:

Q2b SHOWCARD

Here is a list of slogans. Which of them, if any, do you think is used with this symbol? (MULTICODE POSSIBLE. CODE BELOW)

Base: All not spontaneously mentioning both slogans

|                                    | Q2a<br>(Spontaneous) |          |           | Q2b<br>(Prompted) |          |           |
|------------------------------------|----------------------|----------|-----------|-------------------|----------|-----------|
|                                    | July<br>%            | Aug<br>% | Sept<br>% | July<br>%         | Aug<br>% | Sept<br>% |
| Building a better Britain -----    | *                    | *        | *         | 5                 | 5        | 5         |
| Action for Jobs -----              | 1                    | 3        | 6         | 8                 | 11       | 16        |
| Putting Britain back to work ----- | *                    | *        | 1         | 8                 | 8        | 8         |
| Opening more doors -----           | 8                    | 13       | 10        | 32                | 35       | 31        |
| The door to the future -----       | 2                    | 3        | 2         | 35                | 31       | 29        |
| Other (WRITE IN) -----             | 13                   | 12       | 15        | *                 | *        | 1         |
| -----                              |                      |          |           |                   |          |           |
| None of these -----                | 27                   | 22       | 17        | 10                | 6        | 7         |
| Don't know/no opinion -----        | 49                   | 48       | 50        | 20                | 17       | 20        |

ASK ALL

Q3 Have you seen any Government advertising or publicity recently about jobs and training which uses this door symbol? IF YES: Where was that?  
(DO NOT PROMPT - MULTICODE POSSIBLE)

|                                        | Base: All |          |           |           |          |           | Change<br>±% |
|----------------------------------------|-----------|----------|-----------|-----------|----------|-----------|--------------|
|                                        | July<br>% | Aug<br>% | Sept<br>% | July<br>% | Aug<br>% | Sept<br>% |              |
| No advertising seen -----              | 64        | 58       | 46        |           |          |           | -12          |
| Yes, but can't remember where -----    | 2         | 3        | 3         |           |          |           | -            |
| Yes - national paper -----             | 1         | 1        | 1         |           |          |           | -            |
| - local paper -----                    | *         | *        | *         |           |          |           | -            |
| - TV -----                             | 6         | 15       | 29        |           |          |           | +14          |
| - booklet -----                        | *         | 1        | 1         |           |          |           | -            |
| - at Post Office -----                 | *         | *        | *         | 11%       | 20%      | 34%       | -            |
| - at Jobcentre -----                   | 1         | 2        | 2         |           |          |           | -            |
| - at Library -----                     | *         | *        | *         |           |          |           | -            |
| - at Unemployment Benefit Office ----- | *         | *        | 1         |           |          |           | *            |
| - commercial radio -----               | n/a       | n/a      | -         |           |          |           | n/a          |
| - posters -----                        | n/a       | n/a      | 1         |           |          |           | n/a          |
| - in banks -----                       | n/a       | n/a      | *         |           |          |           | n/a          |
| - Other (WRITE IN) -----               | 1         | 1        | 1         |           |          |           | -            |
| - Don't know/can't remember -----      | 25        | 21       | 20        |           |          |           | -1           |

IF YES AT Q3

Q4 What was that advertising or publicity about? PROBE: What was the main message of the advertising? (WRITE IN FULLY)

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# ASK ALL

Q5a Can you tell me the names of any of the schemes that the Government run and in the field of unemployment, training or help for small businesses getting started? PROBE: Which others can you think of? (DO NOT PROMPT. CODE FIRST MENTIONED UNDER 'FIRST' BELOW AND CODE ALL 'OTHERS' MENTIONED, IF ANY, UNDER 'OTHERS'.  
IF NONE MENTIONED AT ALL, CODE 'NONE' UNDER 'FIRST' COLUMN. IF NO OTHERS MENTIONED, CODE 'NONE' UNDER 'OTHERS' COLUMN.)

Q5b SHOWCARD

Here is a list of some of these schemes. Which of them, if any, have you heard of?

|                  |                                   | Q5a<br>(Spontaneous) |          |           |             |          |           | Q5b<br>(Prompted) |          |           | Change<br>±% |
|------------------|-----------------------------------|----------------------|----------|-----------|-------------|----------|-----------|-------------------|----------|-----------|--------------|
|                  |                                   | First                |          |           | 1st + Other |          |           | July              | Aug      | Sept      |              |
| Base: All        |                                   | July<br>%            | Aug<br>% | Sept<br>% | July<br>%   | Aug<br>% | Sept<br>% | July<br>%         | Aug<br>% | Sept<br>% |              |
| A.               | Community Programme -----         | 2                    | 2        | 3         | 5           | 8        | 9         | 39                | 46       | 45        | -1           |
| B.               | Enterprise Allowance Scheme ----- | 2                    | 3        | 3         | 7           | 7        | 8         | 26                | 26       | 35        | (+9)         |
| C.               | Job Release Scheme -----          | 1                    | 1        | *         | 1           | 2        | 2         | 30                | 37       | 34        | -3           |
| D.               | Job Splitting Scheme -----        | *                    | *        | *         | *           | 1        | 1         | 13                | 16       | 12        | -4           |
| E.               | Job Training Scheme -----         | 1                    | 1        | 1         | 3           | 3        | 4         | 47                | 48       | 46        | -2           |
| F.               | New Workers Scheme -----          | -                    | *        | *         | *           | *        | 1         | 4                 | 6        | 5         | -1           |
| G.               | Open Tech Programme -----         | *                    | -        | *         | *           | *        | *         | 5                 | 7        | 6         | -1           |
| H.               | Restart Programme -----           | *                    | *        | 2         | *           | 1        | 5         | 7                 | 9        | 26        | (+17)        |
| I.               | Travel to Interview Scheme -----  | *                    | -        | -         | *           | *        | *         | 4                 | 5        | 5         | -            |
| J.               | Small Firms Service -----         | 1                    | 1        | 1         | 3           | 4        | 3         | 21                | 23       | 20        | -3           |
| K.               | Youth Development Plan -----      | *                    | *        | *         | 1           | 1        | 2         | 16                | 17       | 17        | -            |
| L.               | Youth Training Scheme (YTS) ----- | 51                   | 51       | 47        | 57          | 59       | 54        | 64                | 62       | 61        | -1           |
| Other (WRITE IN) |                                   |                      |          |           |             |          |           |                   |          |           |              |
|                  | Q5a 'First' -----                 | 11                   | 11       | 10        |             |          |           |                   |          |           |              |
|                  | Q5a 'Others' -----                |                      |          |           | 20          | 20       | 18        |                   |          |           |              |
|                  | Q5b -----                         |                      |          |           |             |          |           | 1                 | 1        | *         | *            |
|                  | None -----                        | 16                   | 13       | 13        | 12          | 8        | 10        | 6                 | 4        | 5         | +1           |
|                  | Don't know/no opinion -----       | 16                   | 17       | 20        | 20          | 21       | 22        | 6                 | 6        | 6         | -            |

Q6a SHOW BOOKLET

Here is a Government booklet describing the various schemes designed to help with unemployment, training and starting new businesses. Before today, were you aware of this booklet or not?

|           |                                 | July<br>% | Aug<br>% | Sept<br>% | Change<br>±% |
|-----------|---------------------------------|-----------|----------|-----------|--------------|
| Base: All |                                 |           |          |           |              |
|           | Aware -----                     | 7         | 14       | 15        | +1           |
|           | Not aware -----                 | 89        | 84       | 81        | -3           |
|           | Don't know/can't remember ----- | 4         | 2        | 3         | +1           |

IF 'AWARE' AT Q6a:

Q6b Have you yourself actually looked through a copy of the booklet before today?

|           |                                 | July<br>% | Aug<br>% | Sept<br>% | Change<br>±% |
|-----------|---------------------------------|-----------|----------|-----------|--------------|
| Base: All |                                 |           |          |           |              |
|           | Yes -----                       | 35        | 27       | 22        | -5           |
|           | No -----                        | 58        | 71       | 76        | +5           |
|           | Don't know/can't remember ----- | 6         | 2        | 2         | -            |

aware of  
booklet

= 3.5% of all have looked through booklet  
(2% in July, 4% in August)



IF 'YES' AT Q6b:

Base: All who have looked  
through booklet

Q6c SHOWCARD

As a result of looking through the booklet, which of these statements  
best describe what you did then? Just read out the letters next to the  
appropriate statements. (MULTICODE POSSIBLE).

|                                                                                      | July<br>% | Aug<br>% | Sept<br>% | Change<br>±% |
|--------------------------------------------------------------------------------------|-----------|----------|-----------|--------------|
| A. Wrote to a contact address in the booklet -----                                   | 2         | 1        | 2         | +1           |
| B. Telephoned a contact number in the booklet -----                                  | 3         | 1        | 5         | +4           |
| C. Visited a branch of a contact address or office<br>mentioned in the booklet ----- | 4         | -        | 3         | +3           |
| D. Sent off for/got more information on a scheme -----                               | 8         | 5        | 9         | +4           |
| E. Applied for a scheme -----                                                        | 2         | 4        | 15        | (+11)        |
| F. Joined an employment/training/enterprise scheme -----                             | 7         | 4        | 2         | -2           |
| G. Got a job through a scheme -----                                                  | 2         | 3        | -         | -3           |
| H. Booklet not for me/gave to a friend/relative -----                                | 13        | 19       | 8         | -11          |
| I. Nothing/haven't done anything with it -----                                       | 63        | 59       | 54        | -5           |
| Other (WRITE IN) -----                                                               | 15        | 11       | 14        | +3           |
| -----                                                                                |           |          |           |              |
| Don't know/can't remember -----                                                      | 2         | 4        | 1         | -3           |



ASK ALL - Unemployment

Q7 SHOWCARD

Here is a list of various types of organisations in this country. I'm going to read out some things they try to do for the economy. For each one I read out, I'd like you to tell me which of these types of organisations, if any, you think does most to help? PROBE: Any others? (CODE FIRST MENTION SEPARATELY)

READ OUT AND ROTATE  
TICK START

|      |                                                                                              | The Government |      |      | Large companies |     |      | Small new companies |      |      | The Banks |      |      | Trade Unions |     |      |
|------|----------------------------------------------------------------------------------------------|----------------|------|------|-----------------|-----|------|---------------------|------|------|-----------|------|------|--------------|-----|------|
|      |                                                                                              | July           | Aug  | Sept | July            | Aug | Sept | July                | Aug  | Sept | July      | Aug  | Sept | July         | Aug | Sept |
| i.   | Provide a lot of practical help for people to get jobs                                       | 17             | 20   | (22) | 20              | 20  | 16   | (28)                | (25) | 21   | 7         | 6    | 7    | 7            | 7   | 9    |
|      | First mention                                                                                | 17             | 20   | (22) | 20              | 20  | 16   | (28)                | (25) | 21   | 7         | 6    | 7    | 7            | 7   | 9    |
|      | 1st + Other mentions                                                                         | 27             | 29   | (34) | 31              | 32  | 27   | (38)                | (34) | 33   | 16        | 15   | 17   | 13           | 12  | 15   |
| ii.  | Do a lot to tackle unemployment by helping people run their own businesses                   | 32             | 32   | (37) | 2               | 2   | 3    | 6                   | 6    | 6    | (39)      | (39) | 33   | 2            | 1   | 1    |
|      | First mention                                                                                | 32             | 32   | (37) | 2               | 2   | 3    | 6                   | 6    | 6    | (39)      | (39) | 33   | 2            | 1   | 1    |
|      | 1st + Other mentions                                                                         | 47             | 47   | (53) | 5               | 6   | 6    | 10                  | 10   | 10   | (52)      | (52) | 49   | 5            | 3   | 4    |
| iii. | Run plenty of schemes to help people with training to develop or improve their job prospects | (51)           | (55) | (57) | 20              | 19  | 16   | 6                   | 3    | 4    | 3         | 2    | 3    | 4            | 5   | 4    |
|      | First mention                                                                                | (51)           | (55) | (57) | 20              | 19  | 16   | 6                   | 3    | 4    | 3         | 2    | 3    | 4            | 5   | 4    |
|      | 1st + Other mentions                                                                         | (60)           | (63) | (66) | 35              | 33  | 33   | 11                  | 9    | 9    | 7         | 7    | 9    | 9            | 9   | 9    |
| iv.  | Give a lot of financial support to help create business and job opportunities                | 22             | 22   | 25   | 7               | 7   | 5    | 5                   | 4    | 3    | (47)      | (49) | (45) | 2            | 2   | 2    |
|      | First mention                                                                                | 22             | 22   | 25   | 7               | 7   | 5    | 5                   | 4    | 3    | (47)      | (49) | (45) | 2            | 2   | 2    |
|      | 1st + Other mentions                                                                         | 39             | 41   | 45   | 15              | 13  | 13   | 8                   | 7    | 5    | (58)      | (62) | (57) | 4            | 4   | 4    |



Is the Minister aware that two comparable cases occurred while I was chairman—that is, two cases in seven years—when the balance of public interest appeared to indicate that a brief period of parole would be better than release without any conditions a few months later? Those cases did not attract a general condemnation of the value of the parole system.

**The Earl of Caithness:** My Lords, I confirm what the noble Lord has said: that very few pre-parole leave applicants are refused and that there are very few failures. In fact, in recent years less than 2 per cent. of prisoners granted pre-parole leave have failed to return on time and less than one-half of 1 per cent. have committed a criminal offence.

**Lord Hooson:** My Lords, will the Minister confirm that virtually every civilised country has now a parole scheme and that none of them has ever abandoned it once it has been used? Does he agree that by the very nature of parole there are bound to be a few failures, and that a failure which is highlighted by this horrific case points out that it is relatively rare? It points out the general success of the parole system.

**The Earl of Caithness:** My Lords, I am grateful to the noble Lord.

**Lord Mackie of Benshie:** My Lords, may I ask the Minister whether the examination for parole includes a medical examination of the patient's mental state? It appears that this man was not a criminal but rather a sick man.

**The Earl of Caithness:** My Lords, it is up to the Parole Board, which has by statute a psychiatrist on it, to apply for a psychiatric report whenever it wishes.

**Lord Harris of Greenwich:** My Lords, is the noble Earl aware that on the basis of what he has said, this man as I understand it, would have been released in six months in any event? Is he also aware that parole boards are constantly looking at the cases of dangerous and potentially dangerous men to consider how they should be released into the community? It is a difficult decision and it would be wholly wrong for this House to draw any conclusions other than that the parole board does a difficult job in a highly responsible way.

**The Earl of Caithness:** My Lords, we fully concur with the noble Lord with regard to the tremendous work that the Parole Board does. Indeed, provided that Anderson had behaved in a good and reasonable way he would have been out of prison some eight months after the tragic event, but in any case he would have been paroled had he not committed a further misdemeanour two months later.

**Lord Paget of Northampton:** My Lords, does the noble Earl agree that in this, as in every other case of this sort, we have to take the best medical advice available in the full knowledge that doctors are sometimes wrong and that, if they were not sometimes wrong, there would be a great many more people living longer than they do now?

HL 35 N2

**The Earl of Caithness:** My Lords, the Parole Board had full information in front of it. It admittedly did not have a psychiatric report, but that could have been provided had it wished. In the same full evidence was in front of my right honourable friend the Home Secretary.

**Lord Boyd-Carpenter:** My Lords, with reference to this case, is my noble friend satisfied that those responsible for the decision in respect of this obviously dangerous man (which is a decision that has cost the life of an innocent man) was properly taken? In particular, has he not just told your Lordships that a psychiatric report was apparently not even available?

**The Earl of Caithness:** My Lords, we are satisfied that the decision was taken in good faith, on the basis of adequate information concerning the man's background and record of offending.

### Nuclear Power Stations: Defence Considerations

3.25 p.m.

**Lord Beswick:** My Lords, I beg leave to ask the Question standing in my name on the Order Paper.

The Question was as follows:

To ask Her Majesty's Government to what extent national defence considerations are taken into account in deciding the number and siting of nuclear power stations.

**Viscount Davidson:** My Lords, in the first instance the number and siting of nuclear power stations are a matter for the electricity boards. The consent of the appropriate Secretary of State is, however, necessary before each such station may be constructed. All relevant matters are fully taken into account before a decision is reached on an application for consent.

**Lord Beswick:** My Lords, I thank the noble Viscount for his Answer. May I take this opportunity to offer congratulations on his promotion? I am sure that he will find the Yeomen a splendid and agreeable body of men with whom to work. I am sorry I cannot commit questioners from this side of the House. I wonder whether the noble Viscount's Answer was not verging on the complacent. If, in the event of hostilities, we have high-explosive missiles controlled by modern target-seeking devices, and not necessarily nuclear missiles, directed against each of the nuclear power stations in the country, can he and his advisers really be sure that this island would remain habitable?

**Viscount Davidson:** My Lords, I am grateful to the noble Lord for his kind remarks. I do not think that anything is absolutely sure in this world. All I can say is that all our nuclear power stations are designed to withstand a large range of aircraft crashes, direct hits from conventional weapons and earthquakes. I would add that the threat of terrorism and other malicious acts is recognised and the appropriate preventive measures are taken, but these cannot be divulged for national security reasons. I am therefore not complacent but realistic.



**Lord Taylor of Hadfield:** My Lords, I first declare my interest with a company that builds nuclear power stations. We have accumulated in Britain over 320 years of experience of nuclear power stations without one single adverse incident.

**Viscount Davidson:** I am grateful to my noble friend for his comment.

**Lord Stoddart of Swindon:** My Lords, I add my congratulations to the noble Viscount. Perhaps I may also say that following the noble Lord, Lord Gray of Contin, he has a hard act to follow and I hope and trust that he will do it well.

May I ask him whether in relation to nuclear power stations there is not in defence terms a qualitative difference between the AGR and the pressurised water reactor, about which there has been a long inquiry at Sizewell which we are hoping will soon report? Is not the containment of a pressurised water reactor much more susceptible to attack than the AGR? Will the Government take this into account if they should (in my view, wrongly) decide to change the reactor design from the AGR to the PWR design?

**Viscount Davidson:** My Lords, the noble Lord is more experienced than I am in this field at the moment and I shall certainly consider what he says.

**Lord Jenkins of Putney:** My Lords, every nuclear power station must necessarily be a potential hazard of great consequence and also an inviting target. One of the assurances given by the Secretary of State for Energy recently, was, to say the least of it, a bit glib and possibly even verging on the mendacious.

**Viscount Davidson:** My Lords, I take note of what the noble Lord has said but I am sure he does not expect me to agree with him.

**Lord Thorneycroft:** My Lords, is it not clear that if we suffered an attack, conventional or unconventional a great many terrible things would happen, not only to nuclear power stations? Is that not the reason we maintain an independent nuclear deterrent?

**Viscount Davidson:** My Lords, I thank my noble friend.

**Lord Chalfont:** My Lords, is the noble Viscount aware that one of the attacks against which a nuclear power station is particularly vulnerable is an attack by terrorists with heat seeking missiles of some kind? Is he further aware that in France, where nuclear power accounts for a substantial percentage of electricity generation, this threat is taken very seriously indeed? Is he also aware that the French criterion is that their nuclear power stations should be proof against all but an all-out missile attack directed at the nuclear power stations themselves? Can he give the House an assurance (as I am sure he can) that our own nuclear power stations are as secure as that, at least as far as we can make them?

**Viscount Davidson:** My Lords, I have already said that we recognise the threat of terrorism and other

malicious acts and we take that very seriously indeed, but we cannot divulge the measures we take because of national security.

**Lord Beswick:** My Lords, we have heard of the expertise which goes into the construction of these new developments and I have had the opportunity of knowing and respecting many of those who have been engaged in the advanced technologies in this country; but when we consider Chernobyl and the fact that nuclear submarines, both American and Russian, have failed, and when we think of the London air control system this week thrown into confusion because of one computer failure and the tragedy of the space shuttle in Florida (which shook me more than anything else), can the noble Viscount be certain that we can eliminate mistakes? A mistake in this field may well be the ultimate mistake.

**Viscount Davidson:** My Lords, I do not think it is up to me to say whether I can eliminate all these mistakes. But I must assure the noble Lord that we feel that safety is absolutely paramount and, as my noble friend said, the United Kingdom has an excellent safety record. We have a rigorous system of safety licensing. Operators are subject to the strictest standards of safety in the design, construction, operation and maintenance of their installations. The Chernobyl reactor was of a completely different design from any kind of reactor operating in, or proposed for, the United Kingdom and it could not have been built here.

**Lord Nugent of Guildford:** My Lords, is my noble friend aware that among the risks he has to take note of is that probably by the middle of the next century we shall have run out of fossil fuel for generation and that we shall run the danger of all dying of cold? Would he take that into account in deciding what nuclear reactors we should use for generating purposes?

**Viscount Davidson:** My Lords, we shall certainly take all these matters into account. All I can say is that nuclear power has an important and vital role to play. It contributes a very valuable element of diversity and security of supply and it already supplies some of our cheapest electricity.

**Lord Leatherland:** My Lords, may I ask the Minister whether armed guards or sentries are on duty at these stations?

**Viscount Davidson:** My Lords, I said earlier that I am afraid I cannot divulge any of the methods taken to secure these plants.

## Unemployment: Government Measures

3.31 p.m.

**Viscount Whitelaw:** My Lords, yesterday I said in response to the noble Lord, Lord Cledwyn, and others, that I would consider making a Statement today if the measures announced by my noble friend Lord Young seemed to justify a Statement in this House. I judge that it would be your Lordships' wish that I should make a Statement this afternoon.



The first development my noble friend announced is an expansion in the number of Jobclubs from the present figure of just over 200 to 1,000 by March next year and, if the need continues, to a total of 2,000 by next September. Jobclubs help unemployed people to find jobs for themselves by providing free telephones and postage and expert help in writing job applications. Two-thirds of people leaving Jobclubs go into employment. That record speaks for itself. And that is why there is to be a big expansion.

Secondly, there are to be two pilot schemes within the Restart Programme. This is the Government's main programme to help the long-term unemployed. The Manpower Services Commission is now engaged in a massive programme to give counselling interviews to every person who has been out of work for 12 months or more. These interviews are the gateway to a whole range of other programmes and opportunities designed to help people back into work.

The pilot schemes announced today will, first, test the idea of extending the programme to everyone who has been out of work for six months or more and, secondly, test the feasibility of a new programme which will offer the six-month unemployed both training and work experience, leading to recognised qualifications.

The two pilot schemes are closely related because what we want to test is the feasibility of offering everyone who is under 25, and who has been unemployed for six months or more, a positive opportunity to get back into work: either directly, by placing him in a job vacancy, or through membership of a Jobclub, or by helping him to set up his own business through the Enterprise Allowance Scheme or by offering him a place in the new training programme.

Finally, the scope of the Enterprise Allowance Scheme is being extended so that businesses no longer need to be wholly independent. The Enterprise Allowance Scheme has proved a popular and successful means of encouraging unemployed people to become self-employed and to create thriving new businesses which can employ other people. By extending the scope of the scheme to cover unemployed people who start businesses under franchising arrangements we can help unemployed people into a wider range of self-employment opportunities.

This is an important package of new proposals to give urgent and practical help to the long-term unemployed and an earnest of the Government's determination to tackle the problem of long-term unemployment.

**Lord Cledwyn of Penrhos:** My Lords, we are very grateful to the noble Viscount for making this Statement in response to our suggestion of yesterday, and we welcome the package which he has announced and which we shall study very carefully at greater leisure. The Statement reflects the acute concern which exists about the long-term unemployed population and I shall be grateful to the noble Viscount if he will say how many are classed as long-term unemployed and by how much that figure has grown over the last 12 months. Can he say how many of those who have participated in the Restart scheme

have gone on to permanent employment as a result of the scheme? Further, can he say how many who have participated in the Enterprise Allowance Scheme, which is dealt with in the Statement, have sustained their businesses after three years, and what percentage is that of the total who were at any time in receipt of the allowance?

Secondly, may I also welcome the expansion of Jobclubs, and can the noble Viscount say how many new jobs have been found as a result of the 200 clubs which are already in being? A good deal is being said about job creation. Can the noble Viscount say whether the Government believe that the Restart scheme will create jobs, or is there not a real danger that it will merely mean a reshuffling of the unemployed so that some will be able to compete more effectively for the same number of opportunities? There has always been that suspicion, and it has been expressed in this House on more than one occasion.

Furthermore, does the noble Viscount not agree that we are concerned here with more than job creation? Is not the important figure that of net unemployment? Is there not a possibility that the schemes promoted by the Government are characterised by a high rate of substitution between the unemployed and the employed, and what will be the net effect of the employment policy of the Government? I should be grateful if the noble Viscount could deal with those few questions.

**Baroness Seear:** My Lords, I, too, should like to thank the noble Viscount for repeating the Statement made by the Secretary of State elsewhere today, and of course we welcome the new schemes that he has told us about. I am bound to say, however, that in relation to the total size of the unemployment problem and, in particular, to the total number of those who have been unemployed for over six months, particularly the disastrously high number of people under 25 who have been unemployed for over six months, these new schemes are still somewhat puny. That said, however, we of course welcome them so far as they go.

I should like to ask the noble Viscount to confirm what I believe to be the truth, but which is not widely held to be the truth, that these counselling sessions which are to be extended on a very much wider basis are genuinely motivated by the desire to help people to get into jobs and are not benefit policing devices. We on these Benches accept that this is the case, but the noble Viscount will know that there are many parts of the country where this is not believed to be true.

Secondly, I was very glad to see that a training element is to be included in the six months' experience and training which is being offered in these new schemes. The Statement says that these will lead to a recognised qualification. But it is not altogether clear what will be the nature or value of a recognised qualification that will come to a person who has been out of work for over six months or, in a great many cases, has not had sustained work at all, after he has done a period of six months' work and training.

It will not be of much value unless the training which is being offered is related to other established training schemes leading to well-known and established qualifications, and for example, allows



[BARONESS SEEAR.]

exemption from some aspects of training schemes which the person would have embarked upon had he entered earlier. The relationship of the training being given to other training schemes is of the greatest importance. This is particularly so in relation to what the noble Lord, Lord Cledwyn, has said. If all we are doing with these schemes is making unskilled people just slightly less unskilled, they will go back into unemployment, because fewer and fewer unskilled jobs will be available, while, as we all know, there are many unfilled vacancies for skilled workers, and this is increasing.

If there is money available for additional training, why not put some of that money into the community programme where there are now 200,000 places? Some money is going into training in the community programme, but many of us think that it is not being used effectively. Furthermore, realising the importance of training, may I ask the Government whether they will not increase the amount of money available to the adult training strategy on which the MSC has already embarked with, in the view of many of us, woefully inadequate resources?

**Viscount Whitelaw:** My Lords, I am grateful to the noble Lord, Lord Cledwyn, and to the noble Baroness, Lady Seear, for their reception of the Statement and, indeed, for the welcome that they have given to the measures I have announced this afternoon.

The noble Lord, Lord Cledwyn, asked about the numbers of the long-term unemployed. I understand that in July 1986 the number of those unemployed for more than 12 months was 1,285,000. I also understand that the number of long-term unemployed has remained broadly stable over the past two quarters.

The noble Lord, Lord Cledwyn, asked about the jobs created by Jobclubs. I think it is fair to say that the purpose of Jobclubs is not to create new jobs but to help unemployed people to find jobs. It is true to say, as I said in the Statement, that two-thirds of those who have been members of Jobclubs have gone on to other jobs. That is a considerable justification for them.

On the question of job creation, I think all these measures—and there are many others besides the ones I have announced today—have to be seen against a background in which the number of jobs in Britain has grown by nearly 1 million since 1983. So these measures, if they help to create more jobs, will be doing something in addition to what is a considerable achievement in itself.

The noble Baroness, Lady Seear, asked about the counselling. She asked whether it is a question of trying to get people jobs or a policing arrangement. It is in fact for the purpose of trying to get people jobs, and that should be made abundantly clear. The noble Baroness referred to training. I note what she says about the community programmes. These are considerable in themselves and are not the subject of the Statement this afternoon, but I shall ensure that my noble friend Lord Young is notified of her views.

The noble Baroness referred to training opportunities. There are a great many, as the noble Baroness knows very well and as I once knew; it is an

awfully long time ago since I was in the Department of Employment. Many certificates and qualifications are already offered by the examining bodies—for example, the City and Guilds, the RSA and the BTEC—covering almost every occupation at a variety of levels. It can be said of the scheme that it will help individuals either to start on a new skill from scratch or to build on what they already have, and they should aim in that direction; and I totally agree with what the noble Baroness said about the need for training positions.

I believe it is fair to say that when one looks back at our training arrangements over the years in this country one sees that the training programmes today are on a scale totally different from what many people who advocated them many years ago would ever have imagined at that time.

**Lord Elliott of Morpeth:** My Lords, will my noble friend accept that those of us who are aware of the unemployment problem, particularly in the areas from which we come, will welcome very much the speech this morning of my noble friend Lord Young? I should particularly like to emphasise the point he made about the success of the enterprise allowance. He mentioned the town of Sunderland where the success of the enterprise allowance has been such that an amazing number of unemployed people have started up their own businesses. This applies also to Derwentside, in the North-East of England. I think that this is the most encouraging feature of the present Government's considerable efforts with regard to unemployment.

**Viscount Whitelaw:** My Lords, I am very grateful to my noble friend Lord Elliott of Morpeth for what he has said, with his very special knowledge of the extreme problems in the North-East. I am very grateful to him for what he has said about the enterprise allowance. At a time when we have to look to small businesses to help solve the unemployment problem what has been done through the enterprise allowance is extremely valuable. I should add that I am afraid I cannot give the information for which the noble Lord, Lord Cledwyn, asked about the number of people who, having taken on businesses, then gave them up, but I shall certainly find out and let the noble Lord know.

**Lord Bottomley:** My Lords, is the Leader of the House aware that my noble friend Lord Ennals has an engagement in the Middlesbrough area today? He left by an early morning train and considered it his duty to be back in time for the sitting of the House. Can the Leader of the House explain why the Secretary of State for Employment was not able to make his Statement to the House?

**Viscount Whitelaw:** My Lords, in answer to the noble Lord I would say simply this. I considered that possibility with my noble friend and he would have been prepared to do so, despite a considerable number of other engagements which he had at the party conference. I make no secret of that fact. I decided myself that I should do it rather than ask him to come back. That was my decision, not his. I hope the House will see that it was not an unreasonable decision that



I should take upon myself the duty of making the Statement. It was my decision and not that of my noble friend Lord Young.

### Financial Services Bill

3.47 p.m.

**Lord Beaverbrook:** My Lords, I beg to move the Motion standing on the Order Paper in the name of my noble friend Lord Lucas of Chilworth.

Moved, That the amendments for the Report stage be marshalled and considered in the following order—

Clause 1,  
Schedule 1,  
Clauses 2 to 10,  
Schedule 2,  
Clauses 11 to 18,  
Schedule 3,  
Clauses 19 to 36,  
Schedule 4,  
Clauses 37 to 43,  
Schedule 5,  
Clauses 44 to 94,  
Schedule 6,  
Clauses 95 to 112,  
Schedules 7 and 8,  
Clauses 113 and 114,  
Schedule 9,  
Clauses 115 to 127,  
Schedule 10,  
Clauses 128 to 137,  
Schedule 11,  
Clauses 138 to 167,  
Schedule 12,  
Clauses 168 to 177,  
Schedule 13,  
Clauses 178 to 184,  
Schedule 14,  
Clauses 185 to 204,  
Schedule 15,  
Clause 205,  
Schedules 16 and 17.—(*Lord Beaverbrook.*)

On Question, Motion agreed to.

### Public Order Bill

**The Earl of Caithness:** My Lords, I beg to move the Motion standing in my name on the Order Paper.

Your Lordships will recall that at the commencement of our consideration of the Public Order Bill on Monday it was agreed that Part III of the Bill should be recommitted to a Committee of the Whole House. A representation was also made that a suitable interval be allowed between recommitment of Part III and the Report stage of Part III. The motion standing in my name will, if agreed to by the House, enable us to recommit Part III of the Bill and the schedules which relate to that part. It will also enable us to begin the Report stage immediately after we have concluded the Committee on recommitment. The Report stage of the part of the Bill which is to be recommitted will, however, not be reached until the second day of Report which will come two days after the recommitment. We would hope to take the Committee on recommitment and to begin Report

stage on Tuesday, 21st October and to conclude the Report stage on Thursday, 23rd October. I hope that that is for the convenience of the House. I beg to move.

Moved, That the Bill be recommitted to a Committee of the Whole House in respect of Clauses 17 to 29 and Schedules 2 and 3; and that Standing Order 43 (*No two stages of a Bill to be taken on one day*) be dispensed with to enable the Report to be received on the same day as the Committee (on recommitment).—(*The Earl of Caithness.*)

**Lord Mishcon:** My Lords, these arrangements are obviously very fair in all the circumstances and I thank the noble Earl for having announced them.

**Lord Tordoff:** My Lords, as the person who raised the question of having a gap between the two stages, may I also thank the Government and the Minister for these quite admirable arrangements? It gives a little time for Report stage amendments, if they are necessary.

On Question, Motion agreed to.

### Housing and Planning Bill

3.49 p.m.

**Lord Skelmersdale:** My Lords, I beg to move that the House do now again resolve itself into Committee on this Bill.

Moved, That the House do now again resolve itself into Committee.—(*Lord Skelmersdale.*)

On Question, Motion agreed to.

House in Committee accordingly.

[The LORD STRABOLGI in the Chair.]

Clause 7 [*Proposals for co-operative management or ownership*]:

**Lord Skelmersdale** moved Amendment No. 57:

Page 22, line 4, leave out from beginning to ("insert") and insert ("In Part II of the Housing Act 1985, after the provisions inserted by section 6 above,").

The noble Lord said: I spoke to this amendment with Amendment No. 26. Perhaps it would be for the convenience of the Committee to warn Members that I am about to move *en bloc* Amendments Nos. 58 to 64, to which I also spoke on Amendment No. 26. I beg to move.

On Question, amendment agreed to.

**Lord Skelmersdale** moved Amendments Nos. 58 to 64:

Page 22, line 11, leave out ("dwelling-houses") and insert ("houses").

Page 22, line 13, leave out ("offering to buy dwelling-houses") and insert ("proposing that the association should acquire from the authority houses").

Page 22, line 16, leave out ("or offer").

Page 22, line 18, leave out ("at") and insert ("by").

Page 22, line 20, leave out from beginning to ("they") in line 21 and insert ("accepted the proposal in principle,").

Page 22, line 27, leave out ("dwelling-houses") and insert ("houses").

Page 22, line 32, leave out ("dwelling-houses") and insert ("houses").

On Question, amendments agreed to.

Clause 7, as amended, agreed to.



**Baroness David** moved Amendment No. 65:

After Clause 7, insert the following new clause:

*("Ground for possession of a dwelling-house in the event that a relationship breaks down."*

—In schedule 2 to the Housing Act 1985 (grounds for possession of dwelling-houses let under secure tenancies), in Part II (grounds on which court may order possession if suitable alternative accommodation is available), after ground 11 (where the landlord is a charity) insert—

"Ground 11A

The landlord wishes to transfer the secure tenancy of the dwelling-house to—

(a) the tenant's spouse (or former spouse); or

(b) a person with whom the tenant has been living as man and wife,

who has applied to the landlord for such transfer; and either the tenant or the (as the case may be) spouse, former spouse or person, no longer wishes to live together with the other in the dwelling-house."

The noble Baroness said: I see that Amendment No. 103 is grouped with Amendment No. 65, but I believe that my noble friend will not be moving that amendment.

Amendment No. 65 deals with the situation arising after there has been matrimonial or cohabitees' break-up, and the wording is the same as the government clause contained in the current Housing (Scotland) Bill. Its purpose is to determine the future of the matrimonial home following the break-down of the relationship. The amendment covers cohabiting couples as well as married couples, and both parties would be housed.

Representations have been received over a number of years from local authorities, housing associations and voluntary bodies that a change in the law is required in this difficult area. A pressure group of voluntary organisations was set up in 1983 and 1984 and asked for changes in the law.

It is common for tenants to approach their landlord requesting that the tenancy be transferred or that the housing circumstances be determined to favour one or other partner. Often that can be achieved by agreement, usually with the tenancy being determined in favour of the female partner and children, with the male partner being offered alternative accommodation.

I am sure we all agree that the housing position is one of the most urgent matters to be dealt with when there is a relationship break-down resulting in both partners no longer being able to live together. Normally, the housing circumstances are determined through the matrimonial courts. However, this is a lengthy procedure and may be dealt with only after a considerable number of years when the case comes before the divorce courts. There is a considerable gap between the actual relationship break-down and the need to deal with the housing position and eventual settlement of divorce proceedings through the matrimonial court.

We agree with the Government's view as expressed through their clause in the Housing (Scotland) Bill. Public sector landlords should have the opportunity as a step of last resort to seek a notice of possession in the courts to transfer the tenancy to the other partner if they have been approached by that partner with such a request. The existing tenant would, under the proposals set out, be offered suitable alternative accommodation.

In outline, the proposals are as follows. The situation would apply only when one or other of the parties in the relationship dispute applied to the local authority or housing association requesting that their housing circumstances be sorted out. It would then be up to the landlord as to whether they chose to go to the county court for possession to sort out the housing circumstances. If they do, and the court makes a decision, both parties will have to be rehoused. Clearly, only landlords who are prepared to do this will go to court.

The intention of the possession order would be to sort out the desperate housing circumstances in advance of the very long processes of the divorce and matrimonial courts. The housing circumstances might not be sorted out for two or three years, and couples under joint tenancy need assistance if they are unable to agree as to the future of the matrimonial or relationship home. Matters cannot be left for the amount of time that divorce courts take. The Government accepted that argument in Scotland.

I emphasise that the amendment has considerable support across the housing world. It would be voluntary on the landlord (I underline that) whether council or housing association, whether to proceed. It would only work when one or other of the parties requested a determination. This will often involve women who will obtain custody and tenancy of the matrimonial home through this procedure, prior to the divorce court making a decision.

In the past, local authorities have been worried that if this power were obtained they would be forced to house one of the parties in dispute, giving him or her precedence over people who have been on the waiting list for some time. I want to make it quite clear that this power to evict would not come into force and would not be used unless the authority chose to do so. This is a very human issue. What we want to do is to help sort out a very difficult and distressing situation in a shorter time than applies when recourse is made to the divorce and matrimonial courts. I am sure the Committee will have sympathy with that aim.

Why should England and Wales be behind the Scots? It is six years since efforts were made to institute change. Why should we delay longer? I ask the Committee to support this new clause. I beg to move.

**Lord Skelmersdale:** I readily agree with the noble Baroness that this is a very difficult area; and as she will know, the proposal to make relationship break-down a ground for possession is by no means new. It was extensively discussed at the time of both the Housing Act 1980 and the Housing and Building Control Act 1984. It was resisted then, principally on the ground that it would be more appropriate for questions about the future of the matrimonial home to be settled by the courts under matrimonial legislation than by a public sector landlord. I hope the Committee will agree that this argument still has considerable force. It is, however, true that matrimonial legislation does not provide a means of assigning the family home to a so-called common-law spouse, which is a problem bound up in this whole general area. There are situations where a spouse is unwilling to take the initiative under matrimonial legislation as it now stands.





NEW ST. ANDREW'S HOUSE  
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CONFIDENTIAL

The Rt Hon Kenneth Clarke, QC MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON  
SW1H 9NF

*NBM*

8 October 1986

*Dear Ken,*

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

Thank you for sending me a copy of your letter of <sup>at 11.45</sup> 25 September to John MacGregor with the report by officials on ways to alleviate the impact of major redundancies.

I support the proposal that an official group be created to consider the possibility of special measures packages in cases where a redundancy is likely to have an exceptional or disproportionate impact on an area. A systematic approach in this way will complement the basic programme of area regeneration undertaken in Scotland mainly by the Scottish Development Agency. I would expect such packages in Scotland to be organised largely by or through the Agency, although I do not see it as being able to finance any significant major new packages from its currently planned resources and I am sure that the content of new packages will have to draw on other sources for its funding. The SDA has considerable experience in putting together co-ordinated local programmes where there have been major redundancies and I suggest this is drawn on in the preparation of the criteria which will be used by the official group to prepare its recommendations for E(A). The remit for the officials' report was to look at major redundancies but, with the emphasis in the report on an area approach, I believe it would be useful if the criteria were able to operate not only in such cases but also when an area suffered from a number of simultaneous redundancies, perhaps, but not necessarily, in the same industry, since these can have an impact as large as a single major redundancy. I have in mind such examples as the possible effects on a regional economy of a run-down in oil, or a general run-down in the textile industry of a predominantly rural area.

I am interested in your thoughts about an initiative with the banks on small loans to new businesses. There has been interest in some areas of



Scotland in such schemes, but few are in operation. I would be glad to be kept informed of any work on establishing any network of local investment funds.

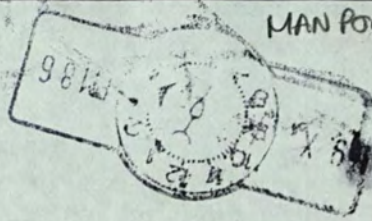
I am copying this letter to the Prime Minister and other members of E(A).

*Yours ever,  
Malcolm*

MALCOLM RIFKIND



MAN POWER SONS PT14







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CCBG

P 02268

From: J B UNWIN  
7 October 1986

MR NORGROVE - No 10

cc Mr Stark  
Mr Wiggins

**MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES**

*FILE WITH DN*  
The Paymaster General's letter of 25 September to the Chief Secretary, copied to the other members of E(A), covers a note by officials on the above subject. In brief, it suggests setting up an official group, chaired by the Department of Employment, to advise Ministers, on a case by case basis, whether in particular circumstances a special package might be justified to alleviate the effect of redundancies.

2. Although there may be some squabbling over the precise terms of reference of the proposed group, and the extent to which there should be any presumption about new resources or variations in existing job creation and regional schemes, I would expect general agreement in E(A) to the Paymaster General's proposals. Although they are modest and bureaucratic in form, at least they would establish machinery, within a sensible framework, capable of giving rapid and informed advice to Ministers in future cases where major redundancies are likely to be involved. You will recall that the exercise stemmed from the Cabinet Office study of the shipbuilding industry earlier this summer, and in particular from the exercise we had to coordinate at very short notice to respond to the redundancies declared by British Shipbuilders. These new proposals should at least help to ensure that the Government's response is better prepared in any such cases in the future.

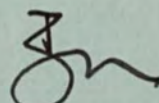
3. Unless any really substantial objections are raised by other Ministers, I see no need for discussion in E(A). If, however, the Prime Minister is broadly content with the proposals, she may wish to consider commenting as follows:-





- subject to the views of colleagues, she is generally content with the machinery proposed, on the understanding that specific decisions would need to be taken by Ministers on a case by case basis;
- although the possibility of additional resources in particular cases cannot be ruled out, she believes that it would be right to approach the exercise on the basis of diverting existing resources;
- it is important also that the Ministry of Defence should be embraced in these arrangements and she assumes that steps will be taken to ensure this.

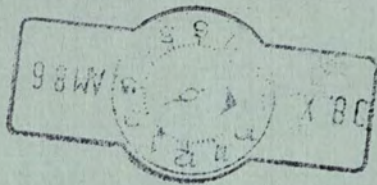
4. The last point is important, particularly in relation to shipbuilding, and I will in any case ensure that it is made to the Department of Employment and others concerned. The Ministry of Defence were not represented on the Official Group that produced this report, and the Paymaster General's letter has not gone to the Defence Secretary, who is not a member of E(A).



J B UNWIN



MANPOWER SGMS PT14







SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

6 C 86  
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WHITEHALL  
LONDON SW1A 2AZ

The Rt Hon Kenneth Clarke MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON  
SW1H 9NF

7 October 1986

*Dear Paymaster General*

MEASURES TO ALLEVIATE REDUNDANCIES

*at 11.00*  
I have read with interest your letter of 25 September to John MacGregor and the paper by officials which you enclosed.

The measures which you propose will undoubtedly improve our handling of the response to major redundancy announcements. Unfortunately issues of this sort are all too prevalent in Northern Ireland. We have recently faced major redundancies in the tobacco industry with the closure of the Rothman's plant in Northern Ireland and of Gallaher's major Belfast factory. Other job losses are also in prospect. However, our smaller and rather different institutional structure facilitates our response to major redundancies and I do not envisage a need to precisely replicate in Northern Ireland the arrangements you propose at national level. Nevertheless I would wish my officials to be kept in touch with the work of the Committee both in relation to individual cases and in considering whether existing measures require modification for these purposes. I would be grateful, therefore, if papers could be sent to:

/...



Mr J C Stutt  
Policy Division  
Department of Economic Development  
Netherleigh  
Massey Avenue  
BELFAST  
BT14 2JP

who will act as the general point of contact at official level in Northern Ireland.

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

Yours Sincerely  
N. Howard  
(Private Secretary)

for<sup>TK</sup>  
(Approved by the Secretary of  
State and signed in his absence  
in Northern Ireland)



MANPOWER: SEMS PTIU.







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

From the Minister

CONFIDENTIAL

The Rt Hon Kenneth Clarke QC MP  
Department of Employment  
Caxton House  
Tothill Street  
London SW1H 9NF

2887  
7 October 1986

*at flap*  
MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

Thank you for sending me a copy of your letter of 25 September in which you invite colleagues to let you have their views on whether an official group should be set up as outlined by officials in the paper attached to your letter.

I am sure that it is right that we should undertake contingency planning for tackling the effects of major redundancies. The officials' paper refers to the need for a more consistent and ordered policy response and this I fully support.

My main concern relates to how such an approach would be operated in practice. The remit of E(A) referred to the "impact of ship building and other redundancies on the worst affected areas". Inevitably, such a policy would be triggered by major redundancies in urban-based industries and hardly, if ever, by redundancies affecting rural communities and country towns. There, although the relative scale of the problem may be considered much smaller, the effect on whole communities of the less dramatic outflow from agriculture and its ancillary industries can be just as traumatic for those concerned. Experience shows that many country people who can no longer find a living off the land simply do not have the skill and experience needed to compete successfully in the urban job market away from their home areas. They also have to face the psychological impact of moving to what for them can be an alien urban environment.

The officials' paper rightly emphasises that the approach adopted should apply to the whole labour market of the area affected. I trust that this would include neighbouring rural areas. However, my point is that by adopting such a policy as you suggest, which I support, we must not lose sight of the difficulty that help given to particular disadvantaged areas will raise questions as to why similar help cannot be given to less publicised but, nevertheless, equally deserving cases such as some rural areas.

/I support your ....



I support your proposal for the setting up of the official group and that intervention should only operate if individually approved by E(A).

A copy of this letter goes to the Prime Minister and to other members of E(A).



*Mr. Funn*  
*Michael*

MICHAEL JOPLING



cc BG



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From The Parliamentary Under-Secretary

Oddi wrth yr Is-Ysgrifennydd Senneddol

6 October 1986

CONFIDENTIAL

*John MacGregor*

*N B M*

**MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES**

Thank you for copying your letter of 25 September, to John MacGregor, to Nick Edwards. I am responding in his absence abroad.

The first thing that strikes me is that the report appears to be aimed at the situation in England. The task of the proposed Committee appears primarily to relate to assessment of situations and presentation of the assessment to Ministers who can then take a view on the response required. This is a job already done by the Welsh Office in Wales and unless extra money were on offer, or we seriously envisaged localised changes in the rules of national schemes, there would seem little point in giving the Committee a role in relation to the Principality. Is this, however, what was envisaged? If there are to be extra resources on offer we need to discuss the basis on which Wales (and Scotland) would be linked into the system.

As to the question of changing the rules of national schemes I hope that this is something that we can resist; not just because of the difficulty of "ring fencing" such changes (to which the report rightly draws attention) but because I feel that if programmes designed (as you point out) to reflect the severity of need cannot respond fast enough or well enough to major problems, we should look at improving the scheme as a whole.

I am concerned about the possibility that either the Committee or the sorts of local arrangements to which it could lead, might become institutionalised. By this I mean that even if the Standing Committee's

/existence is not ...

The Rt Hon Kenneth Clarke QC MP  
Paymaster General  
70 Whitehall  
London  
SW1A 2AT





existence is not known of, the creation of a standard administrative structure - a "taskforce" - could become the expected response to every major redundancy. Using existing arrangements such as City Action Teams is one thing; ad hoc taskforces, especially those involving the local authorities - as we in Wales know to our cost - can become a serious handicap to the Government's freedom of action.

I am not convinced on the evidence presented in the report that the idea of a Standing Committee offers significant advantages over a less formal arrangement where a single department would be responsible for co-ordinating an assessment of major redundancy situations and putting together proposals for a response. Indeed, as I have indicated, even if the arrangements were to be seen as relating exclusively to England, I would see distinct disadvantages.

... I am copying this to the Prime Minister and other Members of E(A).

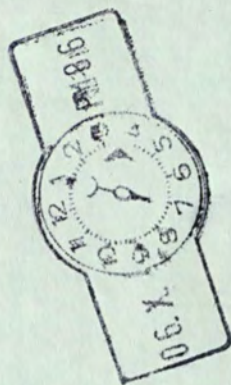
*T. ...*

*Wyn -*

WYN ROBERTS



MANPOWER: Special employment measures: Pt 14





CORB



2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

The Rt Hon Kenneth Clarke QC MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON  
SW1H 9NF

3rd October 1986

*Dear Kenneth*

## MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

Thank you for the copy of your letter of 25 September to the Chief Secretary.

I am content with the proposal to set up an official group on the lines proposed, provided that this does not imply an increased frequency of special packages in response to redundancies. These are likely, as you say, to be of limited relevance to the deeper problems of unemployment in these areas. I agree that to be effective redundancy packages will often need new resources. The issue is whether any resources that are available would be more effectively used if committed through sustained initiatives, rather than in bursts as redundancies occur. Indeed, the question is how to use such money as is available in the most effective way.

The criteria for triggering packages should be restrictive enough to ensure that they do not become commonplace. It is right that the content of each package and the choice of agency should depend on local circumstances, but it is also important to take past experience into account. I hope the Group can undertake an early review of the effectiveness of past packages, including an assessment of the various enterprise companies which have been set up to deal with steel, coal, railway workshop and shipbuilding closures.

I am copying this to the Prime Minister and other members of E(A).

*Jon**Nicholas*

NICHOLAS RIDLEY



MANPOWER : SGMS PT14.







SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John MacGregor OBE MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

2 October 1986

JBM -

Dear John,

**COST EFFECTIVENESS OF PUBLIC EXPENDITURE MEASURES RELATED  
TO EMPLOYMENT**

I have seen your letter of 8 August to David Young.

WILL REQUEST IF REQUIRED

I am in general agreement with what is proposed, although naturally our concern is often with the Scottish or local employment effects of measures rather than just the national consequences to which the Report is primarily addressed. That is also true of the NDPBs for which my Department is responsible, such as the Scottish Development Agency. I do think it important, however, that medium term effects are given due consideration, as the Report suggests, and not completely overshadowed by the first year effects and long term effects.

I am copying this letter to the recipients of yours.

Yours ever,  
Malcolm Rifkind

MALCOLM RIFKIND







PRIME MINISTER

Prime Minister!  
Agree the proposed  
study?

DLW  
26/9

26 September 1986

Agree (2) -  
I think

UNEMPLOYMENT IN THE NORTH EAST

Earlier this week, I spent two days visiting various <sup>decisions with very</sup> <sup>sensitivity - not by</sup> <sup>written decisions</sup> <sup>not.</sup> employment and enterprise schemes in the North East. You may be interested in a few observations and anecdotes.

1. Regional Wage Variations

I was surprised by the fact that few people gave any serious thought to the relative competitive position of the North East within the UK.

While there is obviously no easy panacea for the high unemployment regions, market forces would, over time, be expected to lead to a widening differential in wage levels. If skilled labour were readily available in the North East at 20-30% lower cost than in the South East, the current battery of regional aids and incentives should be unnecessary to persuade firms to invest in that region.

While there is a small wage differential already (and a significant differential in property prices), further adjustment is hindered by two factors.

1. National wage negotiations, particularly in the public sector, give no regard to regional variations (except for a small London weighting) and as well as covering a significant proportion of employees directly, also set wage expectations more widely for comparable jobs.



2. Poor work incentives resulting from the workings of the current benefit system mean that even current wage levels are often unattractive - particularly in the North East where there is a much higher proportion of older, married men in the unemployed as a result of industrial restructuring. Further downward pressure on wages would thus make it even more difficult to attract the unemployed back to work.

Difficult though this problem is to tackle, I suspect we will not really solve the regional problem until we have addressed these fundamentals. The Treasury is beginning to press this year for greater regional variations in public sector pay, and this should clearly be pressed as hard as possible (against traditional Treasury resistance to losing national control). The Fowler benefit reforms should help remove some of the current work disincentives, but it may ultimately be necessary to find some way of linking benefits to regional wage levels rather than national norms (justified on the grounds that people in the more expensive areas of the country clearly need additional help to maintain the same living standards). While no moves could be made rapidly, it would be worth calling for a confidential analysis and report on the policy options for regionalising wages and benefits.

## 2. Restart

Restart is still achieving good results, but local



officials are now worried about loss of effectiveness as the community discovers how to play the rules of the game. In particular, there is an increasing tendency for people to get through the interview by agreeing to go on the one week restart course and then simply failing to turn up (when there is apparently no follow-up!). Department of Employment officials are aware of these loopholes and are looking for ways to tighten up, but it emphasises the difficulty of avoiding fraudulent claims without the ultimate sanction of requiring work for benefit. This is why the direction of Lord Young's new proposals could be very important.

### 3. Credit Only Claimants

In many Northern local authority areas, it is possible for registered unemployed (with a UB40 form) to get half price travel, free use of social facilities, free school lunches, etc.

Under the current rules, women who claim they are available for work are able to register as unemployed and get a UB40 form even though they are not eligible for any unemployment or supplementary benefits (although they do receive National Insurance credits). There is still some dispute about how many people are involved, but it appears the number of credit only unemployed could be several hundred thousand nationwide. While many may be genuine, local officials believe there is a significant group who pick up the card simply to get their local "passport" without intending to



work. The Department of Employment is aware of this problem and is looking for ways to discourage this practice - including stricter availability testing.

#### 4. Northern Development Company

I met with the Chairman and some Board members of the new Northern Development Company, which was set up by the local CBI, unions and local authorities after your visit last year to provide a more effective mechanism for regional promotion than the current NEDC. They are enthusiastic and committed, and are likely to formally take over from the NEDC in the next few months. However, they have yet to produce a clear programme for the specific actions they intend to pursue over the next year. Once they are a bit further down the road, you may want to give them some further encouragement and publicly associate yourself with their initiatives.

#### Recommendations

1. Request the Treasury and DHSS to prepare a confidential study on practical policy options for achieving greater regional variation in public sector (and thus other) wages while maintaining work incentives.
2. Be prepared to meet up with the Board of the Northern Development Company early next year. //

*Norman Blackwell*

NORMAN BLACKWELL





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

**CONFIDENTIAL**

The Rt Hon John MacGregor MP  
Chief Secretary  
HM Treasury  
Parliament St  
LONDON SW1

25 September 1986

B / F Tuesday 14/10  
JCF

Dear John,

**MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES**

I was remitted by E(A), in conjunction with you and colleagues from Environment, Trade and Industry and Scotland, to find ways to alleviate the impact of major redundancies. A group of our officials has worked together on this and produced a joint paper which I attach.

The approach they propose involves setting up an official group which would advise Ministers, on a case by case basis, whether in particular circumstances a special package of measures to alleviate the effect of redundancies might be justified. Such a package would be built on our existing policies but would concentrate resources on a hard hit area and present a visible effort to cushion the effect of redundancies. Such intervention would only operate in a very limited number of cases and each case would need to be considered by E(A).

I am content with this general approach. The circumstances of every case will vary and, if this approach is accepted, decisions on the precise content of any package will have to be taken very quickly by Ministers at the time of redundancy. But it will mean that we should be better prepared to put together a response to major redundancies.

I ask colleagues to endorse the approach set out in the officials' paper and agree that the official group should be set up.

For my part, whilst I accept that decisions on packages can only be taken at the time of redundancy, I believe that we should take a general view now about issues such as the funding, content and delivery of any package.

Of course we will need to look at the scope for re-allocating existing resources to provide assistance for the worst affected areas. But I believe we must accept that there is a limit to how much money can be reallocated without adverse effects on other areas. If programmes are being managed efficiently and in accordance with our policy they are already being run with a bias towards areas of high unemployment. It would not be sensible to run programmes with an in-built reserve. We need to face the fact that if we merely reallocate resources nothing much will happen and the political impact of special packages will be limited. Alleviating the effects of future redundancies is a largely unforeseen event and, if we are to achieve the necessary effect, we should accept that additional resources may have to be considered case by case.



I also believe, contrary to the Treasury view in the official paper, that we must be prepared to give special assistance to these areas by relaxing some of the rules of our existing schemes and by trying out new initiatives. Unless we do, our reaction to local problems will merely be a restatement of national policies. I support all the proposals in paragraph 14 as part of any "menu" of possible responses. In particular, my experience in inner cities suggests that finding a way to increase the availability of small loans to new businesses is a critical element in encouraging enterprise. One approach, which might involve no cost to the Government, would be to put pressure on the banks to make special arrangements and relax their lending rules in areas of very high unemployment and inner city areas. Inevitably banks take a cautious attitude but their finance is essential to new businesses and their attitudes are discouraging particularly in the areas with which we are most concerned. We should also consider a joint initiative by the banks and the public sector to tackle this problem and perhaps create special funds for small loans in areas of high unemployment.

We must be wary of the dangers of setting up ad hoc agencies. But in a small number of circumstances and given a limited time period, local management and responsibility provides the quickest way of delivering a package of measures. The real need is to give an individual the responsibility to deliver these measures successfully.

I also believe that we need to be realistic about the limited nature of this exercise. If we adopt the general approach outlined in the officials' paper then we will be better prepared to put together a response to major redundancies. And, if we can pursue new initiatives as part of this response then, we will be able to offer a more attractive package of policy measures to help such areas. But even so, the objective is mainly to cushion the effects of redundancies. In my opinion, a number of the other approaches which we are discussing, and in particular the establishment of Urban Development Corporations and moving public sector jobs, are of more direct relevance to the deeper problems of unemployment.

I recognise that you may well adopt a different view on these general issues. At this stage, the most immediate need is to set up the machinery to provide us with advice on future cases which might warrant special attention. Could you and other colleagues let me know, within a week, whether you agree that the official group should be set up as outlined in the officials' paper.

I am copying to the Prime Minister and other members of E(A).



KENNETH CLARKE





**CONFIDENTIAL**

**MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES**

1       E(A) asked Ministers to "bring forward proposals for developing and targetting existing employment and related schemes to cushion the impact of shipbuilding and other redundancies on the worst affected areas." This reflected the concern in the MISC 127 paper on shipbuilding that policy had been characterised by a series of ad hoc responses to redundancies as they occurred and that there was a need for a more consistent response to major redundancies in areas of high unemployment.

**The broad approach**

2       The Government's overall approach is to support the operation of market forces within the economy, as the best way of allocating resources. It follows that, unless there are market defects, the Government does not normally intervene in the process of industrial restructuring, company or plant closure. Where that process is followed by redundancies, the aftermath of such redundancies is already cushioned by counselling and advice on new employment and enterprise opportunities, and training can be provided. Special provision is also sometimes made by the companies declaring the redundancies: major public sector redundancies have been followed by the creation of enterprise companies (such as steel and coal) and some private sector companies provide counselling and training for those made redundant.

3       In addition, a wide range of measures, relevant to job creation is operated in areas of high unemployment in England and Wales.

- schemes created by the Department of Employment and the Manpower Services Commission concentrate on job finding, training, small businesses, encouraging enterprise and Community Programme schemes.



- policies operated by the Department of the Environment concentrate on encouraging a coherent local approach to the improvement of areas of urban decline, stimulating private sector investment, bringing derelict and disused land and buildings back into use, and filling market gaps in the provision of premises.
- schemes operated by the Department of Trade and Industry concentrate on providing financial support to firms usually through grants for capital expenditure or to create or safeguard jobs either to meet specific regional problems or to develop particular capabilities such as innovation.

The same range of measures, or measures of a similar nature, is available in Scotland as in England and Wales, with some minor variations.

4        There have however been occasions in the past when the Government has felt it necessary to consider exceptional measures to alleviate the impact of particularly large or locally concentrated redundancies. The case for intervention has often been strongest in small population centres heavily dependent on the industry declaring redundancies where it was felt that existing measures were inadequate or not well focussed. Remedial packages have on occasion been put together with undue haste and there has not been a consistent policy framework within which such decisions have been taken. There is a strong case for developing a procedure by which a more consistent and ordered policy response can be made to such redundancies, by providing a special mix of measures in such areas.

5        It is important to distinguish between those cases where Ministers judge it necessary to take special measures to alleviate the impact of redundancy, and measures which may be taken for industrial policy reasons to influence the future of the plant, firm or industry concerned. This paper is not concerned with the principles involved in the latter intervention, though it is



recognised that in individual cases both issues may arise and need to be resolved, together.

6 It is suggested that, given the Government's overall approach, the range of existing policy instruments, and the varying local and industrial circumstances in which an exceptional redundancy package might need to be considered, the key elements of a new approach might be:

- a case by case approach since both the redundancies and the areas involved will differ considerably as will the appropriate policies. Any decision to intervene would not be automatic and would require Ministerial decision.
- a highly selective approach since if special arrangements are being made in response to such redundancies, intervention will have to be used very sparingly, otherwise the impact of a special package would be diluted and the credibility of existing policies could be undermined. It would also be right for the special package to be introduced for a finite and limited time period. It must be acknowledged, however, that such a selective approach is bound to attract criticism in cases where it is decided that a package of measures is not appropriate.
- an approach which applies to the whole labour market of the area affected, not just the redundant workers, since the need for special intervention rests on the local impact of a particular redundancy as much as on the fate of those made redundant
- It also needs to be recognised that the impact of such a new approach is likely to be limited. There will be cases where the most that can be achieved is to cushion the effects of redundancy and package Government policies in a more visible way.



7 Any intervention will also need to be firmly based on existing schemes from which a package could be developed to cushion the effect of redundancies. The elements of a package will depend on the characteristics of the redundancies and the areas. The main elements are likely to include developing the skills of those made redundant so that they can more easily find a job, and encouraging the development of new businesses through the provision of premises, finance, training and advice. Although the package could be built largely on existing schemes, changes may be desirable to meet local circumstances. And in other cases some new initiatives may be helpful, particularly to encourage private sector involvement. The organisation declaring the redundancies would need to be encouraged to contribute to the package.

8 This broad approach does not lead to a specific set of recommendations at this stage on the precise circumstances in which intervention is justified or on the precise form of any package which might be implemented. The main recommendation is that a standing official group will need to be set up to consider selected cases and to advise Ministers on whether such cases met the criteria for Ministerial consideration of an employment package, what the components and objectives of the package should be, how it should be monitored and evaluated, how it might be funded and what agency could be chosen to deliver the package. A broad indication of Ministerial guidance on these issues is necessary for the official group to operate but decisions on any package will have to be taken by Ministers at the time.

### **Criteria**

9 The main reason for intervention would be that the redundancy would have a very significant and long term effect on employment in the local area and that the degree of adjustment needed requires special assistance. A set of criteria, which would need to be further developed, might include:

- (a) The size of the redundancies relative to the local labour market (eg compared with the number of unemployed and



level of vacancies) and the prospect of re-absorbing the numbers concerned without further measures

(b) The geographical position of the area including the distance from main markets and ease of travel

(c) The skills and ages of those made redundant compared with the local industrial and occupational structure and the incidence of long-term unemployment.

### **Funding**

10 Since packages would be likely to be built largely on programmes with existing budgets, they could up to a point be funded by diverting existing resources. The Treasury's view is that it should be possible to construct packages wholly within existing resources by refocussing expenditure. But the extent to which expenditure on some programmes can be reallocated quickly is limited. For example, expenditure on some Department of the Environment programmes is allocated to specified local authorities at an early stage in the financial year, and if programmes are fully allocated, extra expenditure on the package would mean withdrawing funds from other areas which might be considered equally deserving on other grounds. In the case of Regional Selective Assistance there is no possibility of reallocating resources except by changing Assisted Area boundaries; otherwise any extra assistance, outside the normal guidelines, would have to be funded with new money. Holding a reserve within programmes to fund redundancy packages could well penalise the efficiency of programmes both because of the risk of underspend and in some cases because resources would be better used if committed through an overall strategy.

11 The political and presentational value of a special package would be limited by the perception that resources were only being switched. The impact would undoubtedly be increased if Ministers could say that additional resources were being made available. On the other hand it would be undesirable to increase total



programme expenditure every time a package is decided upon. Whether any package should be financed by diverting resources or by new money is a key decision which Ministers will need to take at the time any package is considered.

### **Possible package of measures**

12 Officials have looked at all the programmes operated by the Departments of Trade and Industry, Environment and Employment to identify those from which a package could be constructed. A model package cannot be specified in advance since relevant policies will vary so much with the area and type of redundancies. But a number of measures can be identified from which a package could be put together tailored to the particular circumstances and operating for a limited period. Such measures are identified in Annex A to C; Table 1 outlines the instruments which are available and the means by which they can be deployed and Table 2 indicates existing measures and whether resources could be reallocated within existing rules, as well as outlining possible rule changes to existing schemes and new initiatives.

13 The choice of measures for any package will depend on:

- the balance between assisting those made redundant and encouraging the development of the local area. Often the people who suffer most are not those made redundant, but the existing unemployed - especially the long term unemployed - who are displaced in the queue for jobs. Schemes run by the Department of Employment can be targetted at either individuals or particular areas, whereas other Departments' policies are aimed primarily at encouraging the development of the area or local industry.
- the speed with which the measures can be implemented to demonstrate a visible effort.



- the feasibility of "ring-fencing" any special schemes or changes in rules which are directed either to those made redundant or to a limited geographical area.
- the scope for getting the private sector to provide finance or management resources or to take up grants and incentives. This will vary with the area and the schemes which are considered.
- the scope for involving the organisation declaring the redundancies
- the availability of resources. To the extent that departments' resources are not fully pre-empted, this would make it easier to deploy resources to meet exceptional packages for redundancies.
- the relative cost-effectiveness of schemes. This will vary with the needs of the area and there is no standard basis of comparison which can be applied for schemes which are intended to have a local rather than a national effect. It may well be that the choice of schemes will depend not just on their local effect but also on the extent to which some schemes might displace activity elsewhere in the economy. The evaluation of measures relevant to employment at a regional or local level is currently being examined by an interdepartmental group. It will be important for the Official Group advising Ministers on redundancy packages to draw on this work, and to include the cost effectiveness of measures as part of its advice.

14 If Ministers wish to go beyond existing schemes to make special provision for selected areas either by changing the rules of schemes or by introducing new initiatives and establishing new agencies, additional resources may need to be considered. Among the possibilities which might be considered are:

- widening the rules of eligibility for the Enterprise Allowance Scheme



- changing the criteria for regional selective assistance (possible changes are being reviewed within the DTI at present)
- providing small loans to small businesses particularly new firms
- providing redundant workers with training vouchers to spend on skill or enterprise training.

Measures of this kind, if pursued, would need further detailed consideration of cost-effectiveness.

15 In the Treasury's view, any package should be limited to a refocussing of existing measures together with possible private sector initiatives and should not extend to significant relaxations of existing measures or schemes. They consider that it would be illogical to apply different rules eg to regional assistance in order to deal with redundancies following a closure than to the request for assistance prior to closure. There would inevitably be pressure to apply any relaxation to both situations. This would be repercussive and costly. There may also be legal constraints, either national or EC, which limit the extent to which rule changes and new initiatives can be introduced.

#### **Delivery of package**

16 Since it is not possible to devise a model package, a clear structure must be created so that any package of measures is tailored to the needs of the area and that package is effectively co-ordinated and delivered on the ground. A coherent approach would have significant presentational advantages and visible delivery could have an effect on encouraging morale and a climate in which enterprise can succeed. Attempts have already been made to provide a more integrated and visible response to regional and local problems. These include the area initiatives and projects of the Scottish and Welsh Development Agencies, the creation of inner city task forces (preceeded by the Merseyside Task Force) and the use of the City Action Teams.



17 The first need is to ensure effective communication and contact at regional level, such as that adopted by City Action Teams, to help in co-ordinating the work of the Departments of Employment, Environment and Trade and Industry. This can be done through the Regional Directors of the three Departments.

18 It will normally be necessary to add a means of delivering the package at a local level. The evidence from the approach of the Scottish Development Agency (SDA) to handling major redundancies (in Annex D) suggests that success depends on the ability to put in a local management team to co-ordinate and manage. The SDA stress the importance of close collaboration with the local authorities.

19 The type of local agency would depend on the nature of the redundancies and the characteristics of the area. It might be the Scottish or Welsh Development Agencies or one of the enterprise companies for steel or coal, or perhaps a local enterprise agency or local authority. The agency chosen could have staff seconded from Government Departments. Alternatively, an interdepartmental team of civil servants, on the lines of the Inner Cities Initiative, could take on the job and involve the private sector and local authorities. ( Administration of RSA must, for legal and accountability reasons, continue to be the responsibility of DTI and, as appropriate, Scottish and Welsh Office officials.)

#### **Decision-making process**

20 The decision making process needs to be agreed in some detail because policies operated by a number of departments are involved and decisions will often have to be taken in a very short timescale since advance warning of redundancies is limited, especially in the private sector. A standing Official Group should be set up to advise Ministers on those cases which might justify a special employment package and on the content and implications of particular packages. If these arrangements are to work effectively, it will be important that Departments alert the



official group at as early a stage as possible. Special handling arrangements may be necessary to deal with the considerable commercial sensitivity of the information.

21 A likely sequence of events would be as follows:

- cases of redundancies which might warrant a special package would be put to the Official Group by Departments. Such cases would probably be identified by sponsor Departments at regional and national level and territorial Departments
- the Group would advise Ministers if they thought that a redundancy situation met the necessary criteria for a package. If so, advice would be needed on the objectives and possible components of a package, the funding implications, the probable choice of agency to deliver the package and arrangements for monitoring and evaluation. This advice would have to be based on the assessment of DE, DTI and DOE Regional Directors
- Ministers would then need to decide on whether an employment package should be introduced and the broad outlines of that package so that an announcement of special assistance could be made at roughly the same time as the redundancies were declared.
- implementing the package would probably be preceded by a rapid, but thorough, study of the particular needs of the area so that the relevance of the package could be confirmed. The constraints of confidentiality preceding the declaration of redundancy would have limited earlier studies and this may mean that some details of the package would have to be altered at this stage

22 It is important to distinguish between decisions on the future of the firm and industry declaring the redundancies and decisions about any employment package. Sponsor Departments would



advise on the industry while the Official Group would advise on the package. The sponsor Department for the industry declaring the redundancies would be represented on the Official Group. The continuity of experience of the Official Group would be helpful and should be supported by building up a body of knowledge about the effectiveness of applying particular policies to redundancies, including experience in past cases of major redundancies. The emphasis of the Group on employment suggests that it should be chaired by the Department of Employment and advice to E(A) would be co-ordinated by the Paymaster General.

23      Once the decision to intervene had been taken Ministerial responsibility for implementation of the package would probably depend on the choice of the agent to deliver the package. Implementation of the package would be monitored by the Official Group.

### **Conclusion**

24      Officials were asked to produce proposals for cushioning the impact of major redundancies in areas of high unemployment. The approach proposed would still require Ministers to decide on a case by case basis whether to provide special assistance to an area following a major redundancy and what special assistance should be provided. Ministers are invited now to decide

- a    whether the package approach outlined in the paper should be pursued
- b    if so, whether to set up a standing official group, chaired by the Department of Employment, to advise Ministers on individual cases
- c    what guidance, if any, they wish to give to officials on the development of the criteria or on the possible content and delivery of packages.



TABLE 1

## DEPARTMENT OF TRADE AND INDUSTRY

| INSTRUMENTS                                                                                                                                                                                                                  | ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>English Industrial Estates Corporation</u><br><br>Provides and manages industrial premises in Assisted Areas in England                                                                                                   | Treasury approval required to increase EIEC's budget. DTI Secretary of State could direct EIEC to re-focus existing resources without reference to Treasury, but generally left to EIEC's commercial judgement.                                                |
| <u>Business Improvement Services (BIS)</u><br><br>Package of schemes to help small businesses in certain declining industrial areas of England.                                                                              | Treasury approval required to extend BIS. Any extension would need to be notified to the EC Commission and accepted by them under Articles 92-94 of the Treaty of Rome                                                                                         |
| <u>Regional Assistance</u><br><br>Regional selective assistance grants and Regional Development Grants to firms creating or safeguarding jobs in assisted areas                                                              | Statutory Instrument required to designate new assisted areas or up-grade Intermediate Areas to Development Areas. Treasury approval required for changes to (or ad hoc derogation from) the RSA guidelines. EC Commission would need to be notified as above. |
| <u>British Shipbuilders Enterprise Ltd (BSEL)</u><br><br>Set up to advise redundant shipyard workers on retraining opportunities and on help available for business start up; and to attract new jobs to shipbuilding areas. | Collective Ministerial decision required to extend scope of activities.                                                                                                                                                                                        |



TABLE 2

## DEPARTMENT OF TRADE AND INDUSTRY

## POSSIBLE MEASURES

| Project type                                                                                                                                                                                                      | Leverage of private investment                                                               | Role of other agencies                                                                                             | Visibility/impact/lead time                                                                                                                    | Scope for expansion                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Provision of industrial premises by English Industrial Estates Corporation</u><br><br>1. Provision of advance factories in areas of redundancy<br>2. Favourable terms to tenants/buyers in areas of redundancy | English Estates operates in areas where private sector developers unwilling to take the risk | DE (through Community Programme)<br>DOE (via Urban Programme)                                                      | Impact depends on demand for premises. Danger that unfilled premises become expensive white elephants, conspicuous evidence of a failed policy | 1. Limited. Unless EIEC's budget increased or funds re-focussed, additional development would have to be funded by extra receipts, which depends on unpredictable market factors.<br>2. Limited. EIEC has rate of return targets. Also low rent free periods scare off potential private sector developers who cannot compete. Subsidising rents would have to be cleared with EC Commission under Article 92 |
| <u>Advice/assistance to small/firms</u><br><br>Extend scope of BIS                                                                                                                                                | Could involve major employers                                                                | MAFF: MSC (through EAS/Training for Enterprise); DE (Small Firms Service); ADAS; COSIRA; Local Enterprise Agencies | Good visibility. Medium impact (would encourage longer-term stability/expansion among new/small firms). Short lead time.                       | Easily expanded if funds available. EC Commission would need to be notified                                                                                                                                                                                                                                                                                                                                   |



| Project type                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Leverage of private investment                                                                    | Role of other agencies                                                                                                                     | Visibility/impact/lead time                                                                                                                                                                                                                                                                                                                                | Scope for expansion                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Advice/assistance to redundant workers</u><br><br>Extending BSEL concept                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Could involve major employers announcing redundancies and Banks                                   | DE/MSD (Adult Training Strategy); MSD (EAS); DE (Small Firms Service); Local Enterprise Agencies; Local Authorities                        | High visibility. Important impact before redundancy takes effect. Short lead time.                                                                                                                                                                                                                                                                         | Easy to expand depending on resources                                                                                                       |
| <u>Regional Selective Assistance</u><br><br>1. Allow jobs indirectly created by a project to attract grant entitlement in some cases (eg Small Firms Centres, technology parks)<br><br>2. Increase availability of assistance for grants under £20,000 to (mainly) small firms by allowing fixed rate of grant to be offered automatically for projects meeting scheme criteria, and by relaxing onus of proof that project is viable<br><br>3. Offer assistance over present cost per job limits for high profile, substantial project | RSA rules require greater part of cost of assisted projects to be met from private sector sources | Other bodies - ie DOE via Urban Programme, DE Small Firms Service, Local Authorities, might be involved in helping set up managed premises | High visibility for 1 and 2. 3 could not be announced because cost per job limits are confidential but the fact that particular projects were receiving RSA could be published with applicants permission<br><br>1 and 3 could be introduced with immediate effect. 2 would require a few weeks preparation<br><br>Impact and lead times depend on take-up | All 3 could be easily introduced but would require additional resources.<br><br>EC Commission would probably need to be notified of changes |



TABLE 1

## DEPARTMENT OF THE ENVIRONMENT

ANNEX B

| INSTRUMENTS                                                                                                                                                                                                                                                                                                                                                                   | ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><u>Urban Development Corporations</u></p> <p>2 existing UDCs have extensive powers, many of them transferred from the local authority, for the regeneration of their area.</p>                                                                                                                                                                                             | <p>Designated by Secretary of State for the Environment. Long lead time for statutory procedures; not an instant response measure but a channel for deployment of additional resources/initiatives when in place.</p> |
| <p><u>Enterprise Zones</u></p> <p>Confer tax exemptions, a simplified planning regime, and speedier administrative procedures. 25 in UK, 17 in England.</p>                                                                                                                                                                                                                   | <p>Zones are designated by Secretary of State for the Environment. Long lead time for declarations; not an instant response measure.</p>                                                                              |
| <p><u>Urban Development Grant</u></p> <p>Grant or loan or infrastructure for capital investment projects which help to regenerate inner city areas, which are carried out and are principally financed by the private sector, and which would not be viable without assistance. The assistance is provided through local authorities. Grant from DOE covers 75% of costs.</p> | <p>The allocation of resources to particular areas depends on the extent to which good projects are submitted by the private sector.</p>                                                                              |
| <p><u>Derelict Land Grant</u></p> <p>Grants to local authorities or the private sector towards the costs of reclaiming derelict land. All areas eligible; higher rates of grant in assisted areas and Derelict Land Clearance Areas.</p>                                                                                                                                      | <p>There is scope for allocation of additional resources either through local authorities, or direct to developers, as part of a redundancy package.</p>                                                              |



## INSTRUMENTS

## ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES

### Urban Programme

Additional resources and 75% grant to selected local authorities for schemes of economic, physical or social regeneration in urban areas of high unemployment. 54 local authorities invited to submit inner area programmes for 1987/88

Subject to availability of resources there is scope for additional funding of new projects identified and agreed with DOE regional offices at short notice.

### Urban Regeneration Grant

The general powers to be conferred by Part III of the Housing and Planning Bill will enable the Secretary of State to provide assistance to persons who incur expenditure when pursuing activities which contribute to urban regeneration. The powers will initially be used to pay Urban Regeneration Grant.

The criteria for availability of URG have yet to be decided. Take up of the grant will depend on the willingness of the private sector to bring forward schemes.

### Simplified Planning Zones

Local deregulation of the development control process. Powers in Part II of Housing and Planning Bill.

In each SPZ a scheme will be made to specify the types of development which can be carried out without the need for detailed planning permission. Designated by local authorities. Long lead time for declaration and statutory procedures; not an instant response measure.



TABLE 2

## DEPARTMENT OF THE ENVIRONMENT

## POSSIBLE MEASURES

| Project type                                                                                                                                                                                                                                 | Leverage of private investment                                                                                                        | Role of other agencies                                                                                                                                                                                                                             | Visibility/impact/lead time                                                                                                                                             | Scope for expansion                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Provision of premises</u><br>a. small units of a type or on terms not provided by other agencies<br><br>b. units with business support or common facilities eg workshops<br><br>c. theme related enterprise, design or innovation centres | <u>UP</u><br>Always some associated private investment (average £7,000 per assisted firm)<br><br><u>UDG</u><br>overall leverage 1:4.5 | Local authority bears 25% of cost of all UP, UDG schemes<br><br>Scope for liaison with MSC enterprise and training measures. Scope for private sponsorship or liaison with any training or enterprise agency of the industry causing redundancies. | Highly visible projects. Lead time depends on availability of land, state of preparation of plans. Local agencies need to be involved in preparation of detailed plans. | Needs to be related to take up of existing provision, and level or provision by other agencies.<br><br>Depends on willingness of private sector to commit investment. |
| <u>Conversion of premises</u><br>a. conversion of redundant premises to enable industrial or commercial redevelopment.<br><br>b. conversion to training or enterprise centres.                                                               | As above                                                                                                                              | Scope for MSC liaison                                                                                                                                                                                                                              | Symbolic value of action in the building where closure/redundancies have occurred.<br><br>Conversion is only cost effective if the building is suitable.                |                                                                                                                                                                       |



| Project type                                                                                                                                          | Leverage of private investment                | Role of other agencies                                                         | Visibility/impact/lead time                                                                                                                                           | Scope for expansion                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <u>Grants and loans to firms for conversion and improvement of premises</u>                                                                           | Always some associated private investment     |                                                                                | Most visible in context of area regeneration (Industrial Improvement Areas, Commercial Improvement Areas)                                                             | UP support to business setting up and running costs presently excluded                                                       |
| <u>Business advice and development services</u>                                                                                                       | Always associated with private investment     | Liaison with BIC, LEAs, small firms service, private sector.                   | Rapid response to <u>specific</u> local opportunities and needs, proactive approach, longer term advice on the development of individual firms particularly effective | Scope for combination with a new business loan facility.                                                                     |
| <u>Preparation of sites for redevelopment</u><br>land reclamation, clearance of dereliction, access and infrastructure work, leading to redevelopment | Good where there is a hard end use.           | DLG/URG direct to the private sector a possibility                             | Highly visible<br>Lead time depends on ownership, identification of developers etc. Symbolic significance at site of redundancies.                                    | Depends on extent of available cleared land, extent of development demand.                                                   |
| <u>Environment and housing schemes combined with Community Programme labour</u>                                                                       | See obstacles in 'Scope for expansion' column | <u>MSC</u><br>UK 2000<br>CRS schemes<br>Garden Festival works well established | Good                                                                                                                                                                  | Private sector managing agencies not fully developed;<br>/CP not for profit rule prevents some work on private land/housing/ |



TABLE 1

## DEPARTMENT OF EMPLOYMENT

## INSTRUMENTS

## ACTION REQUIRED TO EXPAND OR IMPLEMENT CHANGES

Job Finding Services

National network of 1000 Jobcentres/  
Employment Offices offering counselling/  
vacancy/placement service and referral  
to PER as appropriate.

Executive decision to provide more flexible (eg on-site) services

Adult Training Programmes

Training courses purchased by MSC  
Training Division from Skills Training  
Agency, local colleges and other  
training providers. Programmes in  
skills training and Training for  
Enterprise.

Scope for refocussing of existing adult training resources, or  
reallocating resources from elsewhere in TD provided Ministers were  
informed and existing targets for numbers to be helped under programmes  
overall were not affected. Reallocation of resources from elsewhere  
in MSC would require Treasury agreement.

Enterprise Allowance Scheme

Financial assistance to unemployed  
people becoming self-employed.  
Training/counselling support.

Not available to newly redundant workers receiving payment in lieu of  
notice. Treasury agreement required to relax eligibility rules.

Small Firms Service

Information and advice to small firms  
regional centres and over 150 local  
counselling offices.

Executive decision to refocus existing resources.



### Local Enterprise Agencies

Over 300 with good but not comprehensive regional spread. Private sector - funded agencies with some central and local Government support. Advice and other services to small firms.

Department can encourage private sector to set up Agencies.

---

### Community Programme

National programme of work experience for long term unemployed on projects of benefit to community.

Executive decision to refocus resources and develop new projects.

---

### Development of Tourism Act 1969: Section 4 Funding

"Pump-priming" funding for capital tourism projects.

Executive decision to ask National Tourist Boards to encourage more job-creating applications.

---

### Tourism Action Development Programmes

Executive decision to set English Tourist Board objective of considering potential for setting up TADPs in conjunction with LAs and generally to develop joint tourism strategy in affected areas.

---

### Co-ordination agencies

City Action Teams  
Inner City Initiative Units  
Regional Enterprise Units  
Employment Measures Units

---



TABLE 2

## DEPARTMENT OF EMPLOYMENT

## POSSIBLE MEASURES

| Project type                                                                                                                       | Leverage of private investment | Role of other agencies                                                                                                                                           | Visability/impact/lead time                                                                                              | Scope for expansion                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <hr/>                                                                                                                              |                                |                                                                                                                                                                  |                                                                                                                          |                                                                                                                                         |
| <u>Intensification of job-finding services</u>                                                                                     | N/A                            |                                                                                                                                                                  |                                                                                                                          |                                                                                                                                         |
| 1. Provision as necessary of job-finding/counseling services.                                                                      |                                | 1. Provision involvement of Employment Agencies who have limited liaison arrangements with Jobcentres, although experience suggests little benefit would accrue. | High visability. Important impact <u>before</u> redundancy takes effect and help through jobclubs continuing afterwards. | Easy to expand depending on resources. Jobclubs could be opened relatively quickly.                                                     |
| 2. Alter eligibility for jobclubs to include newly redundant workers and provide "Restart - type" courses.                         |                                |                                                                                                                                                                  | Short lead time.                                                                                                         | However, danger of saturating jobseeking enquiries will limit overall effect.                                                           |
| <hr/>                                                                                                                              |                                |                                                                                                                                                                  |                                                                                                                          |                                                                                                                                         |
| <u>Provision of training</u>                                                                                                       |                                |                                                                                                                                                                  |                                                                                                                          |                                                                                                                                         |
| 1. Upgrading existing skills or retraining in new skills to meet known local labour market demand.                                 | N/A                            | Local colleges, other training providers.                                                                                                                        | 1. Good visability/impact. Easing skill shortages/helping local industry meet its training needs.                        | Depends on local demand for skills and local initiatives in setting up small businesses. Can be expanded easily depending on resources. |
| 2. Increasing emphasis on Training for Enterprise to assist those wishing to become self-employed or to start up small businesses. |                                |                                                                                                                                                                  | 2. As above, plus possibility of creating new jobs in new small firms.                                                   |                                                                                                                                         |



| Project type                                                                                                                                                                                                                                                                                                                 | Leverage of private investment                | Role of other agencies                                                    | Visability/impact/lead time                                                                                       | Scope for expansion                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <u>Encouragement of self-employment</u>                                                                                                                                                                                                                                                                                      | N/A                                           |                                                                           |                                                                                                                   |                                                                                                  |
| Alter eligibility rules for Enterprise Allowance Scheme so that individuals who have been made redundant and are therefore unemployed, but are not eligible for benefit since they are receiving wages in lieu of notice, may nonetheless qualify for the Scheme.                                                            |                                               | Small Firms Centres, Local Enterprise Agencies, Chambers of Commerce etc. | Immediate effect. Medium impact (newly redundant workers would become eligible under existing rules in time).     | A rule change in the Scheme is required.                                                         |
| <u>Advice to small firms</u>                                                                                                                                                                                                                                                                                                 | 1 N/A                                         |                                                                           |                                                                                                                   |                                                                                                  |
| 1. Support to be given by MSC Regional Director and other officials to encourage firms declaring redundancies to offer opportunities to the Small Firms Service together with, if appropriate, the local enterprise agency, to provide redundancy counselling on the option of self-employment or setting up small business. | 2a) N/A                                       | DTI (Business Improvement Services), ADAS, COSIRA                         | Good visibility. Medium impact (generally would encourage longer-term stability/expansion among new/small firms). | Easily expanded if resources available. SFS resources could be switched from elsewhere in region |
| 2) Expand advice facilities through                                                                                                                                                                                                                                                                                          | 2b) Private sector funding essential for LEAs |                                                                           |                                                                                                                   |                                                                                                  |
| a). extra resources for small firms service                                                                                                                                                                                                                                                                                  |                                               |                                                                           |                                                                                                                   |                                                                                                  |
| b). encourage development of Local Enterprise Agencies.                                                                                                                                                                                                                                                                      |                                               |                                                                           |                                                                                                                   |                                                                                                  |



| Project type                                                           | Leverage of private investment                                      | Role of other agencies                                                                                                                      | Visability/impact/lead time                                                                        | Scope for expansion                                                                             |
|------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <u>Provision of premises</u>                                           |                                                                     |                                                                                                                                             |                                                                                                    |                                                                                                 |
| Renovation of existing premises through Community Programme.           | Private sector investment should be encouraged.                     | DTI (through English Industrial Estates)                                                                                                    | High visibility/short lead time.                                                                   | Role of CP depends on existence of workshops and work of other Departments.                     |
| <u>Development of Tourism</u>                                          |                                                                     |                                                                                                                                             |                                                                                                    |                                                                                                 |
| 1. ETB to consider Tourism Action Development Programmes.              | 1. Private investment is indirect aim of TADPS.                     | 1. ETB; resource commitment from LA essential.                                                                                              | Good visibility in areas with obvious potential. Lead time of 2+ years.                            | Staff resource constraints; but larger schemes could be supported if extra resources available. |
| 2. Encouragement for section 4 grants.                                 | 2. Bulk of finance must be provided by public or private developer. | 2. DTI (BIS), COSIRA, ADAS, DOE (DLG), English Heritage.                                                                                    | Mainly indirect employment benefit. Relatively small impact unless combined with other programmes. |                                                                                                 |
| <u>NEW INITIATIVES</u>                                                 |                                                                     |                                                                                                                                             |                                                                                                    |                                                                                                 |
| <u>Small firms/self-employment</u>                                     |                                                                     |                                                                                                                                             |                                                                                                    |                                                                                                 |
| Provision of small loans (£1,000-£10,000) to assist business start-up. | Private sector contribution to loans fund essential.                | Possible role for private sector bodies (eg Shell UK; Youth Enterprise).<br><br>Panels of local businessmen to assess funding applications. | Good visibility/impact. Overcomes funding problems for new start-up businesses.                    | New initiative.                                                                                 |



| Project type | Leverage of private investment | Role of other agencies | Visability/impact/lead time | Scope for expansion |
|--------------|--------------------------------|------------------------|-----------------------------|---------------------|
|--------------|--------------------------------|------------------------|-----------------------------|---------------------|

Training

Provision of training vouchers which redundant workers could spend on training in a chosen skill or enterprise training.

N/A

Local colleges, other training providers

Good visibility/impact.  
Easing skill shortages/  
helping local industry  
meet its training needs.  
Possibility of creating  
new jobs in new small  
firms.

New initiative



## SCOTLAND

1 The same range of measures, or measures of a similar nature, is available in Scotland as in England and Wales, with some minor variations. The main difference is in the way the work is coordinated and managed. This is facilitated by the fact that the Scottish Office has a wide range of functions, covering policies for the environment, employment and trade and industry, and by the existence of the Scottish Development Agency (SDA), with powers and functions in this area of activity, financed by a grant-in-aid from the Secretary of State for Scotland.

2 Where major redundancies take place the principal value of the SDA lies in its ability to coordinate and manage the design and delivery of special projects for specific areas - generally referred to as area initiatives - and to coordinate its own instruments and measures with those of other agencies through a locally-based management team. An area initiative is a mechanism to focus the delivery of services in a fairly small area over a relatively short time, normally 3 years in the first instance but with the scope for expansion to 4 years, or in exceptional cases a longer period. The selection of an area for a local economic initiative depends on the existence of particular need, coupled with a realistic prospect that the concentration of effort can generate a worthwhile increase in local output or employment. The present generation of area projects was foreshadowed in the Agency's 1981-84 corporate plan, when the proposed priorities were discussed fully with the Scottish Office. Such projects can be a useful quick response to a major closure, as in Clydebank and Glengarnock. The aim is, however, to avoid being forced into a responsive posture: planning for the Inverclyde initiative preceded the recent spate of shipbuilding job losses, for example.

3 Typically the SDA, either alone or in conjunction with the Scottish Office, goes through the following stages in preparing a project:

3.1 An assessment of the needs and potential of the area, either by its own staff, by a joint working party, or by consultants;

3.2 Consultation with the local authorities and other local interests about the measures to be adopted;

3.3 The design of an agreed programme of work, with specific aims and objectives, and for a specific period, supported by SDA and local authority funds;



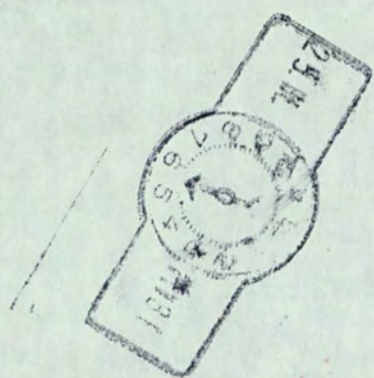
3.4 The creation of a project management staff with a local office, usually composed of SDA and local authority officials, with perhaps secondees from the private sector, charged with the oversight of the programme of work;

3.5 SDA staff in particular have links back to the Agency's land renewal, factory building and small business functions;

3.6 After the agreed period, which may be extended, the project is wound up, with arrangements, frequently a local enterprise trust, being made for the continuation of residual functions, especially in the business development field.

4 The preliminary assessment of needs and potential is regarded as particularly important, and as more important than speed of reaction to individual closures and redundancies. In the early stages the main need is for an effective political gesture, and the commissioning of a study can provide that gesture without committing Ministers to action which might be precipitate and immature. Study of needs and potential may lead to a decision not to proceed with an area project, though it must be recognised that this can lead to prolonged friction with local authorities, who are likely to feel that major redundancies must be responded to. Also of major importance is close collaboration with local authorities, so that they actively support the programme of work, instead of adopting a critical and grudging stance.







SECRET

2

PRIME MINISTER

25 September 1986

NEW PROPOSALS FOR UNEMPLOYMENT MEASURES

Lord Young's note contains bold and exciting new initiatives to deal with unemployment that fit well against the initiatives the Policy Unit has been discussing with the Department of Employment over the summer. If successful, they would:

- Achieve a very significant reduction in unemployment whilst staying largely within current PES limits.
- Shift the emphasis from marginal value CP places and substitute real training for work, making the unemployed more employable and tackling skill shortages.
- Provide maximum help to the critical 18-25 age group who have missed the current training schemes.
- Open the door to a longer term shift towards benefit related programmes and the notion of 'work or training for benefits'.

Proposals

Lord Young's major proposal is the introduction of a new work-related adult training programme for the 6-month unemployed which would be offered as a major option following 6 month Restart interviews. Unlike current training programmes, those participating would be paid a training allowance that was identical to their current benefits - but they would move off the unemployment count. This makes it very cost effective compared to both existing adult training and the Community Programme - on both of which most participants receive an increase in benefits. This saving means that it is roughly half the price of a place on the

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- 2 -

Community Programme - yet the value (if it is properly designed and linked to employers) should be far greater. The MSC are therefore prepared to fund it by shifting money out of current adult training programmes and by running down a large portion of the existing Community Programme.

Crudely, it seems that it should be possible to get 330,000 places on this scheme for the price of roughly 150,000 fewer places on Community Programme - ie a net movement off the count of over 150,000. MSC also believe that it should be possible in time to guarantee a place on the programme to any person under 25 who has been unemployed for more than 6 months.

Lord Young would like to <sup>y</sup>trial the scheme this autumn with a possible national rollout next spring.

The caveats with the scheme are as follows:

- there is a danger that individuals will be reluctant to move onto the programme for no increase in benefit. In that case it would be necessary to introduce some element of compulsion (ie benefit withdrawal), which would make it politically less attractive;
- the run-down in the Community Programme could be painful, although there is a rapid turnover of programmes and many clearly have only marginal benefits;
- there could be some flak from the suggestion that the Government is moving people off the count whilst still paying benefit (although there is clearly also a very positive side to the offer of training).

On the positive side, if this scheme is enacted it will make it easier to move to a number of long term options that would strengthen current measures post the election:

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- 3 -

- with less dependence on the Community Programme, the Government could then risk breaking the link to union wage rates;
- it would also make it easier for the Government to then start introducing some measure of 'workfare';
- perhaps starting with a requirement for under 18 year olds to work or train for benefit.

Alongside this proposal, Lord Young also plans a rapid expansion in the number of Job Clubs - which from my own personal observation appear to be very effective, low-cost ways of matching the genuine unemployed with vacancies. This also is planned to be funded within PES. The only additional money Lord Young will seek is for moving Restart interviews forward from 12 months to 6 months - which still appears to be very cost effective.

#### Recommendations

Lord Young's specific request to the Chief Secretary is for approval to move ahead with trials, after which the Programme would be re-evaluated. You will clearly wish to wait for the Chief Secretary's reaction after his officials have combed through the financial details. Assuming the Chief Secretary is in agreement, however, we would suggest that you:

1. enthusiastically support the direction of Lord Young's proposals;
2. agree to his announcing these plans at the Conference;
3. request a fuller presentation after the Conference, covering contingency plans, linkage to longer term policy options, handling of presentation.

*Norman Blackwell*

NORMAN BLACKWELL

SECRET





10 DOWNING STREET

Prime Minister >

Lord Young did not  
know about these ideas  
when he saw you last week.  
He has reacted very quickly.

There is no need for  
you to intervene at this stage.

DLF

25/9

mt



SECRET



CCNB

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The Rt Hon John Macgregor OBE MP  
Chief Secretary  
HM Treasury  
Great George Street  
LONDON SW1

25 September 1986

*John Macgregor*

We are meeting for a general discussion on Monday 29 September. I am writing to you separately about my proposals for more rigorous testing of benefit claimants' availability for work. The purpose of this letter is to outline two further proposals I would like to introduce without imposing any additional burden on public expenditure.

As you know, Restart is by far the most cost-effective employment measure we have yet devised, in terms both of movement off the unemployment count and benefit savings. The 12 month unemployed who left the count in the first month of the original pilots have now been off the count for an average of 24 weeks and 79% had not returned by the end of July. Already under the national 12 month scheme nearly 10% of those contacted have left the count: this suggests that the results achieved in the pilots (where 10% was reached after 9 weeks) are being matched. The first few weeks of the 6 month pilots indicate that the additional movement off the count for this group is somewhat greater than it was for the 12 month group at any stage of the earlier pilots.

I am convinced that, if we are to get the reduction in the unemployment count over the next 12 months for which we are all looking, we need to build on the success of the Restart programme. In particular, I have been looking at ways of refocussing existing employment measures so that they are linked with Restart and their effectiveness in reducing the count is increased. I am also anxious to move schemes for the unemployed on to an allowance (rather than "rate for the job") basis and to ensure that what we are providing is designed to maximise their chances of returning to full-time employment.

SECRET

Page 1

SECRET



SECRET



In the first place I would like to increase the number of Jobclubs from the present total of 220 to 2,000 by next May. Jobclubs are open to all the "6 month plus" unemployed and they have been highly successful in getting them back into the labour market: two-thirds of people leaving Jobclubs have started work and a further 13% have gone into training or some other programme. Furthermore, the essence of a Jobclub is helping the unemployed to find work by themselves - by remotivating them, encouraging them to canvass employers for vacancies and training them in self presentation and interview techniques. Part of the expansion I am proposing would involve paying other organisations to set up and run Jobclubs. The cost - a total of some £40m - will be met within the resources allocated to the Manpower Services Commission.

Secondly, I would like to experiment with an entirely new training programme designed specifically for the 6 month unemployed. The programme would be full-time for 6 months and the trainees would be paid an allowance equivalent to their previous benefit entitlement but would not be on the count. It would include an assessment of needs and aptitudes leading to training and vocational education aimed at upgrading existing skills and teaching new skills. Trainees would leave the programme with recognised qualifications. The programme would be provided in much the same way as YTS ie primarily using managing agents to secure training facilities in colleges of further education or with employers and other organisations. The intake of the unemployed into a fully-fledged programme could be of the order of 50,000 a month. This would mean an additional 330,000 adults off the unemployment count at any one time and that they would be engaged in a programme clearly designed to improve their chances of finding permanent jobs.

This is, I believe, a far more attractive proposition than providing temporary work - predominantly in the public sector - through the Community Programme. It is very much in line with the general thrust of our training programmes: that is away from the direct provision of training by Government agencies and towards its provision by employers and outside organisations. It would be a major addition to the opportunities available to the unemployed through the Restart interviews. And it would, of itself, bring a very significant reduction in the unemployment count.

SECRET





The gross cost would be in the region of £300m in a full year. I would aim to finance this without any increase in public expenditure by cutting other MSC programmes. This would have considerable implications for the Community Programme and for our current adult training provision. Other measures, such as Restart courses, would be subsumed in the new programme. I would also need a PES transfer from DHSS in order to substitute the new allowance for the trainees' benefit payments. The details of all this are still being worked out but I hope that our officials will be able to discuss them in the course of next week. In any event, because this is a new approach, we need to test it and I am seeking your agreement at this stage only to a limited pilot.

I would like to announce the expansion of Jobclubs and the piloting of the new training programme in my Conference speech. Since both are linked to the extension of Restart to the 6 month unemployed (and indeed the training pilots would be concentrated in the existing 6 month Restart pilot areas), I would like to announce at the same time that we have decided that Restart should move on to this group as soon as progress with the 12 month group permits. We have, of course, agreed that, given the likely timing of the extension, we would discuss its funding outside PES. It is clear however that, as I have indicated, 6 month Restart will more than pay for itself in terms of benefit savings and given the links with the other measures I am preparing it seems sensible to make the announcement now.

I hope you will agree therefore that I should make an announcement covering all three developments at the Conference. I am sure that they will be widely welcomed, combining as they do a positive training initiative for the unemployed, a move away from "the rate for the job" and the potential for a very large reduction in the unemployment count. I shall of course consult you about the terms of the announcement.

I am sending copies of this letter to the Prime Minister and the Chancellor of the Exchequer.

*For,  
David*



CONFIDENTIAL

dg2BTP

SUBJECT CC MASTER



cc: Prof. Griffiths

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

16 September 1986

Dear Mr,

REVIEW OF UNEMPLOYMENT POLICIES

The Prime Minister briefly discussed with Lord Young this morning his minute of 15 September about possible further measures to reduce unemployment.

The Prime Minister urged that if existing measures were to be extended or new measures introduced, they should concentrate on helping enterprise (for example, the Enterprise Allowance) rather than measures such as the Community Programme which tended to fall within the public sector. It would be useful for Lord Young to have an early private word with the Chief Secretary to indicate to him these contingency plans.

The Prime Minister also said that she would like to hold a small meeting to discuss the possibility of a Green Paper on industrial relations and what further legislation should be introduced in this area early in the life of the next Parliament. We shall be in touch to arrange this.

Yours,

David

David Norgrove

John Turner, Esq.,  
Department of Employment.

CONFIDENTIAL

dg



cc BGP  
BUP

PRIME MINISTER

## REVIEW OF UNEMPLOYMENT POLICIES

1. Your office sent mine a copy of the Policy Unit's paper on unemployment policies and said you would like to discuss it with me. I agree with much of the Unit's analysis and conclusions, and it may be helpful, before we meet, if I describe briefly where we now stand and my view of our priorities over the next 12-18 months and beyond.

2. Unemployment is still rising. In the first 6 months of the year it increased by an average of 12,000 a month (compared with an average increase of 5,000 a month in the last 6 months of 1985 and an average increase of 8,000 in the 6 months before that). I do not expect it to continue to increase at this rate, particularly as Restart and the other measures to identify those who are not genuinely unemployed take effect. The increase between June and July was 4,400 and this month's figures show no increase at all. It may well be that Restart is having an effect. But the overriding need is rapidly to reverse the upward trend and then to secure a continuing reduction in unemployment. No one underestimates the difficulty of achieving that.





3. I suggest that our best way ahead is to continue to give top priority to removing from the unemployment count those who are not genuinely unemployed; to be ready to introduce at the end of the year further employment measures with a rapid impact on the count if unemployment does not start to fall over the autumn; to prepare further measures for next year's Budget to promote enterprise, self-employment and small firms; and to continue the work on possible new approaches such as "Workfare" for introduction in the next Parliament. I comment briefly on each below.

4. In the first place we should press ahead immediately with a series of measures to reduce the claimant count. The Restart programme of compulsory interviewing for all the 12 month unemployed has made a good start and will, I believe, reverse the growth in long term unemployment by the end of the year. I want to introduce Restart for the 6 month unemployed as soon as we have cleared the stock of 12 month unemployed. This should be early in the New Year. In addition, starting in October benefit claimants will have to satisfy a much more rigorous test of "availability for work". The experiments we have been conducting suggest that this could remove some





50,000 claimants a year from the count and bring benefit savings of £45m-£70m - at least four times greater than the cost. And there are other steps we can take to tighten up the administration of benefit and reduce the claimant count which I am pursuing urgently.

5. Secondly, the proposals I put to you last autumn (most of which were implemented in this year's Budget) included some "reserve measures" which we could still put into effect. They were a further expansion of the Community Programme and a reduction in the age qualification for the Job Release Scheme. I suggest we should continue to keep them in reserve. They would have a significant impact on the count (100,000 over a year) but they are much more expensive than the benefit measures I have already described. I do not suggest that we take further steps in this direction at present but, if the measures we have taken fail to reverse the upward trend in unemployment, we should be ready to act quickly before the end of the year.

6. Thirdly, we can continue to improve our existing range of programmes to stimulate enterprise, self employment and the growth of small firms including modifications to the Enterprise Allowance Scheme and Small Firms Loan Guarantee





Scheme which would increase their impact. I shall be putting proposals to the Chancellor of the Exchequer in due course. The impact of these changes on the unemployment count would not be large but nor would they be costly and I believe it is important to continue to balance our count-reducing measures with positive steps to encourage enterprise and promote the growth of jobs.

7. Finally, I am, as you know, convinced that we need to move to a quite different, fully integrated approach to unemployed people so that we can both deal effectively with the problem of benefit claims by those who are not genuinely unemployed while at the same time providing maximum assistance to those who need help to get back into work. This new approach will have significant implications for the work and organisation of the Unemployment Benefit Service and the Jobcentres as well as for the future of measures such as the Community Programme. It should also give us the opportunity to tackle the problem of incentives to return to work. I described the direction of the changes I believe we need to make in my "Workfare" minute of 2 May. Much of this cannot take effect until after the election, and in any event



CONFIDENTIAL



we should focus on measures with a quick and relatively  
certain impact on unemployment before then, but I am working  
up proposals which I would like to discuss with you and  
colleagues in due course. Your forthcoming meeting on the  
future handling of benefit payments to the unemployed is of  
course relevant to this.

*J. Young*

Approved by Lord Young

and signed in his absence

15 September 1986

CONFIDENTIAL



PRIME MINISTER

15 September 1986

MEETING WITH LORD YOUNG

In your discussion with Lord Young on unemployment you may wish to cover:

1. The latest view of unemployment prospects given the national roll-out of Restart;
2. Lord Young's reaction to the various policy initiatives in the Policy Unit paper and
3. The presentation of the Government's case on unemployment prior to the next election.

Short Term Prospects

Lord Young should be able to brief you on the latest statistics which are due to be published on Thursday (18 September). For the first time this year they show unemployment virtually unchanged from July to August - with the recent trend increase of 10-15,000 per month offset by an increase in CP places (5,000) and the initial impact of Restart (5,000?). Vacancies also continue to improve.

However, Department forecasts still offer little assurance of any sustained decline over the next year with the positive impact of an expected slowdown in labour force growth offset by the end of planned expansion in special measures. The main hope for improvement is the rigorous application of the Restart programme together with stricter tests for new claimants and other anti-fraud measures. You might ask Lord Young for more information about his plans for accelerating this process by (eg) introducing Restart interviews at six months and tightening up on benefits - eg more frequent



attendance, registration only at the centre nearest home address.

### Policy Options

Lord Young has seen the paper prepared by the Policy Unit and supports the main thrust as consistent with his own approach. Some of the key ideas from the paper that you might raise - either for immediate action or to have ready for the start of the next term - include:

- i. A 'workfare' approach for 16-17 year olds as the first step towards a wider approach - ensuring that every youth accepts training or work experience in return for benefit. There are still roughly 200,000 unemployed claimants in this age group.
- ii. Creating an adult version of YTS (particularly for 18-25 year olds who missed it) to train people into work. This might be funded by switching the budget from skillcentres.
- iii. Creating a simplified system to encourage the self-employed to take on their first employee.
- iv. Graduating the allowance on the Enterprise Allowance Scheme to encourage more mature entrants (should reduce net Exchequer cost).
- v. Refocusing the Community Programme to improve value:
  - more places in the high unemployment regions;
  - more aligned with Government objectives versus 'makework';



- breaking the union requirement to match local authority wage rates (which are above the market clearing wage in many areas) to help lower wage expectations.

vi. Creating fiscal incentives to encourage large companies to spin-off existing small, management units which tend to be more successful in creating wealth and employment.

It would be useful to agree an interim list of priorities for the Department to work on prior to the report of the Strategy Group; you might ask Lord Young to review this at a wider follow up meeting.

#### Presentation of Policies

The apparent electoral acceptance of continued high unemployment may not survive a concerted attack in a pre-electoral period and policy presentation will therefore be crucial. You could ask Lord Young to review alternative ways of presenting the causes and policies for unemployment and propose the most effective presentation strategy for Ministers to follow to both explain the Government's approach and ridicule the Labour Party's bankrupt alternatives.

*Norman Blackwell*

NORMAN BLACKWELL





Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 215 5422

(Switchboard) 01-215 7877

15 September 1986

The Rt Hon John MacGregor OBE MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1

*mbn*

Dear Chief Secretary,

*will request if required*

**COST EFFECTIVENESS OF PUBLIC EXPENDITURE MEASURES RELATED TO  
EMPLOYMENT**

I have seen your letter of 8 August to David Young, and his reply of 31 August.

My Department participated in the Reid Group and the Manpower Group discussion of its report, and I am generally content with your proposal that this methodology should be used in evaluating employment-related programmes.

While the Group considered regional policy and ATP - the one for its undoubted objectives in terms of geographical employment distribution, the other because employment could in some cases be a subsidiary aim of the programme - I should not expect this methodology to be relevant to the generality of DTI programmes. Their primary objective is to increase the competitiveness and efficiency of industry and they are very closely scrutinised under the agreed arrangements following last year's Industrial Support Review which went over the ground in detail, and through our evaluation work.

Your letter rightly refers to the need to quantify so far as possible the first year, medium term and supply side effects of employment-related schemes. Given the considerable difficulties experienced by officials in reaching quantified judgements even in the first year, we cannot be sanguine that, even after all this work, we shall often end up with very worthwhile comparative numbers to inform decision-making. A somewhat disappointing outcome, perhaps, albeit it the right one in the light of

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officials' exhaustive work.

I should also note that, as it stands, the new system does not cope well with regional policy or other sub-national programmes, which principally concern the geographical distribution of employment, not its absolute level. I understand that the Reid Group is beginning to turn to this area, and my officials will be closely involved.

I am sending copies of this letter to the Prime Minister, David Young, other members of the Cabinet and to Sir Robert Armstrong.

*Yours sincerely*

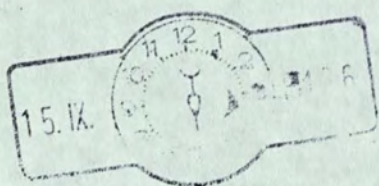
*Chadley*

*PP*

PAUL CHANNON

(approved by the Secretary of State  
and signed in his absence)









10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

9 September, 1986.

**BENEFITS FOR THE LONG TERM UNEMPLOYED AND FOR YOUNG PEOPLE**

The Prime Minister was most grateful for the report attached to your letter to me of 29 August which discussed benefits for the long term unemployed and for young people made by this and other countries. She found it a very thorough and interesting piece of work.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, the Paymaster General and the Minister of State (Department of Trade and Industry).

David Norgrove

Giles Denham, Esq.,  
Department of Health and Social Security.

dg



# IOD

Institute of Directors

cc Blackwell  
(Policy Unit)

Rt Hon Mrs Margaret Thatcher MP  
No 10 Downing Street  
London  
SW1

8 September 1986

R10 pps.

ack 10/9 SKW.

*Dear Prime Minister*

Further to my letter of 20 August enclosing a paper on the Right To Be Self-Employed I thought you might be interested to see the attached letter we have received. It highlights the extent to which many people are in the black economy simply through misconception about "the system" rather than deliberate evasion.

*Yr sincerely  
Graham Mather*

Graham Mather

Enc.

Chased Policy Unit ✓ 19.9.  
on 16/9.  
BM.



cc DG for info  
TD

# SKILLS *for* BUSINESS

Institute of Directors  
Belgrave Square

26 August 1986

Dear Sir

The Tax Amnesty Proposal  
-----

1. I was very interested to read the recent reports of the Institute's proposed tax amnesty, and in particular the suggestion that a regional experiment should be tried, perhaps in Wales.

2. May I add a further dimension to the argument, based on our experience? We are a training agency, with training centres both in Cardiff and Swansea, working in particular with the local enterprise agencies: Cardiff & Vale Enterprise, Merthyr Aberdare Development Enterprise, and the West Glamorgan Enterprise Trust.

3. One reason why the black economy flourishes, particularly in the Provinces, is that many of the new recruits to the ranks of the self-employed simply DO NOT KNOW how to handle the legitimate system. Misconceptions about "the system" abound: for example, that it is illegal to start a business when in other employment, full-time or part-time; that for the self-employed, income tax is still paid weekly or monthly; that income tax is calculated on turnover, not profit; that to trade legitimately, you have to register in advance with some public authority, even get their permission; that planning permission is required for ALL business operations based at home; that there is no need to report income derived from a hobby "if you don't really make a profit"; that every business HAS to employ an accountant - the list is endless.



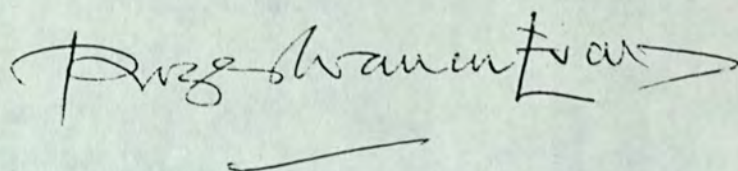
4. The result is that many thousands of those working in the black economy are doing so unnecessarily: for these misconceptions all have the effect of encouraging the individual to avoid the "limelight" of legitimacy. Then, after a period of successful unreported trading success, they are trapped in the declaration trap - to which the amnesty proposal is so wisely directed.

5. I am confident that a national amnesty along IoD lines would have a dramatic effect, and would introduce a new surge of vitality into the "main economy", unleashing energies which are currently inhibited by unnecessary, and ill-informed, fears. Many of the self-employed in the black economy are like Japanese soldiers on the Pacific Islands, years after the War, fighting on in the belief that hostilities continue. They simply need to have the facts explained.

6. The probability is that these misconceptions are more widespread in the Provinces than in London: the "big City" self-employed always seem to be more sophisticated in their understanding of "the system" - they are more likely to be deliberate, in their manipulation of the system to their own advantage. But in the Provinces, we believe that a significant factor in fuelling the black economy is simply ignorance: our tutors are engaged daily in running the most basic training courses, aimed at dispelling these misconceptions. But we still see only a tiny proportion of those whom we know are operating in the black economy.

7. A well-publicised amnesty is a sound proposal, and could be implemented quickly and successfully. I wish the Institute well in promoting this idea.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Roger Warren Evans', with a long horizontal flourish underneath.

Roger Warren Evans  
Managing Director



2

PRIME MINISTER

BENEFITS FOR THE LONG TERM UNEMPLOYED AND FOR YOUNG PEOPLE

You asked some while ago for an international comparison of benefits for the long term unemployed and for young people. DHSS have done a thorough job.

The main impression given by these notes is of the great variety of schemes and of the widely differing degrees of help given for different groups in various countries. Overall, the notes confirm the received wisdom that the United States is the toughest of the developed countries. France and Germany are also overall tougher than us. We seem to be somewhere around the middle. Even Sweden has some quite tough policies, for example, that claimants are expected to take jobs in other regions, though they are given help and encouragement to move.

Interesting points to note are:

- (i) Some other countries have a wider test of resources than we do; in Germany and France, for example, very few of the 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;
- (ii) Most countries pay earnings related insurance benefits; flat rate benefits are the exception;
- (iii) All countries require claimants to be capable of and available for work; the UK seems to be the exception in not also requiring registration for employment; in Switzerland registration means attending the employment office twice a week and producing written statements showing progress in job search; several countries require claimants to produce evidence of job search;



- (iv) DHSS understand that in many countries owner occupiers are expected to borrow on the value of their homes before they can be eligible for local assistance.

The point which particularly struck me was the way in which France and Germany looked to the family to support relatives. This is particularly the case in Germany, where apparently parents are expected to maintain their sons and daughters (and vice versa) whether or not they are living in the same household, and in an extreme case a particularly well off relative may be expected completely to maintain his unemployed relatives. This must create an immense source of pressure for the people being supported to find work, whether or not the relatives actually pay the money to which the unemployed people are entitled. (The notes do not say whether there are legal sanctions forcing the relatives to do so).

*DN*

David Norgrove

5 September 1986





10 DOWNING STREET

LONDON SW1A 2AA

bc. Mr. Norgrove.

pa

4 September 1986

Lord Young of Graffham  
Secretary of State for Employment  
Department of Employment  
Caxton House  
2 Tothill Street  
LONDON SW1

Dear Lord Young

I attach an article from the Daily Telegraph (4 September) about a Northamptonshire furniture maker who has been unable to recruit new workers locally.

As you know, the Prime Minister is particularly interested in examples like this. I wonder if someone in your Department could check the facts - and also report on whether the local Job Centre is using the opportunity to disqualify from benefits those long term unemployed in the area who refuse to apply for these jobs?

Yours

Norman Blackwell

NORMAN BLACKWELL  
PRIME MINISTER'S POLICY UNIT



# Employer cannot find workers at £250 per week

Daily Telegraph Reporter

A NORTHAMPTONSHIRE furniture maker said yesterday that he was considering building an additional factory elsewhere because he cannot recruit the employees he needs at salaries of up to £250 a week.

## 35,000 jobs go begging in computers

By Neil Mainland  
Industrial Staff

DESPERATE computer companies are poaching staff from their rivals because up to 35,000 jobs in the industry cannot be filled, a top staff recruiting agency said yesterday.

There are just not enough trained applicants to fill the posts, which carry salaries between £10,000 and £35,000 a year.

Lucrative jobs were going begging because neither industry nor the education system was meeting the growing demand for skilled computer staff, said Mr Tom Kay, managing director of DP Recruitment Services.

To meet the need, he has organised "a job shop," the first of its kind in Britain, which will open in London's Intercontinental Hotel this week.

More than 70 companies, including Safeway, the Midland Bank and the Post Office, will have up to 4,000 jobs on offer and organisers hope about 5,000 potential employees will turn up to apply for them.

The event, called Visit 86, is modelled on similar recruitment drives in the United States and Europe, and Mr Kay said: "We hope to put a lot of employers and a lot of well-qualified people in touch with each other."

### Highest pay

Staff shortages range from computer operators on £10,000-a-year to programme and systems managers earning more than £35,000. "The lack of training means the same people are circulating in the system, working for whoever can pay them the highest salaries," said

Mr David Sands, chairman of Appleby, furniture makers of Desborough, Northamptonshire, a firm he started seven years ago, said that he had been unable to find 100 unskilled workers to be paid between £150 and £250 a week to train as upholsterers.

"I blame the system," he said. "A man with three or four children is better placed to provide for his family if he is out of work. You cannot blame people for not taking jobs, when it is the system at fault."

### Full order book

His firm, which employs more than 350 people, has full order books stretching well into next year. In the past few weeks 60 new employees have been recruited.

"I need another 100 immediately and more than 250 next year. If I cannot find them locally, I will build a new factory anywhere I can find the labour," said Mr Sands.

The Kettering travel - to - work area, which includes Desborough, has a total of 3,372 registered unemployed. But the pool of potential recruits has shrunk as an influx of new firms to the area has resulted in a fall in the total unemployed in Northamptonshire from 27,213 when the impact of the closure of the Corby steel works in 1981 was at its height, to just over 24,000 in June this year.

Mr Sands acknowledges that the improvement in local job prospects generally is a large contributory factor to his problem. Job centre officials in the county yesterday emphasised that, and also pointed to the small population of Desborough and the lack of public transport in the surrounding area.

Mr Patrick Smith, manager of the Job Centre at Corby, eight miles away said: "You would really need a car to travel from here. We have a strong tradition of hard work locally, and even the older men put out of work when the steelworks closed are genuinely seeking jobs."

An expert on low pay said last night that some families with several children could be better off unemployed rather than earning £150 a week.

There would be a flat rate unemployment benefit of £49.80 a week, supplementary allowance for four children of up to £60 a week, and possibly housing benefits and rate and rent allowances worth £20 and upwards.

## Shipyard in jobs warning

By Roland Gribben  
Business Editor

HARLAND and Wolff the state-owned Belfast ship-builder said yesterday that it needed more orders to avoid job losses.

The warning came as the company announced it had lost £29 million in the year to March 31, against £35.8 million in the previous 12-month period. But a write-down of assets reflecting the cutbacks in the size of the business added £10.3 million to the deficit.

The yard is the most successful in Britain, with an order book valued at around £300 million, but Mr John Parker, chairman, said that this was only enough to ensure continuity of work for 50-60 per cent of the 5,000-strong workforce through to 1989.

"In order to increase employment opportunities we require to win orders between now and the commencement of 1987," he said in his annual statement.

### 'Unquantifiable losses'

The yard is concentrating on a mixture of merchant, naval and offshore business. The slump in oil prices is forcing the company to take a more pessimistic view about oil-related business and greater efforts are being made to win civil engineering contracts with a high steelwork content.

Last year's trading deficit was the lowest for four years. The amount of state support, £36.5 million in the last financial year, has been cut by 34 per cent in the same period.

But the accounts show provision for prospective losses and future financing costs of £55.8 million. Failure to achieve further planned productivity improvement "could involve the company in substantial unquantifiable losses in excess of provisions made," it is stated.

The company needs new business worth between £90 million and £100 million a year to maintain the current workforce. It has made substantial productivity gains and is looking for a further 20 per cent improvement in a 170,000-ton bulk carrier being built for British Steel.

Its other work includes a £60 million to £70 million order to convert a container vessel for the Navy into a mini-aircraft carrier and the £120 million contract for a new naval auxiliary oiler, won after a bitter battle with Swan Hunter.



# Employer cannot find workers at £250 per week

Daily Telegraph Reporter

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Mr Sands acknowledges that the improvement in local job prospects generally is a large contributory factor to his problem. Job centre officials in the county yesterday emphasised that, and also pointed to the small population of Desborough and the lack of public transport in the surrounding area.

Mr Patrick Smith, manager of the Job Centre at Corby, eight miles away said: "You would really need a car to travel from here. We have a strong tradition of hard work locally, and even the older men put out of work when the steelworks closed are genuinely seeking jobs."

An expert on low pay said last night that some families with several children could be better off unemployed rather than earning £150 a week.

There would be a flat rate unemployment benefit of £49.00 a week, supplementary allowance for four children of up to £60 a week, and possibly housing benefits and rate and rent allowances worth £20 and

## Shipyard in jobs warning

By Roland Gribben  
Business Editor

HARLAND and Wolff the state-owned Belfast shipbuilder said yesterday that it needed more orders to avoid job losses.

The warning came as the company announced it had lost £29 million in the year to March 31, against £35.8 million in the previous 12-month period. But a write-down of assets reflecting the cutbacks in the size of the business added £10.3 million to the deficit.

The yard is the most successful in Britain, with an order book valued at around £300 million, but Mr John Parker, chairman, said that this was only enough to ensure continuity of work for 50-60 per cent of the 5,000-strong workforce through to 1989.

"In order to increase employment opportunities we require to win orders between now and the commencement of 1987," he said in his annual statement.

### 'Unquantifiable losses'

The yard is concentrating on a mixture of merchant, naval and offshore business. The slump in oil prices is forcing the company to take a more pessimistic view about oil-related business and greater efforts are being made to win civil engineering contracts with a high steelwork content.

Last year's trading deficit was the lowest for four years. The amount of state support, £36.5 million in the last financial year, has been cut by 34 per cent in the same period.

But the accounts show provision for prospective losses and future financing costs of £55.8 million. Failure to achieve further planned productivity improvement "could involve the company in substantial unquantifiable losses in excess of provisions made," it is stated.

The company needs new business worth between £90 million and £100 million a year to maintain the current workforce. It has made substantial productivity gains and is looking for a further 20 per cent improvement in a 170,000-ton bulk carrier being built for British Steel.

Its other work includes a £60 million to £70 million order to convert a container vessel for the Navy into a mini-aircraft carrier and the £120 million contract for a new naval auxiliary oiler, won after a bitter battle with Swan Hunter.





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The Rt Hon John MacGregor OBE MP  
Chief Secretary  
HM Treasury  
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3/ August 1986

*will request if required*

**COST EFFECTIVENESS OF PUBLIC EXPENDITURE MEASURES RELATED TO EMPLOYMENT**

Your letter of 8 August suggested that proposals for new or expanded programmes with a main or subsidiary aim relating to employment or unemployment should be assessed on the basis recently agreed by the Inter-Departmental Manpower Group.

I would agree with this. We have a long history of evaluation of manpower programmes in the DE (and the MSC), and the supply performance effects of programmes in the medium and long-run are an important aspect of their effectiveness.

Obviously, the degree to which programmes can be compared is limited, especially for programmes with widely different objectives: the Manpower Group Sub-Group recognised this. Nevertheless, the Group's framework will be a valuable aid to our judgements in this area, and I hope we can all accept it.

You cited one of our programmes, the Enterprise Allowance Scheme, as an example. Anyone wishing to discuss the technical aspects of this evaluation or other DE schemes should contact Mrs Zmira Hornstein, Head of Economics Branch here.

Copies go to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

*John MacGregor*









DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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Telephone 01-407 5522

*From the Secretary of State for Social Services*

David Norgrove Esq  
Private Secretary  
10 Downing Street

29 August 1986

*Dear David*

BENEFITS FOR THE LONG TERM UNEMPLOYED AND FOR YOUNG PEOPLE

*at Nap*  
I am ~~sorry~~ you have not had an earlier response to your letter of 2 June, which commissioned notes providing an international comparison of benefits for these groups. I now attach a note on each group.

Copies go to the Private Secretaries to the Chancellor of the Exchequer, the Chief Secretary, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, the Paymaster General and the Minister of State (Department of Trade and Industry).

*Yours*

*Giles*

GILES DENHAM  
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 to 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. Many countries extended family allowance entitlement to age 25 or more for those in full-time education. Australia, Belgium, Germany, Netherlands and Switzerland (in some cases) do so. Where a tax allowance or rebate is available, it is sometimes means-tested against the young person's income (Belgium, Canada, USA).

In France and Sweden the upper age limit for tax allowance/rebate is lower than for family allowance.

In Belgium there is no upper age limit for a tax allowance, so long as the dependant remains a member of the household.

In New Zealand a flat-rate tax rebate is given to a parent until the youngest child reaches age 16, or age 18 if still attending school.

In Canada the upper age limit for a tax allowance is higher than for family allowance. There is also a Canadian child tax credit in addition to the tax allowance and family allowance.

It is more difficult to establish the position for young people undergoing vocational training.

France and the Netherlands extend entitlement to family allowance to the same age as for students - 20 and 27 years old respectively.

4. Education maintenance allowances. Discretionary schemes of educational allowances exist in Australia, Belgium, Denmark, France, Germany, Sweden and Switzerland. Entitlement to an allowance 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.

In Australia the Government is introducing a number of initiatives to deal with the problems of youth unemployment (8.8% of those under 25 are unemployed). In 1986 there is to be an increase in the level of education allowances and in 1987 age-related allowances will be introduced. By 1989 allowances for all young people will be age-related and common basic rates will apply whether the young person is in secondary or tertiary education or unemployed.





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.

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.

In Germany participants in the dual system of vocational training receive a wage from their employer which is significantly lower than the normal adult rate for the same job. It increases during the period of training.

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 the parents' income (Australia) or means (New Zealand). In Australia school leavers are generally subject to a 6-week waiting period before receiving unemployment benefit. As part of the Australian Government's initiatives to help the young unemployed, unemployment benefit and education allowances are being progressively reorganised so that payments are related to age rather than the type of activity. An intermediate rate of unemployment benefit for 18-20 year olds was introduced in November 1985.

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.

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 very few of the 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.

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 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. (At a state's discretion children aged 18 may be included if they are completing their education or vocational training and are likely to do so before they are 19.) 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.

Provision for this age group in the United Kingdom is not specifically laid down as in some other countries. It should however be noted that in the UK such young people, like the rest of the adult population, are able to claim means-tested assistance (supplementary benefit) on their own rather than on their parents' financial situation.



## STATE SUPPORT FOR 16-18 YEAR OLDS

|           | MIN SCHOOL<br>LEAVING AGE | STATUS GIVING ENTITLEMENT TO<br>CHILD BEN CHILD TAX ALL                                                                      |                                                                                 | ED MAINTENANCE<br>ALL/GRANT                                   | TRAINING<br>ALLOWANCES                                           | UNEMPLOYMENT OR<br>SOCIAL ASSSITANCE                                                                      |
|-----------|---------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| AUSTRALIA | 15                        | To age 16<br>Students to age 25                                                                                              | No provision                                                                    | Secondary<br>education<br>allowance<br>and State<br>bursaries | Training<br>allowances<br>Wage subsidies                         | Unemployment benefit (not<br>students)                                                                    |
| BELGIUM   | 15<br>18(part-time)       | To age 14<br>Students to age 25<br>Trainees to age 21<br>Disabled no age<br>limit                                            | All dependent<br>children with<br>negligible income<br>if part of<br>households | Study grants                                                  | Most trainees<br>are paid by<br>employers                        | 150 waiting days before flat-<br>rate allowance (below minimum<br>for Unemployment Benefit) is<br>payable |
| CANADA    | 16                        | All dependent<br>children to age<br>age 18<br>ALSO Child tax<br>credit<br>- Income thresh-<br>old                            | All dependent<br>children to<br>age 20                                          | No known                                                      | Payable from<br>age 17 only                                      | Some provincial schemes<br>exclude 16-19 year olds                                                        |
| DENMARK   | 16                        | To age 16<br>Special family<br>allowance to<br>orphans or<br>children of<br>pensioners - to<br>age 18                        | No provision                                                                    | Grant/loan<br>Scheme                                          | Subsidies for<br>e'ers who pay<br>wages                          | Family support for some young<br>persons under 17 year but<br>disentitled to social assistance            |
| FRANCE    | 16                        | To age 17 if in<br>work<br>Students to age 20<br>Most trainees to<br>age 20<br>Unemployed to<br>age 20<br>Disabled to age 20 | Dependent upon<br>parents up to<br>age 17                                       | Student<br>grants to<br>parents                               | Training<br>allowance for<br>non-<br>apprentices<br>paid by e'er | Flat rate unemployment<br>assistance for variable time<br>depending on circumstances                      |



STATE SUPPORT FOR 16-18 YEAR OLDS

|             | MIN SCHOOL<br>LEAVING AGE | STATUS GIVING ENTITLEMENT TO                                                                                        |                                                                                                        | ED MAINTENANCE<br>ALL/GRANT                   | TRAINING<br>ALLOWANCES                         | UNEMPLOYMENT OR<br>SOCIAL ASSISTANCE                                                                                       |
|-------------|---------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
|             |                           | CHILD BEN                                                                                                           | CHILD TAX ALL                                                                                          |                                               |                                                |                                                                                                                            |
| GERMANY     | 15/16                     | To age 18<br>Students to age 27 (if unmarried)<br>Trainees<br>Disabled no age limit                                 | Students) to age 26<br>Trainees) 26                                                                    | Means-tested Maintenance allowances           | Exceptionally, most trainees are paid by e'ers | Only exceptionally; parents are required to maintain children                                                              |
| NETHERLANDS | 16                        | To age 16 if in work<br>Students to age 27<br>Trainees to age 27<br>Unemployed to age 18<br>Disabled to age 18      | No provision                                                                                           | Means--tested loans for post-compulsory study | Grants to e'ers                                | Not entitled (min age 18)                                                                                                  |
| NEW ZEALAND | 15                        | To age 16<br>Students to age 18<br>Invalids                                                                         | Tax rebate until youngest child is 16 or 18 if still attending school                                  | None                                          | None                                           | Unemployed benefit (not students)                                                                                          |
| SWEDEN      | 16                        | To age 16                                                                                                           | Single parent's tax credit for child at home                                                           | Study grant                                   | Study grant                                    | Labour market allowance payable provided certain minimum periods of employment or employment training have been completed. |
| SWITZERLAND | 15/16                     | Cantonal age limits 15-18<br>Students to age 21 or 25<br>Apprentices/<br>Trainees<br>Disabled to age 18<br>20 or 25 | Dependent children to age 18<br>Students<br>Apprentices/<br>Trainees<br>(Cantonal tax allowances vary) | Cantonal Schemes                              | Cantonal provisions                            | Parental obligation to maintain up to age 20 (6 months contributions for benefit)                                          |



## STATE SUPPORT FOR 16-18 YEAR OLDS

|     | MIN SCHOOL<br>LEAVING AGE | STATUS GIVING ENTITLEMENT TO                                                  |                                                                                         | ED MAINTENANCE<br>ALL/GRANT                                                                                                                               | TRAINING<br>ALLOWANCES                                                                                                                                                        | UNEMPLOYMENT OR<br>SOCIAL ASISSTANCE                                                                                                                                                         |
|-----|---------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     |                           | CHILD BEN                                                                     | CHILD TAX ALL                                                                           |                                                                                                                                                           |                                                                                                                                                                               |                                                                                                                                                                                              |
| USA | 17                        | No provision                                                                  | All dependent children (including students) where parent provides at least half support | State scheme - means-tested aid for post-compulsory education and secondary education                                                                     | State subsidies to e'ers                                                                                                                                                      | No entitlement                                                                                                                                                                               |
| UK  | 16                        | Up to 16 years. Then up to 19 years while in full-time non-advanced education | No provision                                                                            | Local Authority Education Maintenance Allowances (Scotland-bursaries) from aged 16 years in respect of non-advanced education, subject to parents' income | Youth Training Scheme (YTS) for 16-17 year olds. 2 years for 16 years 1 year for 17 years. Rates of YTS allowance £27.30 per week (first year) and £35 per week (second year) | Unemployment benefit available if contribution conditions satisfied. Supplementary Benefit available to those who have left full-time non-advanced education and who are available for work. |



Introduction

1. The long term unemployed are usually defined as those out of work for over 12 months (which is the point at which UB in the UK exhausts. However, because other countries have initial benefits that exhaust at different times, this paper looks at benefits throughout unemployment. Broadly it falls into three sections - contributory benefits, means tested benefits and housing benefits. Attached to the paper are 6 annexes, reproduced from some recent OECD papers. These are:

- A. Numbers of unemployed persons;
- B. Unemployment rates;
- C. Long term unemployment - numbers and rates - in selected countries;
- D. Unemployed people by types of benefit in selected countries;
- E. Benefits under contributory schemes in selected countries;
- F. Benefits under non-contributory schemes in selected countries.

2. Countries have tended to adopt one of three strategies for helping the long term unemployed:

- (a) extended contributory benefits, for example in Belgium;
- (b) social assistance, for example in the UK;
- (c) special employment measures, for example Sweden.

However it is evident that many countries are modifying their traditional approaches in the light of continuing high rates of unemployment. The countries with relatively little long-term unemployment, like Canada and the USA have, as might be expected, few specific benefits for this group. Those with more experience of long term unemployment tend to have such benefits. However there is no straightforward connection between the availability of



long term benefits and the incidence of long term unemployment - Annexes C and D for example show that France had more long term unemployed than the UK even though it had a much higher proportion of people with no benefit and, correspondingly, a lower proportion with assistance benefits.

### Contributory unemployment insurance benefits

#### Duration of Benefits

3. There is considerable variation in the length of time for which unemployment benefit is payable, the extremes being Belgium where it continues indefinitely and the USA which pays for 6 months (9 in some states). The most common duration is 12 months (as in the UK, Germany and Canada) but many countries pay for longer (eg Denmark and Netherlands both for 2 years).

4. Several countries extend entitlement to benefit for older people - Sweden normally pays for 50 weeks but goes to 90 weeks for claimants over 55. Germany pays for two years to people over 54. Ireland, on the contrary, pays normally for a year but only 6 months to those under 18.

#### Rate of Benefit

5. Most countries pay earnings related insurance benefits and flat rate benefits are the exception. UB in the UK is flat-rate at the weekly rate of £30.45 plus £18.80 for a dependent adult. Additions for dependent children were abolished in 1984 and earnings-related supplement was abolished in 1982. Ireland also has flat-rate benefits (which last a year) of £34.02 a week with increases for an adult (£22.05) and for children (between £7.62 for the first child and £5.64 for the sixth and subsequent children) and in addition pays an earnings related supplement to benefit for six months. In France benefit is a basic £3.73 a day plus 42 per cent of insurable wages. In Germany benefit is 68 per cent of earnings, in Switzerland 70 per cent. Portugal's benefit is a percentage of the national minimum wage between 70 per cent when there are no dependants and 100 per cent where there are six or more dependants. Spain has benefit paid on a reducing percentage of earnings, down to 60 per cent after one year's unemployment. Luxembourg and Netherlands also base the rate of benefit on previous earnings. (Luxembourg's benefit is not strictly contributory, being funded from taxation, but it is not means-tested and depends upon employment records.) Belgium, where contributory benefits continue indefinitely, changes from earnings related to flat rate after two years.



6. Insurance-based benefits are not normally subject to "means-testing" but at least one country, Switzerland, makes benefit dependant on 'need' and family circumstance.

#### Conditions for payment of benefit

#### Contribution/Employment Conditions

7. With the exception of Luxembourg all countries finance their means-tested schemes by means of insurance contributions but, with the exception of the UK and Ireland entitlement usually depends not on the amount of contributions paid but on employment durations over a period. In the UK benefit is paid subject to the satisfaction of contributions tests - the amount of earnings-related contributions paid in the relevant income tax year. Ireland has a contribution test (similar to that in the UK prior to 1975) - 48 contributions (paid or credited) in the relevant contribution year required for the payment of full benefit.

8. In most countries, there are qualifying employment conditions rather than contribution conditions. The employment condition varies a great deal. For many countries it means having worked at least half of a set period - for example 52 weeks in the past two years in Italy and 6 months in the last year in Luxembourg and Netherlands. Others have more relaxed rules - examples are Germany which requires 12 months in the last 3 years and Switzerland with 6 months in 4 years.

#### Requirement to register and search for work

9. All countries require claimants to be capable of and available for work. The UK seems to be the exception in not also requiring registration for employment. Registration means different things in different countries - ranging from putting one's name down at the employment office to attending there twice a week (Switzerland). Weekly attendance seems to be most common. Several countries go further and require claimants to produce evidence of job search. Some countries, eg Switzerland, require claimants to produce written statements showing progress in job search at regular intervals. Others, eg France, require evidence from time to time.



## Penalties for voluntary unemployment, refusal of employment, training etc

10. There are penalties - loss of benefit - in all countries where the unemployment is voluntary. Most States in the US do not pay unemployment compensation at all where the unemployment is voluntary. Other countries, impose varying periods of disqualification for voluntary unemployment. In the UK the maximum period is to be extended from 6 weeks to 13 weeks; in Germany the periods of disqualification is 8 weeks on the first occasion and benefit is withdrawn entirely for a "second offence". In Sweden benefit is suspended for 4 weeks if a job is refused and stopped entirely for repeated job refusals.

11. In the UK, case-law (Commissioners Decisions) has developed the Statutory law that a person loses benefit if he refuses suitable employment, broadly on the lines that a person can seek work of a similar standard to his last job when newly unemployed but should take anything within his capacity when he has been unemployed for some months providing the pay is reasonable for the job. In other countries (eg Switzerland) claimants are expected to take any reasonable work offer taking account of health and age and in Sweden claimants are expected to take jobs in other regions, being given help and encouragement to move.

## Non-Contributory, income-related social assistance allowances

### **General**

12. In most countries there is some scheme of non-contributory assistance allowance, paid subject to a means test, where the unemployed person does not qualify for unemployment insurance benefit or where such benefit is exhausted. A few countries have comprehensive, national schemes where assistance is paid indefinitely as is Supplementary Benefit in the UK - examples are Australia, Ireland and Germany. But in most countries assistance scheme are run locally, are part funded nationally - and have local rules and local rates of payment - for example the US assistance for the unemployed with children (AFDC-UF) and the Canadian assistance programme have rates that vary between states or provinces. Many countries have in effect two assistance schemes - one national or with national guidelines and small variations (commonly for people with reasonable employment records but who have exhausted insurance benefit) and the other municipal, in cash or kind or a mixture, very variable and often with large elements of discretion. It is therefore difficult to obtain comprehensive information or to make accurate generalisations about them. An example of this approach in France where those who have run out of insurance



benefits can get a means tested, flat rate benefit indefinitely but others, with less employment experience receive a similar benefit for only one year and thereafter have to depend on charities or discretionary local schemes. In the USA, once unemployment insurance is exhausted, the main source of help for those without children is food stamps, plus in some localities a rather vague "General Assistance".

### Types of assistance

13. Where there are national schemes they fall into two classes - flat rate and earnings related. Local schemes are either flat rate or purely discretionary - in effect handouts to avoid destitution. The UK, Ireland, Netherlands and Australia all have flat rate schemes, supplementing other income up to the guaranteed level. But Germany supplements income up to 56 per cent of previous earnings (or 58 per cent if there are children). In Spain unemployment assistance is at 75 per cent of the minimum wage for 6 months (extendable to 9 months) but only for people with dependants and who have exhausted UB.

14. As indicated above, firm information is not available about local schemes with their mixtures of municipal and charitable elements. Even in Switzerland the arrangements involve a high degree of voluntary sector and church participation and the assistance paid is said to be "just about enough to guarantee survival". Public assistance paid by municipalities in Sweden is expressed as covering basic needs only - food, clothing and housing.

### Means-testing

15. The limited information available on mean-testing in other countries suggests a wide variation in approach. Whereas in the UK only the claimants' own resources (and those of his dependants) are taken into account, in several countries the test of resources includes those of other members of the wider family. In Germany, for example, parents are expected to maintain their sons and daughters (and vice versa) whether or not they are living in the same household. The "liable relative's" own financial position is assessed and he is frequently called on to make a contribution. In an extreme case, a particularly well-off liable relative may be expected to maintain completely his unemployed relatives.

16. While hard information is not available, it is understood that owner-occupiers are in many countries expected to borrow on the value of their homes before they can be eligible for local assistance.



## Workfare

17. Under a workfare system, payment of unemployment assistance to the able-bodied long-term unemployed is made conditional in some way on the willingness of the unemployed person to undertake work, training, or a course of education. If the long-term unemployed person has not found a job, then he is offered one (or training) and this must be taken if he is to continue to receive assistance. Such schemes operate in 38 States in the USA and similar arrangements are found in Sweden and Switzerland, and to a lesser extent in Austria and Denmark. The closest analogies in the UK are Restart, which requires the longterm unemployed to attend for counselling, and the Community Programme, although this is almost entirely voluntary. In most of these countries the workfare arrangements are patchy so that only some of the eligible unemployed are affected. In the USA, where the idea originated, only a minority of welfare recipients are involved (and many of these are single parents who would not be required to seek work in the UK).

18. In Sweden, where there has been a traditional policy of providing temporary jobs or vocational training for the unemployed, rather than simply provision of cash assistance to replace lost earnings, there is what may be described as a "youth workfare" system. Special programmes of "youth jobs" are provided for the 16 and 17 year olds and municipal authorities are required by law to arrange youth teams for unemployed 18/19 year olds. Failure to accept a youth team job results in withdrawal of unemployment benefit or assistance.

19. In Switzerland, the long-term unemployed may be offered relief work organised by the Canton. Those offered this work, in forestry or environmental improvement, are expected to accept it - on pain of suspension of benefit. Alternatively claimants may be offered contributions to the cost of retraining courses. It is known that several other OECD countries are considering introducing workfare in one form or another, or have already started.

## Housing Benefit

20. Neither Canada nor USA runs a separate housing benefit scheme outside general public assistance or subsidised housing (although Canada has a system of refundable property tax credits which can provide some help to the poor generally).



21. Australia. Runs a mortgage and rent relief scheme only for beneficiaries of the various pensions and benefits (age, invalidity, supporting parents etc). Since May of this year, this assistance has been given to those in receipt of unemployment benefit for over 6 months. The help is limited to 50 per cent of the rent in excess of \$10 (approx £5) up to a maximum of \$10 for unemployed. Those in subsidised public housing are excluding from claiming. Even this limited help will be scrapped from November 1986 and instead the scale rates of the relevant benefit will be increased.

22. New Zealand operates a scheme which gives help in addition to social security benefit (similar to Australia). Benefit equal to  $\frac{2}{3}$  excess over \$30 with a maximum benefit of \$36 (1982 prices). Only 7 per cent of beneficiaries in 1982 received housing assistance. For those in work, if weekly wages exceed 9 per cent of average earnings no help is given. To all intents and purposes, scheme does not operate for those in work.

23. France has a complex system open to all through means-testing. Depends on family circumstances, net income after tax and rent. Child benefit is ignored. The number of children, the income band width and the rent payable feed in to a formula to produce rent payable by claimant. This can be nil (i.e. a 100 per cent grant of HB) even in full-time work.

24. Sweden. Means-tested housing allowances are available in two forms, regardless of the type of tenure of the home:

(i) state housing allowance is only available to low income families with children and is related to the number of children in the household, not the housing costs;

(ii) local municipal housing allowances are available to childless households as well as families with children. These are means-tested and calculated taking housing costs and number of children into account.

25. Germany. Means-tested benefit from central funds. Can be paid in respect of rent or mortgage outgoing. Based on income, housing costs and number of people in household.

26. The UK has housing benefit which gives 100 per cent aid with rent and rates to most people on assistance (supplementary benefit), and means tested help to others.



Table 2

UNEMPLOYED PERSONS IN THE OECD AREA  
(thousands)

|                | 1973   | 1975   | 1979   | 1982   | 1983   | 1984   | 1985  |
|----------------|--------|--------|--------|--------|--------|--------|-------|
| Australia      | 106    | 279    | 378    | 461    | 687    | 605    | 567   |
| Austria        | 33     | 53     | 65     | 116    | 135    | 128    | 118   |
| Belgium        | 92     | 175    | 304    | 490    | 545    | 546    | -     |
| Canada         | 515    | 690    | 836    | 1 314  | 1 448  | 1 399  | 1 323 |
| Denmark        | 21     | 121    | 157    | 296    | 312    | 231    | -     |
| Finland        | 51     | 51     | 143    | 149    | 156    | 158    | 162   |
| France         | 577    | 911    | 1 371  | 1 920  | 1 961  | 2 312  | 2 410 |
| Germany        | 273    | 1 074  | 876    | 1 833  | 2 258  | 2 266  | 2 304 |
| Greece         | 64     | 75     | 64     | 215    | 299    | 310    | -     |
| Iceland        | 0      | 1      | 0      | 1      | 1      | 1      | -     |
| Ireland        | 64     | 84     | 88     | 148    | 184    | 204    | -     |
| Italy          | 1 303  | 1 226  | 1 686  | 2 052  | 2 264  | 2 392  | 2 473 |
| Japan          | 680    | 1 000  | 1 170  | 1 360  | 1 560  | 1 610  | 1 560 |
| Luxembourg     | 0      | 0      | 1      | 2      | 3      | 3      | -     |
| Netherlands    | 110    | 260    | 280    | 655    | 801    | 822    | -     |
| New Zealand    | 2      | 3      | 25     | 47     | 76     | 78     | -     |
| Norway         | 26     | 40     | 38     | 52     | 67     | 61     | 51    |
| Portugal       | 90     | 178    | 344    | 317    | 377    | 403    | -     |
| Spain          | 363    | 625    | 1 248  | 2 260  | 2 461  | 2 901  | 2 966 |
| Sweden         | 98     | 67     | 88     | 137    | 151    | 136    | 125   |
| Switzerland    | 0      | 13     | 10     | 14     | 29     | 35     | 29    |
| Turkey (a)     | 1 923  | 2 120  | 2 288  | 2 731  | 2 861  | 2 905  | -     |
| United Kingdom | 557    | 838    | 1 234  | 2 770  | 2 984  | 3 030  | 3 179 |
| United States  | 4 365  | 7 929  | 6 137  | 10 678 | 10 717 | 8 539  | 8 312 |
| North America  | 4 880  | 8 619  | 6 973  | 11 992 | 12 165 | 9 938  | 9 640 |
| OECD Europe    | 5 645  | 7 912  | 10 286 | 16 158 | 17 849 | 18 849 | -     |
| Total OECD     | 11 313 | 17 813 | 18 832 | 30 018 | 32 337 | 31 080 | -     |

a. Secretariat estimates

b. Including estimates for unemployment in agriculture.

Source: OECD, Employment Outlook. MAS/WP5(86)4 - Statistical Annex.



Table 4  
UNEMPLOYMENT RATES (a)

|                 | 1975 | 1979 | 1982 | 1983 | 1984 | 1985 |
|-----------------|------|------|------|------|------|------|
| Australia       | 4.8  | 6.2  | 7.1  | 9.9  | 8.9  | 8.2  |
| Austria         | 1.7  | 2.1  | 3.5  | 4.1  | 3.8  | 3.5  |
| Belgium         | 5.0  | 8.2  | 12.6 | 13.9 | 14.0 | 13.2 |
| Canada          | 6.9  | 7.4  | 10.9 | 11.8 | 11.2 | 10.4 |
| Denmark (b)     | 4.9  | 6.0  | 11.0 | 11.4 | 8.5  | 10.4 |
| Finland         | 2.2  | 5.9  | 5.8  | 6.1  | 6.1  | 6.2  |
| France          | 4.0  | 5.9  | 8.1  | 8.3  | 9.7  | 10.1 |
| Germany         | 3.6  | 3.2  | 6.1  | 8.0  | 8.5  | 8.6  |
| Greece (b)      | 2.3  | 1.9  | 5.8  | 7.9  | 8.1  | -    |
| Iceland (b)     | 0.6  | 0.4  | 0.7  | 1.0  | 1.3  | -    |
| Ireland (b)     | 7.3  | 7.1  | 11.4 | 14.1 | 15.5 | -    |
| Italy           | 5.8  | 7.6  | 9.0  | 9.8  | 10.2 | 10.5 |
| Japan           | 1.9  | 2.1  | 2.4  | 2.6  | 2.7  | 2.6  |
| Luxembourg (b)  | 0.2  | 0.7  | 1.2  | 1.6  | 1.7  | -    |
| Netherlands     | 5.2  | 5.4  | 11.4 | 13.7 | 14.0 | 13.0 |
| New Zealand (b) | 0.2  | 1.9  | 3.5  | 5.6  | 5.7  | -    |
| Norway          | 2.3  | 2.0  | 2.6  | 3.3  | 3.0  | 2.5  |
| Portugal (b)    | 4.4  | 8.0  | 7.3  | 8.2  | 8.9  | -    |
| Spain           | 3.7  | 8.5  | 15.9 | 17.4 | 20.1 | 21.6 |
| Sweden          | 1.6  | 2.1  | 3.1  | 3.5  | 3.1  | 2.8  |
| Switzerland     | 0.4  | 0.3  | 0.4  | 0.9  | 1.1  | 0.9  |
| Turkey (b)      | 12.9 | 13.2 | 15.1 | 15.7 | 15.7 | -    |
| United Kingdom  | 4.3  | 5.1  | 11.4 | 12.6 | 13.0 | 13.2 |
| United States   | 8.3  | 5.8  | 9.5  | 9.5  | 7.4  | 7.1  |
| North America   | 8.2  | 5.9  | 9.7  | 9.7  | 7.8  | 7.4  |
| OECD Europe (c) | 4.1  | 5.4  | 8.9  | 10.  | 10.8 | 11.0 |
| Total OECD (c)  | 5.1  | 4.9  | 7.9  | 8.5  | 8.1  | 8.0  |

- a. Data for all countries except Denmark, Greece, Iceland, Ireland, Luxembourg, New Zealand, Portugal and Turkey are standardized unemployment rates which are more comparable between countries than the unemployment rates published in national sources. For a detailed description of the sources and methods used, see OECD, Standardized Unemployment Rates, Sources and Methods.
- b. National data based on national definitions.
- c. Based only on countries with standardized unemployment rates. These countries represent 90 per cent of the total OECD labour force.

Source: OECD, MAS/WP5(86)4 - Statistical Annex.



Table 3

## PERSONS UNEMPLOYED FOR ONE YEAR OR MORE IN SELECTED OECD COUNTRIES

| Country        | 1979      | 1981  | 1983    | 1984    | 1985    | 1979                       | 1981 | 1983 | 1984 | 1985 |
|----------------|-----------|-------|---------|---------|---------|----------------------------|------|------|------|------|
|                | No. (000) |       |         |         |         | As % of Total Unemployment |      |      |      |      |
| Australia      | 68.2      | 79.4  | 188.7   | 188.6   | 18.1    | 21.0                       | 27.5 | 31.2 | -    | 13.3 |
| Austria        | 2.8       | 2.7   | 7.9     | 11.9    | 13.0    | 8.6                        | 6.5  | 9.0  | 12.9 | -    |
| Belgium        | 160.2     | 198.5 | 308.3   | 336.2   | -       | 58.0                       | 52.4 | 62.8 | 68.2 | -    |
| Canada         | 28.0      | 36.0  | 138.0   | 139.0   | -       | 3.5                        | 4.2  | 9.8  | 10.1 | -    |
| Finland        | 26.8      | 10.6  | 16.6    | 15.5    | -       | 19.3                       | 12.5 | 14.6 | 14.4 | -    |
| France         | 371.4     | 492.2 | 713.6   | 850.2   | 1 030.3 | 30.3                       | 32.5 | 42.2 | 42.3 | 46.8 |
| Germany        | 146.3     | 203.4 | 608.7   | 701.7   | -       | 19.9                       | 16.2 | 28.5 | 32.7 | -    |
| Ireland        | 30.4      | 38.5  | 58.6    | 84.0    | 94.5    | 33.0                       | 34.8 | 31.0 | 39.1 | 41.2 |
| Italy          | 490.0     | 591.0 | 804.0   | -       | -       | 35.8                       | 37.9 | 41.9 | -    | -    |
| Japan          | 230.0     | 190.0 | 230.0   | 250.0   | -       | 16.5                       | 13.5 | 15.5 | 15.2 | -    |
| Netherlands    | 51.0      | 74.0  | 329.2   | 440.3   | 407.2   | 27.1                       | 22.0 | 43.7 | 54.5 | 55.3 |
| Norway         | 1.3       | 1.1   | 4.1     | 6.2     | -       | 3.8                        | 3.0  | 6.7  | 10.8 | -    |
| Sweden         | 6.0       | 6.4   | 15.5    | 16.9    | -       | 6.8                        | 6.0  | 10.3 | 12.4 | -    |
| Spain          | 363.0     | -     | 1 233.6 | 1 544.3 | -       | 27.5                       | -    | 53.6 | 54.2 | -    |
| United Kingdom | -         | 626.9 | 1 102.6 | 1 234.4 | 1 326.8 | -                          | 22.0 | 36.5 | 39.8 | 41.0 |
| United States  | 259.0     | 558.1 | 1 430.0 | 1 049.0 | -       | 4.2                        | 6.7  | 13.3 | 12.3 | -    |

**Note:** Measures of long-term unemployment are particularly uncertain and international comparisons are difficult since the type of sources used varies from country to country (household surveys and administrative records).

**Source:** Draft synthesis report of the Evaluation Panel No.4 "Measures to assist the long-term unemployed".



MAS/WP1(86)02

Table 4

## TRENDS IN THE DISTRIBUTION OF THE UNEMPLOYED BY TYPE OF COMPENSATION

|                                                                              | 1973        | 1976   | 1980        | 1983   |
|------------------------------------------------------------------------------|-------------|--------|-------------|--------|
| AUSTRALIA (percentage of registered unemployed)                              |             |        |             |        |
| assistance                                                                   | 45.6        | 74.2   | 73.0        | *      |
| no benefit                                                                   | 54.4        | 35.8   | 27.0        | *      |
| * After 1980, Australia has stopped publishing data on registered unemployed |             |        |             |        |
| BELGIUM (percentage of registered unemployed)                                |             |        |             |        |
| insurance                                                                    | 75.3        | 80.0   | 75.8        | 75.8   |
| no benefit                                                                   | 24.7        | 20.0   | 24.2        | 24.2   |
| CANADA (percentage of unemployed at sometime during the year)                |             |        |             |        |
| insurance                                                                    |             | 87.5 * | 74.0        | 84.8   |
| no benefit                                                                   |             | 12.5 * | 26.0        | 15.2   |
| * Data for 1978                                                              |             |        |             |        |
| FRANCE (percentage of registered unemployed)                                 |             |        |             |        |
| insurance                                                                    | 43.0        | 49.3   | -           | 47.3 * |
| assistance                                                                   | 14.3        | 17.2   | -           | 11.2 * |
| no benefit                                                                   | 42.7        | 33.5   | 34.8        | 41.5 * |
| * on 31.12.1984                                                              |             |        |             |        |
| GERMANY (percentage of registered unemployed)                                |             |        |             |        |
| insurance                                                                    | 56          | 58     | 51          | 45     |
| assistance                                                                   | 8           | 16     | 14          | 21     |
| no benefit                                                                   | 35          | 26     | 35          | 33     |
| SWEDEN (share of unemployment days compensated)                              |             |        |             |        |
| insurance                                                                    | 41          | 47     | 47          | 60     |
| assistance                                                                   | 10          | 15     | 22          | 23     |
| no benefit                                                                   | 49          | 38     | 31          | 17     |
| UNITED KINGDOM (percentage of claimants)                                     |             |        |             |        |
| insurance                                                                    | (1971) 41.0 | 29.8   | 31.0 (1981) | 23.8   |
| insurance + assistance                                                       | (1971) 12.5 | 9.1    | 9.4 (1981)  | 7.7    |
| assistance                                                                   | (1971) 26.1 | 43.0   | 43.7 (1981) | 55.6   |
| no benefit                                                                   | (1971) 20.5 | 18.1   | 15.9 (1981) | 13.1   |



Table 2

SELECTED CHARACTERISTICS OF BENEFITS SERVED UNDER CONTRIBUTORY SCHEMES

|                            | Type:<br>- Earnings Related<br>- Lump Sum                  | Maximum<br>duration                                | Differentiation<br>by family status                       | Measures for<br>older workers<br>(age)                                                                                | Comments                                                                                                                                                                       |
|----------------------------|------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Australia                  | -                                                          | -                                                  | -                                                         | -                                                                                                                     | -                                                                                                                                                                              |
| Belgium                    | E.R. becoming L.S.<br>after 2 years for some<br>recipients | unlimited                                          | yes                                                       | work search (55)                                                                                                      | - lower benefit after one year<br>for all but sole supporter<br>head of household<br>- young people under 26 having<br>completed education or<br>training may receive benefits |
| Canada                     | E.R.                                                       | 50 weeks                                           | no                                                        | no                                                                                                                    | duration of benefit depends<br>upon:<br>- length of contribution period<br>- regional unemployment rate                                                                        |
| France                     | L.S. + E.R.<br>then L.S.                                   | 18 months for each<br>level; 30 months<br>combined | no                                                        | Longer duration<br>(50); (illimited<br>duration (57 1/2<br>under condition)<br>higher benefit (55<br>under condition) | duration of benefit depends<br>upon length of contribution                                                                                                                     |
| Germany                    | E.R.                                                       | 312 days                                           | yes                                                       | Longer duration<br>(49)                                                                                               | duration of benefit depends upon<br>length of contribution period                                                                                                              |
| Netherlands<br>Type 1 (MW) | E.R.                                                       | 6 months                                           | no                                                        | no                                                                                                                    | - restricted eligibility<br>criteria and benefits for<br>those less than 23                                                                                                    |
| then/or<br>Type 2 * (MWV)  | E.R.                                                       | 2 years                                            | married women not<br>entitled unless<br>head of household | longer duration<br>(57 1/2)                                                                                           | - military period assimilated<br>to employment for eligibility                                                                                                                 |
| Sweden                     | L.S. **                                                    | 300 days                                           | no                                                        | no                                                                                                                    |                                                                                                                                                                                |
| United Kingdom             | L.S.                                                       | 312 days                                           | yes                                                       | no                                                                                                                    | level of benefit depends on<br>amount of contributions paid                                                                                                                    |

\* Although this scheme is not financed through contributions all other characteristics assimilate it to a contributory scheme.

\*\* de facto as 95 per cent receive the maximum.



Table 3

## SELECTED CHARACTERISTICS OF BENEFITS SERVED UNDER NON-CONTRIBUTORY SCHEMES

|                        | Means tested                   | Type:<br>- Guaranteed Minimum Income<br>- Lump Sum<br>- Earnings Related | Maximum duration | Target group                                                                                                                   | Differentiation by family status | Measures for older workers (age)        |
|------------------------|--------------------------------|--------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------|
| Australia              | Yes                            | GMI                                                                      | unlimited        | all unemployed over 16                                                                                                         | Yes                              | No                                      |
| Belgium                | -                              | -                                                                        | -                | -                                                                                                                              | -                                | -                                       |
| Canada                 | -                              | -                                                                        | -                | -                                                                                                                              | -                                | -                                       |
| France<br>1. Insertion | No for young<br>Yes for others | LS                                                                       | 1 year           | young (16-25); other with no employment experience and special needs                                                           | Yes                              | n.a.                                    |
| 2. Solidarity          | Yes                            | LS                                                                       | unlimited        | insurance exhaustees with sufficient work history and workers not entitled to insurance coverage                               | No                               | Work search (55)<br>Higher benefit (55) |
| Germany                | Yes                            | ER                                                                       | unlimited        | unemployed not entitled to insurance benefit with minimum past activity (including training, military period) or special needs | Yes                              | No                                      |
| Netherlands (RWW)      | Yes                            | GMI                                                                      | unlimited        | unemployed not entitled to insurance benefit                                                                                   | Yes                              | No                                      |
| Sweden                 | No                             | LS                                                                       | 300 days         | unemployed not entitled to insurance benefit                                                                                   |                                  | Longer duration(55)                     |
| United Kingdom         | Yes                            | GMI                                                                      | unlimited        | all unemployed over 16                                                                                                         | Yes                              | Higher benefit (60)                     |



MANPOWER : SGMs PT14 . . . .



D. R.

**PRIME MINISTER**

Lord Young wanted you to know that TV advertisements about RESTART are being carried every day this week during News at Ten. News at Ten, interestingly, starts tonight at 1035.

MEA

MEA

26 August 1986

mt





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 August 1986

The Prime Minister has asked me to thank you for your letter of 20 August and for sending her a copy of your paper on Self Employment which I know she will look at with interest.

(Mark Addison)

Graham Mather, Esq.



MR. G. MATHER  
12/9

file

OA

Mr. Blackwell

Policy Unit

I attach a copy of a letter and enclosure from Mr. Graham Mather, Head of the Policy Unit at the Institute of Directors. I have acknowledged this.

I think it might be helpful if you could have a look at the paper and provide a short summary of the key points for the Prime Minister.

Mark Addison

22 August 1986

dg



MR. BLACKWELL

The Prime Minister saw your minute on unemployment policies over the weekend and has indicated that she wishes to discuss the paper with Lord Young at their next meeting, the date of which has not yet been fixed. I should be grateful if you could arrange for Lord Young's office to receive a copy of your paper and I will ensure that it is in the Prime Minister's papers for the meeting. You may like to have the attached copy of your paper as annotated by the Prime Minister to see her comments.

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TIMOTHY FLESHER

11 August 1986



IN CONFIDENCE

SG/A49



MBH 9v

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6460  
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M Addison Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London  
SW1

*cc Stephen Shute*  
*You may be asked for this.*  
*MBH 6/8*  
1 August 1986

*Dear Mark*

COMMUNITY PROGRAMME PROJECT AT LAMBETH

... Following our telephone conversation, I am enclosing a note about this project following the coverage it attracted in last Friday's Daily Telegraph. *copy attached.*

Perhaps you could check with us if the Prime Minister does not wish to deploy this case in the short-term on the basis that it might just turn out that the MSC is able to persuade Lambeth Council from withdrawing the project.

Please let me know if you need any further information.

*Yours sincerely*  
*John Turner*

JOHN TURNER  
Principal Private Secretary

IN CONFIDENCE



## BRASS TACKS WORKSHOP - WITHDRAWAL OF FUNDING BY LAMBETH BOROUGH COUNCIL

### Background

1 The Brass Tacks workshop is a Community Programme project in Lambeth sponsored by the Mutual Aid managing agency, providing 146 jobs for long-term unemployed people. It has been operating since 1980, originally under the Community Enterprise Programme. Mutual Aid support a number of projects in the Borough providing some 350 jobs in total.

2 Brass Tacks is a "recycling" workshop, refurbishing furniture and other goods for disadvantaged people in the community. The workshop is housed in council-owned property and the rent and rates are met 75% by urban programme funding under the inner city partnership and 25% (£7,750) by the local authority.

3 Local MSC officials regard this as a good project. The sponsor, Mutual Aid is regarded as being particularly good at organising and providing training as part of their projects.

### Council Opposition

4 The Council decided to withdraw funding from this project in April - before the last council election.

5 Lambeth Council have always been opposed to participation in the Community Programme on the grounds that the jobs provided are not "proper" jobs, wage levels are too low and there is inadequate training provision. Although many of the Councillors who took the original decision about Brass Tacks have now been debarred from office, the new council seem to be taking an even stronger stand against the Community Programme than before. For example, they now appear to be refusing to support Urban Programme funding of projects, where those projects are also receiving funding from the Community Programme.

6 We understand that Sir George Young recently met Linda Bellos, Leader of Lambeth Council to encourage the Council to take up the available Urban Programme funding. She was not persuaded and, we understand, that Sir George is to write to the Council again urging reconsideration.



MSC action

7 Local MSC officials judge that there is very little prospect of changing Lambeth Council's mind about funding this project. They have therefore been looking at alternatives. Available options are:

- i) to make up the rent from operating costs under the Community Programme (although this can only mean diverting resources from another part Mutual Aid's budget and, therefore, making less money available for things like training);
- ii) to find alternative, affordable, premises - perhaps provided by a private sector company;
- iii) to transfer the project to another agency with more funds;
- iv) to split the project into smaller units in different locations.

8 In the last resort the MSC will of course do everything possible to ensure that the participants on the project at present are found opportunities on other projects which will enable them to complete their 52 weeks on the Programme.







## Left cuts work for jobless

By Stephen Ward  
Industrial Staff

THE Left-wing Lambeth council in south London is forcing a furniture workshop to close with the loss of 146 jobs because it says the wages are too low.

The non-profit making Brass Tacks workshop in Brixton, an area of high unemployment, gives training and work experience for a year to 146 long-term unemployed at a time.

It has been running since 1981 and half the people who have worked there have gone on to permanent jobs or full-time training.

All the wages and running costs, totalling more than £500,000 a year, are paid by the Government's Manpower Services Commission from its community programme, which sets an average wage level of £60 a week.

But Lambeth is still able to force the workshop to close because it subsidises the premises. The £27,400-a-year rent and rates are paid under another Government scheme, the Inner City Partnership, where the Government pays three-quarters if a council will fund the rest.

### Without premises

Lambeth has said it will not pay the £7,750 after the end of next month, and without the council's support the Government money goes as well, leaving the workshop without premises.

Lambeth said in June, 1983, when the community programme was brought in by the Manpower Services Commission that the council's economic activity and employment committee would not co-operate with it, on the grounds that the wages were too low, it did not provide proper training, and it discriminated against married women who lost benefits if they took part-time work.

The spokesman said six projects under the Government scheme would continue, provided they did not expand. Brass Tacks increased the number of places from 35 to 146.

GR  
JT(D Emp) is  
letting in how a  
note or doi.

MGA 31/7



*A lot of this is in the way perhaps I could*  
*dismiss this paper with Lord Young not included at all in August*  
PRIME MINISTER

CONFIDENTIAL

1 August 1986

REVIEW OF UNEMPLOYMENT POLICIES

The Government's record and policies on unemployment will be one of the crucial battlegrounds for the next Election. The purpose of this memorandum is to take stock of the current position and set out a range of policy options that can be examined and developed as appropriate - either for immediate implementation or for incorporation in the next Manifesto.

Our conclusion is that the current high levels of unemployment primarily reflect the substantial restructuring of the UK economy over the last 7 years combined with a welfare environment that has removed the financial imperative to work. With UK productivity still well below world standards, the restructuring still has a long way to go and there is consequently little prospect of getting unemployment down to much lower levels in the near term.

Despite this prognosis, it is clearly important politically to show some downward movement over the next year or so, and Lord Young's campaign to shift 2-300,000 ineligible claimants off the register through Restart interviews and tougher claim tests offers the best (and cheapest) hope for achieving this. To address the remaining longer term problem the Government also needs to consider what further action it might take to assist economic adjustment and improve work incentives while ensuring that temporary measures to provide short term relief provide maximum value for money.

To allow time for any new approaches to be developed, you may wish to arrange an early autumn discussion with both the Policy Unit and Lord Young on priorities for further work.

CONFIDENTIAL



1. How Real is the Problem?

While opinions differ widely on both the origins and importance of the current high unemployment levels, in our view the primary cause of the major rise in the 1980's has been a major and long overdue restructuring of the UK economy forced by the need to catch up with the productivity levels of our major competitors. After several decades of avoiding the problem, the initial shock provided by the oil price rise and world recession of 1980 combined with this Government's favourable industrial relations climate have triggered a major shake-out of non-productive labour in both private and public sectors.

Total employment consequently fell by 1.9m between 1979 and 1983, and - despite the recent rise - is still 1.0m less than 7 years ago. At the same time, there has been an unprecedented rise in the UK labour force - with the 'working population' up 1.2m from 1979 as a result of both the baby boom and increased female participation. Reflecting the increasing gap between the labour force and employment, the number of registered unemployed rose by 2.2m during this period (see Annex 1).

At the macroeconomic level, a significant reduction in the current levels of unemployment arithmetically requires a sustained period of fast economic growth. However, the barriers in the UK labour market combined with our poor international competitiveness render any purely macroeconomic approach ineffective. A sustained reduction in unemployment can only be achieved by continuing to improve competitiveness while tackling the microeconomic problems that have prevented the labour market from adjusting to absorb the unemployed:

- a. The welfare cushion has clearly been an important contributor - removing the downward pressure on wages and encouraging many unemployed to opt out of the labour market. Almost one



quarter of the unemployed are estimated to have been getting benefit levels within 20% of their expected work income, and unemployment benefits are often topped up with occasional black economy earnings. In the south east, in particular, the growing welfare culture has led to a whole generation of youth drop-outs supporting their lifestyle on benefits, grants and petty crime. However, given the drop in total employment noted above and the remaining low level of vacancies, it is difficult to blame the benefit system as the primary cause of recent unemployment growth in the way claimed by Ralph Howell and others.

- b. The failure of real wages to adjust has been a second major barrier. Recently in Gwent, for example, an engineering company's workforce opted for redundancy rather than accept the proposed cut in earnings. In the US, by contrast, wage reductions have been a well-publicised feature of several corporate rescue plans - for example, Chrysler and United Airlines. In 1983, approximately 15% of workers covered by major contracts in the US agreed a wage reduction; in the UK, no such examples can be found. At the bottom end of the wage structure (where it matters), this wage rigidity has been compounded by the continued enforcement of statutory minimum wages in specific industries.
- c. A third and very considerable barrier has been the low educational and work qualifications of many unemployed workers, which makes them unattractive recruits to fill the new vacancies being created. While US employment grew from 82m to 110m between 1973 and 1985, blue collar manufacturing employment actually dropped by 5m over this period, despite a continuing rise in manufacturing output. The entire growth in employment has been in non-manufacturing, and especially in non-blue collar jobs. Yet in the UK, Restart interviews suggest that a significant proportion of the long-term unemployed have difficulty in the basic skills of reading and writing. Thus, one has the anomaly of record unemployment



co-existing with increasing reports of skilled labour shortages.

- d. A further major factor has been the basic lack of entrepreneurialism in the UK relative to the US, with much less new employment generation coming from the small and medium business sector which has been the engine for growth in the US economy.
- e. High redundancy costs have also had some impact in discouraging firms from expanding their labour force and may partially account for the steady increase in overtime working.
- f. Finally, economic adjustment has been inhibited by the historic lack of mobility in the UK labour market, for all the reasons associated with our highly regulated housing market and the severe differentials in house prices between London and the North (which have been exacerbated by planning restrictions).

Given this analysis, the prospects for a major reduction in unemployment in the near term are not encouraging. However there is some prospect of achieving a small short term decline as a result of Lord Young's measures and the Government can also point to specific areas where it has achieved a major impact.

- With the expansion of special measures now coming to an end, the prospect of achieving some decline in total unemployment now depends heavily on whether the anticipated 2-300,000 claimants removed from the register by Restart and eligibility tests, together with the expected slower growth in the labour force, will be sufficient to reverse the recent trend rise of 15,000 per month. Given the considerable opportunities for a further shakeout of non-productive labour, the uncertain prospects



for economic growth and the possibility of disruption in South African trade, a positive outcome cannot be assured. Furthermore, any short term decline could prove to be only a temporary effect. The prospects will obviously need to be kept under close review.

- The 1.4m long-term unemployed (up from 32% to 42% over 7 years) are an important secondary target. Over 4m people join the unemployment register each year, but a quarter of these readily find new employment within one month and two thirds within six months. The number of short term unemployed has actually remained almost constant since 1981 while total unemployment has risen. Those who fail to get a job within a year, apart from the "malingerers", are generally those with the lowest education and skill levels who find it difficult to compete for jobs (Annex 2) - and this group therefore becomes increasingly isolated from the labour market. Many of the Government's existing programmes are specifically aimed at tackling this problem.
- Youth unemployment has been another area of particular concern, but all those under 18 who wish to work should now be catered for through YTS, CP and other tailored programmes. The task here is now to publicise the Government's achievements and deal with the remaining 'drop-out' group. Attention also needs to be given to the 18+ group where unemployment rates are still over 23%.
- A more difficult problem - and one highlighted by the media - is the concentration of unemployment in particular regional blackspots. Travel to work areas (TTWAs) with a very high unemployment rate (20% or above) contain only 20% of the unemployed population, but are nevertheless highly visible. The proportion of long-term unemployed is also much higher in these locations - 45% as against 31% in the TTWAs with unemployment below 10%. This is an area



where cost-effective action is particularly hard, but more needs to be achieved.

In tackling these problems, the Government's response can be divided into those policies aimed primarily at assisting the long-run economic adjustment, and those aimed at providing cost-effective short-term relief. These are considered in turn.

## 2. Encouraging long-term structural adjustment

*Both already done*

Within the essential framework of the Government's macroeconomic strategy, the two crucial areas where the Government can assist the long term adjustment of the economy are in (i) encouraging the growth of new, job-creating enterprises; and (ii) providing work training for the long-term unemployed to enable them to be reabsorbed in the new growth areas. In addition the Government can help to speed the adjustment and reduce the voluntary unemployed by tackling barriers that result from the lack of work incentives, difficulties in mobility and inflexibility in wages. In all these areas the Government has a good record, but more can be done.

### Further encouragement for new enterprises

The Government has considerably improved the environment for new enterprise development, and further measures on general deregulation remain a priority. In addition there are a number of possible measures for increasing direct support to new enterprise development, although the balance must be carefully weighed to ensure that the Government is not just subsidising start-ups at the expense of existing businesses.

- An easy but powerful step could be to provide a simple administrative package to help the self-employed through the process of taking on their first employee. The 2.7m



who are already self-employed provide a tremendous base on which to generate new employment. To reduce the perceived complexities of administering PAYE, National Insurance etc, the Government could provide a simple "stamp" system that covered NI and tax deductions, with under/overpayment adjusted by the Revenue at the end of the year.

- Xpensive*
- The successful Enterprise Allowance Scheme could be modified to encourage more mature workers into self employment. At the moment the fixed allowance - £40 per week - is primarily attractive to the young unemployed whose benefit level would otherwise be lower (70% of EAS scheme participants are reported to gain an increase in benefit!). Scaling the EAS allowance could attract a higher proportion of 25-40 year old entrants who are more likely to have the experience required to succeed. Although the gross cost of the scheme would rise, the net Exchequer cost should fall if the proportion of people gaining a rise in income from the EAS declines.

*u*

In addition, it may be worthwhile removing the limitation on EAS to those currently unemployed - attracting high potential candidates to leave existing safe jobs and start up on their own. If a high proportion of the vacated places are subsequently filled the short term impact on unemployment levels could still be maintained.

- The loan guarantee scheme could also be changed to remove the need for the entrepreneur's house to be given as the primary security on a loan. The risk of losing the family residence is a significant deterrent to would-be entrepreneurs, and the lower value of housing outside the South East makes it more difficult to raise money from bank loans in the less prosperous regions. Those in rented accommodation are automatically excluded. If a minimum level of personal capital was invested (perhaps by



allowing borrowing against pension investments), the limited liability principle could be used to exclude the family home.

- Distortion*
- Xpensive*
- Further incentives for the larger scale entrepreneur might be provided by adaptations to the BES. Although BES has been very effective in attracting investment funds, many projects have relatively low employment effects. An alternative scheme could link tax reliefs to success in reaching and maintaining specified employment levels over a period of years rather than the capital sum invested - giving support to employment intensive areas like hotels which are now excluded from BES. Another option would be to allow individuals to invest their own funds in businesses of which they are the owner/manager: this might be particularly attractive in attracting mid-career executives to start up on their own.
  - A new and potentially powerful policy initiative to stimulate the rapid creation of entrepreneurial businesses would be the use of tax incentives to encourage large companies to spin-off existing small, management units. It is now increasingly recognised that large companies - while providing significant support for some subsidiaries - can severely constrain management entrepreneurialism in peripheral businesses through controls and bureaucracy. Recognition of this factor has already stimulated many "break-ups" and "spin-offs" in recent years - many through management buy-outs. Encouraging this could have positive wealth and employment effects; analysis in the US has shown that mid-size companies generally have much faster growth than the Fortune 500 and achieve higher rates of return.

On a smaller scale, similar tax incentives could also be applied to the release of individual managers to set up



and run small business units, exploiting ideas that could not be developed within the main corporate structure.

### Expanded Training Measures for Unemployed Workers

Given the low employment qualifications of the long term unemployed, work focussed training to meet the requirements of new job opportunities is likely to be an essential part of moving those that can adapt back into employment. The training required may be both basic literacy and numeracy and, at a higher level, rudimentary training in a new work area.

The MSC's Wider Opportunities Programme has recently been added to the existing Job Training Scheme to provide a wider range of training for the long term unemployed. However, the Department of Employment is critical of their narrow focus on specific 'skills' and is cautious about the possibility of any larger scale initiatives because of the high cost per trainee without guarantee of subsequent employment. The solution may be an alternative approach based on extending the YTS principal to cover suitable adults as well as school leavers.

Placing the long term unemployed in what would effectively be "adult apprenticeships" with private sector employers could be much more valuable than the questionable work experience of a place on the Community Programme, while having a similar short run impact on the unemployment count. If such schemes were effective, it could also be worthwhile to divert funds from the costly Job Training Schemes, shifting the focus to 'training for work' rather than 'learning skills'.

To provide the classroom content of these schemes cost effectively - and also to provide remedial primary education for those requiring it - mechanisms should also be found to utilise the current spare teaching capacity in schools and



polytechnics identified by the Audit Commission. It is becoming increasingly apparent that basic education is a significant problem in the UK. I was recently told about a Midlands employer who wanted to move a group of employees from the production line to the warehouse - but found that 50% failed the simple literary/numeracy test he had devised as a safety check! With school and college rolls falling in the years ahead, there may be a golden opportunity to upgrade the basic educational level of the workforce at low marginal cost.

The current Restart interviews confirm that low employment qualifications are a serious problem amongst the long term unemployed. We are right to expect employers to take the initiative in training their own employees, but we cannot expect them to rectify deficiencies in our elementary education and training systems. Ensuring that this is dealt with as effectively as possible within available budgets should be a major priority. There may be room here for a major new initiative.

#### Greater Work Incentives

The growth of the welfare economy has obviously been a long term development. In recent years the ratio of benefit to earnings has started to reduce and the current Fowler reforms should make a significant contribution towards correcting the worst anomalies of the current system - improving the gain from employment for those with family responsibilities and reducing benefit levels for the young, single unemployed. However, the impact of these changes will take some time to work through and assess. In the meantime it may be possible to provide special arrangements to ease the transition to work - eg a one year "tax holiday" after a minimum period of unemployment. This is an area worth examining.



### Encouragement to Mobility

Deregulation of the rented accommodation market is still the most important step the Government could take to encourage mobility, but is clearly not on the agenda before the next election. In the meantime the Department of Environment might consider more limited relaxation to open up the market for lodgings in private houses or hostels. Special "relocation tenancies" could be offered on terms that provide added protection to the houseowner, with places offered nationally through Job Centre interviews to individuals needing a base to establish themselves in a new location.

### Greater Wage flexibility

In due course, further steps towards a more flexible labour market should be made through the abolition of Wages Councils and minimum wages to cover all workers, not just the under 21 age group. Another initiative that should be pursued, however, is the introduction of greater regional variations in public sector wages. Current national agreements tend to be set by reference to pay levels in the South East and are often far above the level needed to recruit staff in other regions with higher unemployment. Since Government and local authority pay levels tend to be used as benchmarks for other wage negotiations, the national settlement inhibits a market adjustment that might otherwise help to make regions more attractive for new business investment.

### 3. Providing Short-Term Relief

Alongside the policies aimed at assisting long-run economic adjustment, it is estimated that the special employment measures have had a direct impact in removing 275,000 from the register (primarily through the Community Programme), with YTS removing a further 220,000 school leavers.

Consideration should now be given to refocusing the existing



programmes to improve their output value and focus. In addition the Government should develop further options to strengthen the availability for work test while developing the "work for benefit" concept as a possible fallback option.

### Refocussing Existing Programmes

CP will be providing a total of 255,000 places by November 1986, with an estimated register effect of 238,000. Although some expansion of the scheme is available as a last resort to bring the count down, most of those involved believe the programme is already at the scale where it is hitting marginal returns. In particular:

- The low wage levels offered mean that the scheme is primarily attractive to the young unemployed on low benefits (62% of participants are under 25 and only 21% are married).
- The average earnings ceiling of £67 per week, while paying the going hourly rate, means that 85% of participants are now only employed part-time (up from 60% when the scheme began).
- The condition that projects must not substitute for "real work" means that the value of the output is often quite low and can appear to be a "make work" activity.

Despite these problems, the Community Programme obviously has an extremely valuable role to play. With its recent growth completed, attention should now switch to ensuring maximum value for the resources committed (£1bn gross expenditure). Possible adjustments include:

- Attracting more mature participants by enabling them to get top-up benefits while on CP which bring their total



income closer to their benefit level while unemployed. (Since many individuals could already get a top-up from the Family Income Supplement, the first step may simply be to ensure that applicants have an easy way to find out their full entitlement when they consider the Community Programme).

- Improving the social and political value of Community Programme employment by linking schemes more closely to national objectives set by Government Departments which cannot be funded through their normal budget. Rather than leaving it to local MSC offices to identify worthy causes, the CP labour army would be marshalled behind a limited number of national programmes - like the current Branson clean-up - which serve clear national priorities.

In addition the Department of Employment should review the possibility of redistributing resources on the Community Programme and other measures to create a greater regional focus - extending the notion of a 'package' approach to areas of greatest need. This could also include a new look at DTI-funded regional grants to see whether this expenditure could be more closely linked to job creation (which is the ultimate objective) rather than investment. Outside of specific high need areas, however, any general development of a straight subsidy for new employment would have extremely high costs.

Other special measures have relatively little impact in comparison with the Community Programme. The only significant option for having any fast impact on unemployment is an expansion of the Job Release Scheme for early retirement, but this has no positive economic value.

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Strengthening Availability for Work: Workfare

The most effective measure for reducing unemployment in the short term and encouraging the 'voluntary' unemployed back to work is Lord Young's current Restart programme combined with tougher claim tests. If these continue to prove successful, the Department of Employment should be ready with options to bring forward the programme (if necessary) to have a larger and more rapid impact. Further options could also be devised (at some cost) to strengthen the availability of work criteria - for example, more regular reporting at the Job Centre or Benefit Office. These may well be worth pursuing as the next step.

The final step in this process would be the development of the Workfare, or work for benefit approach. This has all the disadvantages of compulsion and Government employment which have recently been well aired. However, if unemployment stays permanently high, or rises further, the political pressures for getting the long-term unemployed to "do something useful" will grow. Given the problems of extending the voluntary CP programme, instituting some limited form of enforced "work for benefit" could be the only low-cost route to achieve this. An easy first step might be to apply this principle to youth unemployment - where the electorate might readily accept that school leavers should either work or train rather than sit back on the dole.

Further work on understanding the legal and administrative problems would therefore be well worthwhile, although it is doubtful whether even a limited trial could be put in place before the next Election.

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Conclusion

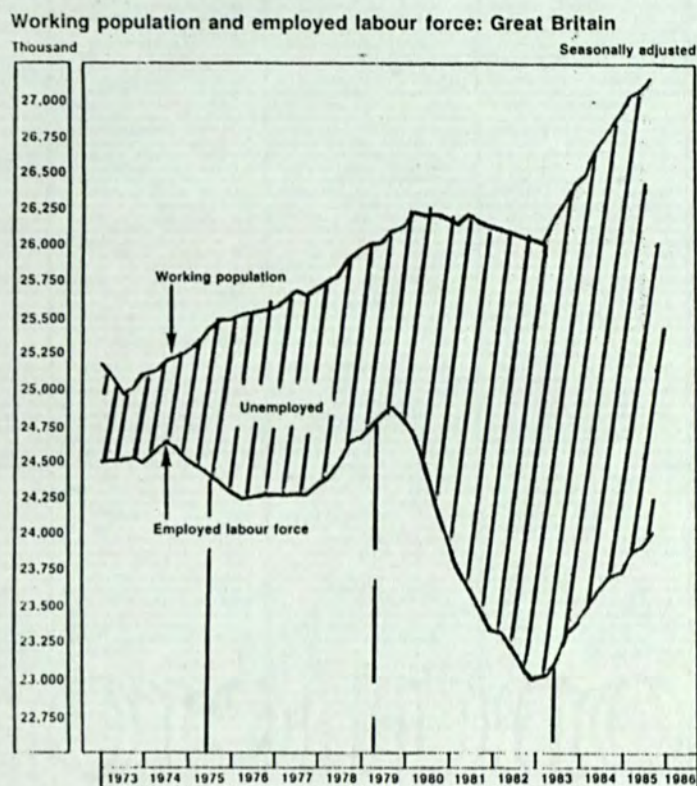
Unemployment remains a serious concern. The Government can do more without simply opting for further cosmetic spending. You may therefore wish to arrange an early autumn discussion on priorities and next steps.

*Norman Blackwell*

NORMAN BLACKWELL

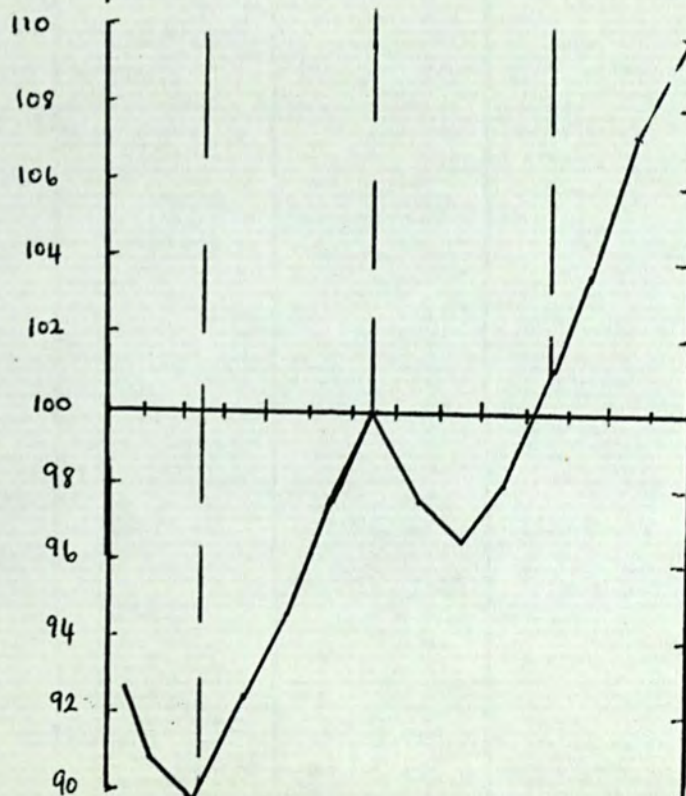


- (1) CURRENT UNEMPLOYMENT REFLECTS BOTH A FALL IN EMPLOYMENT AND A RISE IN THE WORKING POPULATION ...



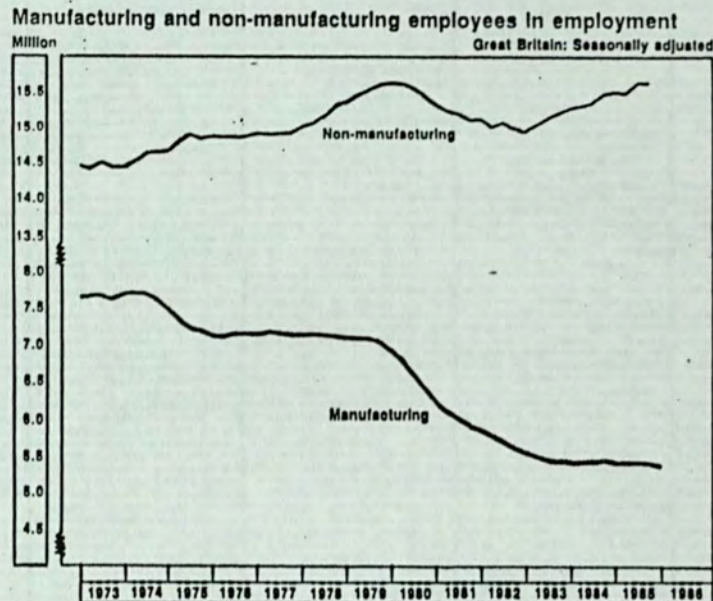
EMPLOYMENT  
AND  
UNEMPLOYMENT

GDP  
GROWTH  
(1979 = 100)





## (2) MANUFACTURING EMPLOYMENT HAS FALLEN BY 2 MILLION SINCE 1979

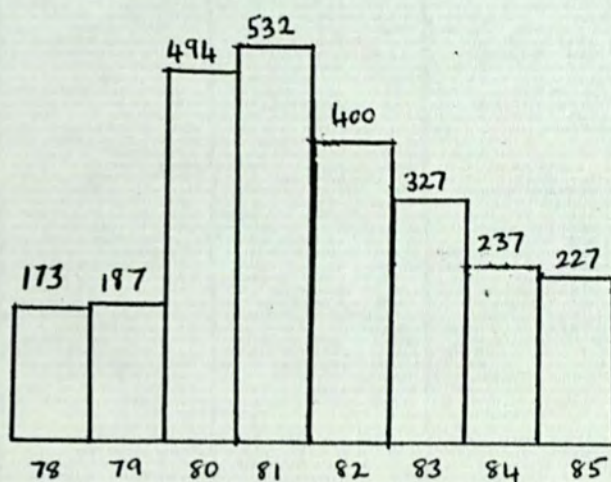


## (3) PUBLIC SECTOR MANPOWER HAS REDUCED ...

| PUB. SECTOR<br>EMPLOYMENT<br>EXCLUDING NIs | CHANGE<br>1979-85<br>(000) | EMPLOYMENT<br>BY MAJOR<br>NIs | CHANGE<br>1979-85<br>(000) |
|--------------------------------------------|----------------------------|-------------------------------|----------------------------|
| Civil Service                              | -113                       | B.Steel                       | -120                       |
| Local Authorities                          | -32                        | BL                            | -100                       |
| NHS                                        | +72                        | B.Rail                        | -97                        |
| Other                                      | -34                        | NCB                           | -75                        |
| <b>TOTAL</b>                               | <b>-107</b>                | B.Shipbuilders                | -36                        |
|                                            |                            | CEGB                          | -26                        |
|                                            |                            | B.Airways                     | -19                        |
|                                            |                            | R.Royce                       | -15                        |
|                                            |                            | B.Gas                         | -6                         |
|                                            |                            | Post Office                   | +4                         |
|                                            |                            | <b>TOTAL</b>                  | <b>-490</b>                |

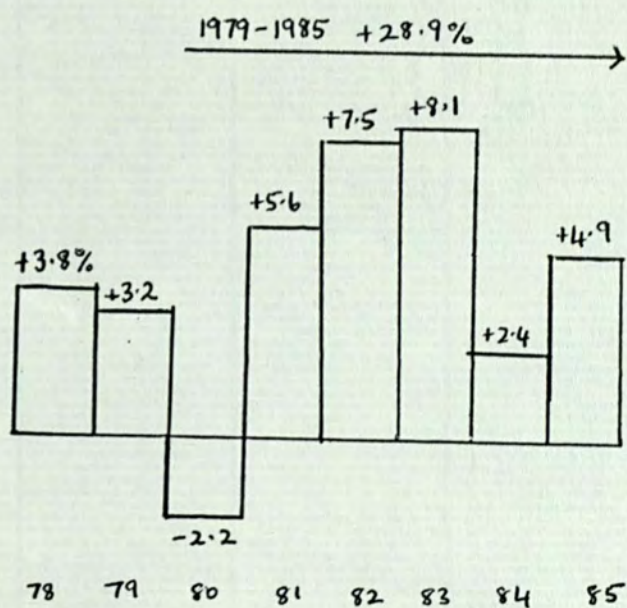
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(4) REDUNDANCIES ROSE TO OVER  $\frac{1}{2}$  MILLION A YEAR ...NOTIFIED REDUNDANCIES - GREAT BRITAIN  
(000)

## (5) BUT PRODUCTIVITY HAS GROWN RAPIDLY ...

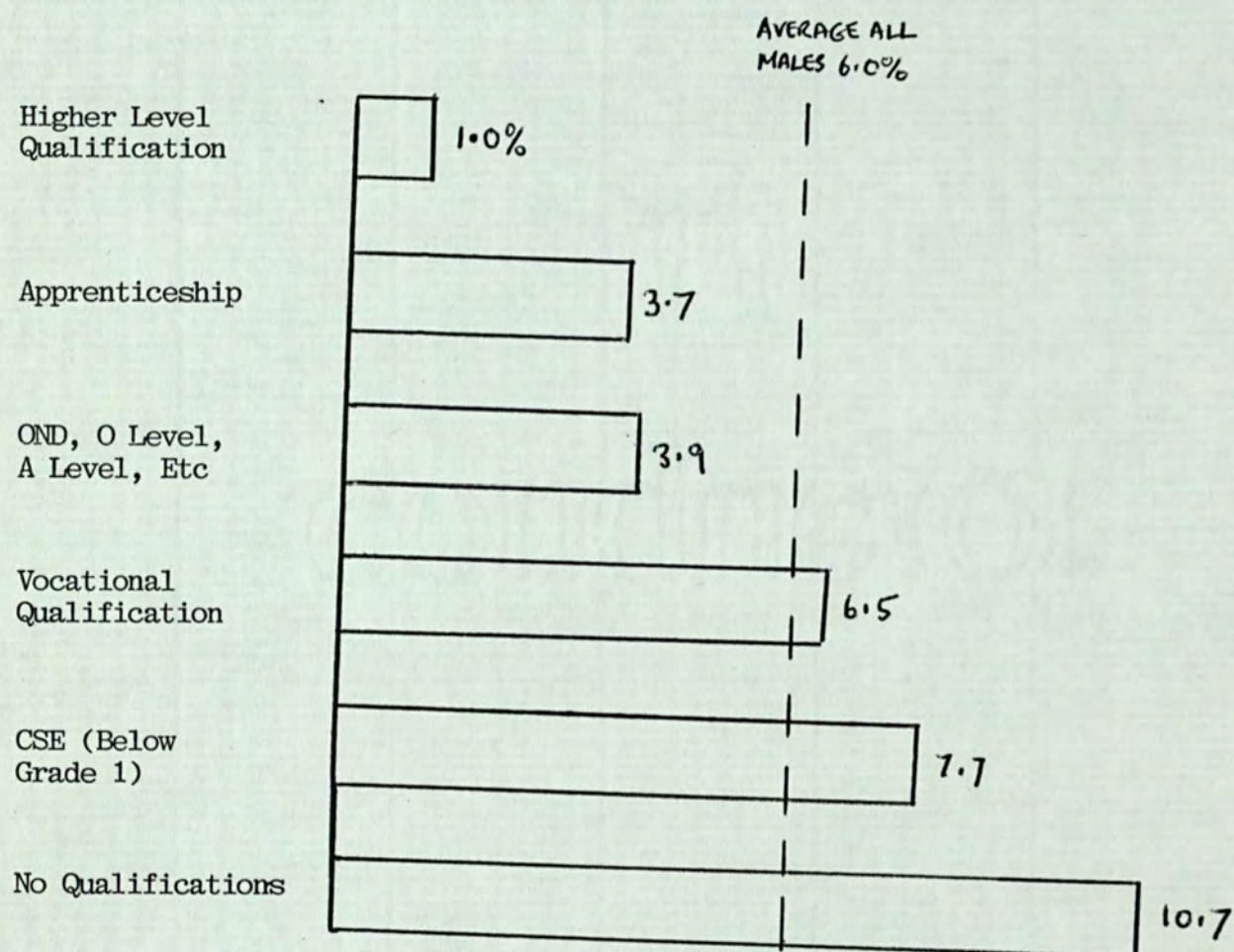
% CHANGE IN OUTPUT/EMPLOYEE - PRODUCTION INDUSTRIES





UNQUALIFIED MALES ARE PARTICULARLY LIKELY TO BECOME LONG TERM UNEMPLOYED ...

PERCENTAGE OF MALES WHO HAVE BEEN UNEMPLOYED FOR OVER 1 YEAR -  
BY QUALIFICATION LEVEL



Source: 1985 Labour Force Survey



PRIME MINISTER

25 July 1986

4  
DWS  
25/7  
REAL TRAINING, REAL SKILLS, REAL JOBS - VISIT TO THE  
CONSTRUCTION INDUSTRY TRAINING BOARD

This week, I joined Bryan Nicholson, Head of the Manpower Services Commission, for a visit to the Construction Industry Training Board's (CITB) principal training centre, Bircham Newton, Kings Lynn.

The UK construction industry is diverse, geographically mobile and embraces a wide spectrum of companies from major international concerns to small local businesses. Yet apart from differences of scale, the technology and the necessary skills are largely common. It therefore makes a lot of sense for the construction industry to club together - through a levy system - and undertake training on an industry-wide basis. Since 1966, the vehicle for this has been the CITB which operates training centres at Bircham Newton, Erith, Birmingham and Glasgow.

Faced with the Government's aspiration to launch YTS in the early 1980s, the construction industry and the CITB were ready to be positive, but insisted that real training should provide real skills for real jobs. Fortunately, this sound principle was agreed. Now, about 80% of the CITB's training capacity is dedicated to one year (soon to be two year) YTS courses which provide the construction industry with most of its intake of young recruits.



The results are impressive. This year, nearly 16,000 17/18 year olds will complete the CITB's 1 year YTS courses, thereby demonstrating that they have the aptitude, the inclination and the basic skills to take up real jobs in the construction industry. Over 90% of these young people will move straight into real jobs and later to more advanced stages of training.

Meeting typical YTS trainees at Bircham Newton, one is struck by their motivation and quality; likewise, the training staff who are generally sound practical people with a deep grounding of work experience in the construction industry. Since its foundation about 20 years ago, the CITB has placed increasing emphasis on understanding its market - the training needs of individual UK construction companies. Some 250 CITB staff are continuously in the field, identifying and linking the training requirements of individual companies to the resources deployed by the industry on their behalf.

This close attention to the evolving training needs of the industry leads to innovation. For example, the industry is moving away from the attainment of skill qualifications through time serving to standardised objective tests of aptitude and skill. This is raising standards whilst providing a stimulus to the individual trainee who feels the benefits of greater application through his pay packet.

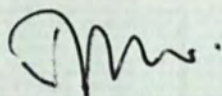
The CITB is also moving, as it were, up market to meet the long neglected training needs of construction industry



management at all levels. Impressive use is being made of modular training packages tailored to individual requirements.

### Conclusion

Vocational training for the construction industry is going well on the sound basis of real training to provide real skills for real jobs. The construction industry is making a notable contribution to the YTS scheme. Nearly all those who successfully complete the CITB's YTS courses are going straight into real jobs in the construction industry.



JOHN WYBREW



file DSG  
aby

SUBJECT cc MASTER



10 DOWNING STREET

25 July 1986

From the Private Secretary

Dear John,

MEETING WITH MR. RALPH HOWELL M.P.

The Prime Minister this morning met Mr. Ralph Howell.

Most of the discussion was along lines with which you will already be familiar. Mr. Howell stressed the value he thought there would be in a scheme which required people claiming benefit to be available to do work as directed by Unemployment Benefit Offices. He also regretted the separation of Job Centres from Unemployment Benefit Offices. The Prime Minister answered along the lines of your brief.

Mr. Howell noted that the National Farmers Union were proposing that three million trees should be planted. This could be useful work for unemployed people to do. (The Prime Minister agreed that this could be tied into eg the Community Programme; the people concerned would need to be carefully supervised.) He also drew attention to the way in which some people could be employed for a few days a week and yet still claim unemployment benefit for the remainder.

I am copying this letter to Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

Yours,

David

David Norgrove

John Turner, Esq.,  
Department of Employment.

SA



cc D/CP

PRIME MINISTER

24 July 1986

RALPH HOWELL: WORKFARE

Workfare can fulfil two very different purposes:

- In the prosperous South East, Workfare could be used to call the bluff of the unemployed. The availability for work test has been allowed to wither away as benefits staff have been overstretched. Restart is trying to give it some meaning again without the burden on the Government of acting as employer of last resort.
- In the North, Workfare could be an extensive public sector make-work scheme. That is what MSC programmes provide at the moment, rather expensively. To get real gains, we would need to go beyond them and do what the MSC has never dared - break the trade union rate for the job, which many companies accept. We may also find that the scheme covers more people than Ralph Howell expects; and we then have the problem of getting them off the scheme again.

Ralph Howell wants to help us. Moreover, his ideas are in tune with the instincts of many people. We recommend that you suggest he does three things:

- i. Publicise good, vivid examples showing how difficult it is to recruit workers in areas like East Anglia with roughly average unemployment. This would get across the message that the unemployment rate is not what it seems.  
*eg Royal Ordnance at Enfield*

- ii. Design a pilot Workfare scheme for his constituency. But you might warn him of the legal pitfalls. Currently, there is no clear legal definition of  
*Surely if you want to do this you should talk to Lord Young rather than Mr Howell.*



availability for work. If an unemployed architect refuses a job on a Government scheme counting lamp-posts, he may be able to argue to the independent adjudication offices that he is genuinely available for work, and that the Government's offer was unreasonable.

- iii. If he finds these legal problems cannot be surmounted, Ralph Howell could campaign publicly for a change in the law so that the test of availability for work is one that it is easier to fail.

*David Willetts*  
DAVID WILLETTS

*Norman Blackwell*  
NORMAN BLACKWELL





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David Norgrove  
10 Downing Street  
London SW1A 2AA

// B/f ~~transmission~~ please

23 July 1986

Dear David,

As requested in your letter of 11 July, I am enclosing a brief for the Prime Minister's meeting with Ralph Howell MP on 25 July.

Yours sincerely  
C Slocock

Caroline Slocock  
Private Secretary



BRIEF FOR PRIME MINISTER'S MEETING WITH RALPH HOWELL, MP  
WORKFARE/RESTART

1. Workfare (as practised in the USA) has two aims:

- (i) to put the unemployed to work
- (ii) to weed out those who are not genuinely unemployed.

2. (i) Putting the unemployed to work on a comprehensive basis would be a very costly and open-ended commitment ("the state as employer of last resort"). It could create "workfare dependency" among the hardest to employ and draw unemployed people into a permanent state scheme when they would otherwise have stood a good chance of finding normal employment.

3. (ii) Weeding out those who are not genuinely unemployed can be achieved more effectively and cheaply by measures such as Restart.

4. Restart is compulsory and comprehensive. Unlike Workfare in the USA (which on average covers fewer than 10% of welfare recipients), Restart will cover all the 12 month plus unemployed (some 1.5m) by next March. All of them will be required to attend an interview at which they can be offered jobs or retraining and have their availability for work tested. They are liable to lose their benefit

- (a) if they fail to attend the interview
- (b) if they are found not to be available for work
- (c) if they refuse the offer of a job or training.



5. Results of Restart Pilots:

- MSC had contacted 34,075 people by 11 July (week 27).  
7,305 of these (21.4%) subsequently left unemployment count.  
Estimate that about half of these (ie about 10% of those contacted) left because of Restart.
- Estimate that if Restart had been running nationally since January, an extra 85,000 long term unemployed would have left count by now.
- Between December 1985 and May 1986, number of long term unemployed as proportion of total unemployed fell in pilot areas (by 0.8% points), while it rose slightly in GB as a whole (by 0.1% points).

6. First results of national Restart:

- too early to give overall picture but success in detecting people not genuinely unemployed in the South East is already striking eg the following benefit referrals for failure to attend interview after only 5-6 weeks:

|                   |               |     |
|-------------------|---------------|-----|
| Stockwell         | 343 referrals | 24% |
| Balham            | 242 "         | 23% |
| Deptford          | 351 "         | 18% |
| Hammersmith/Hayes | 152 "         | 12% |



inadequate, we will have to introduce fresh law. In many cases, the present law is adequate. The problem is how to deal with people who accept all the advantages and benefits of a free society but refuse to rise to their responsibilities. We shall have to look afresh at this whole question.

**Mr. Canavan** asked the Prime Minister if she will list her official engagements for Thursday 5 June.

**The Prime Minister:** I refer the hon. Gentleman to the reply that I gave some moments ago.

**Mr. Canavan:** When the Prime Minister got carried away yesterday with her own empty rhetoric about her vision of a little bit of heaven on earth for everybody, did she forget that we have over 4 million people unemployed, that over 7 million people are living at the official poverty level, that over 1.5 million people are waiting for houses, and that over 750,000 people are waiting to go into hospital? Will the Prime Minister return to the real world and realise that instead of a heaven on earth in Britain today, the reality of Thatcherism means a living hell?

**The Prime Minister:** The phrase "heaven on earth" came from Mrs. Eleanor Bonner when she was contrasting life in a free society, which is heaven on earth, with life in the socialist society of Soviet Russia from which she came. She found that heaven on earth was being able to own one's own home and get operations in the West which she could not get in the Soviet Union.

**Mr. Ralph Howell:** Bearing in mind the widespread reports that my right hon. Friend was highly impressed by the recent "Panorama" programme about workfare schemes in the United States, will she now set up a pilot workfare scheme with a view to a nation-wide workfare scheme for all able-bodied and long-term unemployed? Does she realise that such a scheme would make life difficult for hippy convoys, would make it difficult for those foreign visitors who can claim £78 a week as soon as they report into a hotel in Britain, and would generally stop abuse of the welfare system?

**The Prime Minister:** I know how keen my hon. Friend is on that. We are looking into the way in which workfare operates in the United States. We are finding that some of the things that we have, such as the community programme and jobstart, would rank as workfare schemes in the United States. As my hon. Friend knows, some of those schemes are being extended. I am only too delighted to do anything I can to make life difficult for such things as hippy convoys.

**Mr. Kinnoch:** On reflection, does not the Prime Minister think that she was wrong to use the words of a very courageous woman, Mrs. Bonner, for the partisan purposes for which she sought to use them yesterday? Does she recall saying that her policy starts with the family, its freedom and well-being? Is there not a huge inconsistency between those words and her deeds over seven years of government which have inflicted unemployment on an extra 2 million people, poverty on an extra 4 million people and bad housing and inadequate education on millions more? What about their freedom and their well-being, or does she not think that they belong to families?

**The Prime Minister:** Mrs. Bonner used those words in contrasting the benefits of a free society with the

benefits of a socialist society of the kind in which Mr. Bonner lives. Housing is much better under the Government than it was under Labour; so are the health services; so is the standard of living. That is the right hon. Gentleman's problem. We are doing far better than his Government did.

**Mr. Kinnoch:** The Prime Minister compounds her dishonesty and only demonstrates—[*Interruption.*]

**Mr. Speaker:** Order. Will the right hon. Gentleman please rephrase that question?

**Mr. Kinnoch:** The right hon. Lady compounds the distorted use of words when she gives the impression that there are only two alternatives in this world—the Soviet society and her society—although she knows perfectly well that there are decent democratic alternatives to both kinds of society. If the Prime Minister really believes that housing is better under the Conservatives, how does she explain the worst record for housing starts in this country at any time since before the second world war?

**The Prime Minister:** On housing, 1.3 million new homes have been built in Great Britain since 1979. 900,000 public sector council houses and flats have been sold to their tenants; home ownership is up to 62 per cent. and 55 per cent. of blue collar workers own their homes compared with 40 per cent. in 1979 under the Labour Government.

**Sir Peter Emery:** Does my right hon. Friend realise that the answer that she gave earlier to my hon. Friend the Member for Wells (Mr. Heathcoat-Amory) is not as satisfactory as some of us would like? Will she give positive assurance to the farming community that the Government will ensure that by this time next year there is legislation to make certain that innocent people cannot have their lives ruined, that the farming community cannot lose out, and that in fact positive steps will be taken to ensure that vagrant hippies cannot invade in the way that they have invaded during the past few months?

**The Prime Minister:** I make it perfectly clear to my hon. Friend that if fresh legislation on criminal trespass is needed to deter hippies, it will be introduced.

**Q4. Mr. Straw** asked the Prime Minister if she will list her official engagements for Thursday 5 June.

**The Prime Minister:** I refer the hon. Gentleman to the reply that I gave some moments ago.

**Mr. Straw:** When the Prime Minister said yesterday that it was no coincidence that the countries with lower taxes produce more jobs and have lower unemployment was she deluding herself or just the gullible ladies of the Conservative women's conference? Is she not aware that Turkey has the lowest tax take of any OECD country but unemployment as high as ours, and that of 10 countries with higher tax takes than ours, nine have lower levels of unemployment? Is not the real lesson from these international figures that sensible public spending produces jobs while her policies destroy jobs?

**The Prime Minister:** The hon. Gentleman is speaking nonsense. As he knows full well, there are far more jobs and there is far less unemployment in the United States where personal taxation is a great deal lower and where a Bill that is now before the equivalent of this Chamber in the United States is proposing to make the top tax limit in





10 DOWNING STREET

*From the Private Secretary*

21 July 1986

Thank you for your letter to the Prime Minister of 16 July. Mrs. Thatcher certainly shares your concern about the growth in unit labour costs in this country, and I am sure she will be interested to see your letter.

David Norgrove

Peter Mellor, Esq.

SP



PRIME MINISTER 1

LABOUR COSTS mb

The letter below suggests an advertising campaign to bring home to people the scale of our problem on labour costs. My first instinct was to dismiss this. It risks being seen as a return to the days of counter inflationary policy and a step on the road towards incomes policies, SDP-type inflation taxes, and so on.

On the other hand, pay is now the key problem of the British economy. Lord Young is about to spend £10 million on an advertising campaign about the community programme, YTS, etc. - in other words, what the Government is doing to treat the symptoms. The Government has no weapons to attack the cause other than exhortation and education. Money spent on showing people just how much faster our costs are rising than other people's might have some effect. The advertising could even carry the logo "Action for Jobs".

There are risks, and much would depend on the quality of the campaign. The rules against political advertising would also need to be taken into account, though that may well not be a problem. But with all these caveats, do you think it would be worth inviting Lord Young, with the Treasury, at least to consider this, and report back?

No

DRV

DAVID NORGROVE

21 July 1986

SLHAMF

CONFIDENTIAL

Article in newspapers

I really don't think we can possibly do that kind of TV advertising. Indeed it isn't advertising at all &amp; I am sure it would fall foul of the rules not



# Beutel, Goodman International plc

The Rt.Hon.Mrs. M. Thatcher,  
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16th July, 1986

R18

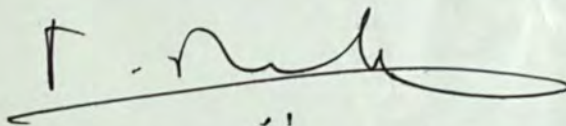
Dear Mrs. Thatcher,

I am quite sure that none of the enclosed comes as any great surprise to you but as Investment Managers these are the kind of charts that influence our decisions.

A cursory glance shows that UK unit labour costs are rising much faster than her competitors which means, in the end, that we can only compete in export markets at a lower exchange rate. The net result of this, to an investor in say UK Government Gilts, is a lower rate of return than that which he would receive elsewhere. Consequently Gilts are sold in relation to other investments available in world markets and interest rates then rise. This raises company costs, mortgage rates and slows the economy.

The results are all too plain to see and are potentially very damaging. Given the seriousness of the situation, I continue to be surprised that the Government's efforts in getting this message over to all of the people is confined to comments in political speeches. A major public relation's effort, using similar charts, on TV and in the papers should be initiated to ram home the message that zero pay rises for two years might allow us to retain some of the benefits achieved over the past five years. As an Englishman living in this country I feel quite strongly about that.

Yours sincerely,



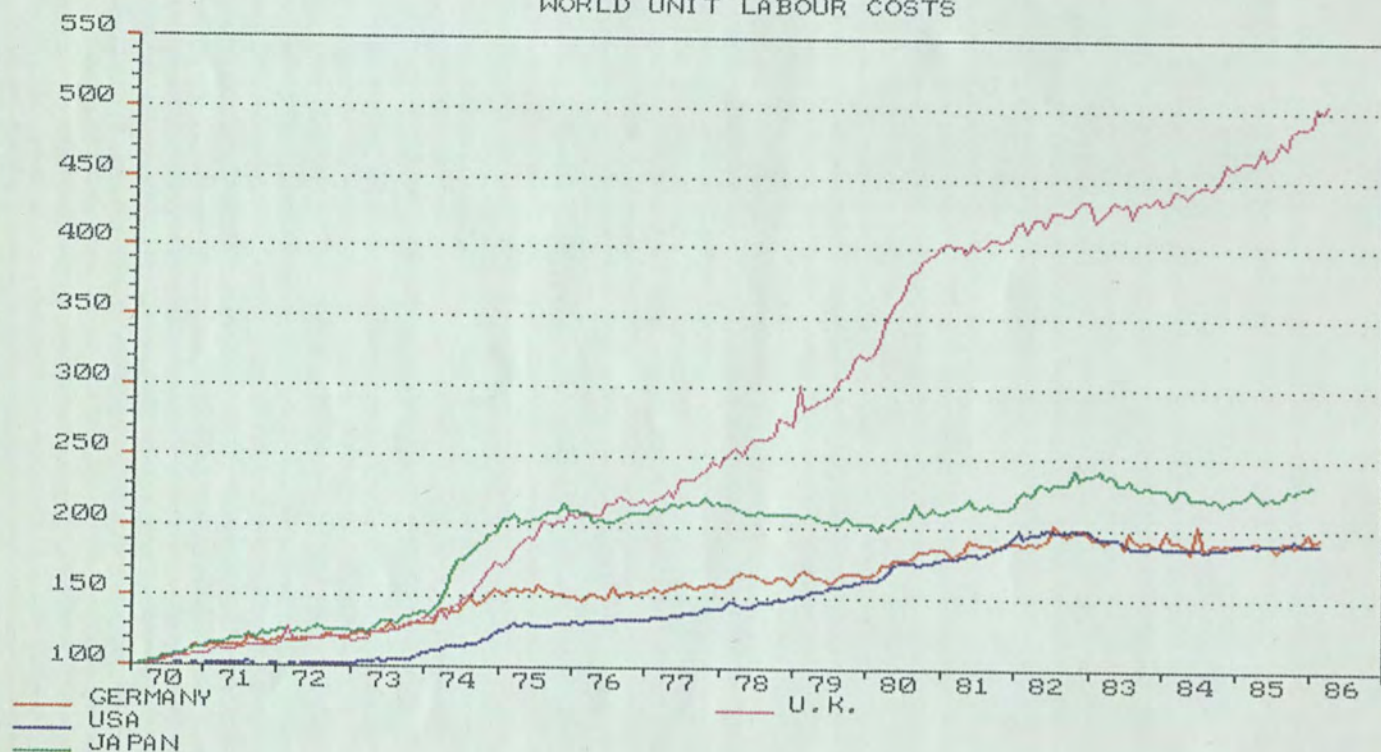
P. Mellor

Members of the National  
Association of Security Dealers  
and Investment Managers

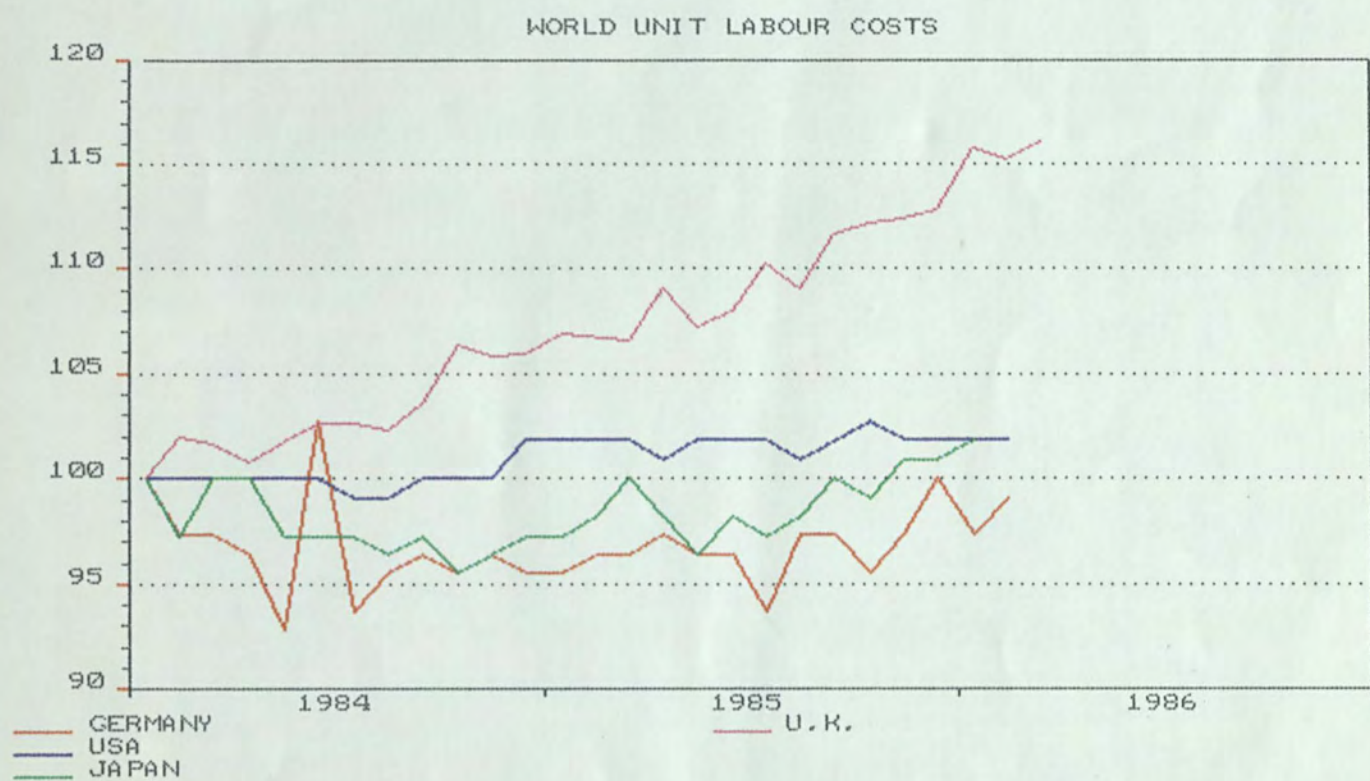
Directors  
Peter Mellor  
Olaf Rogge (GERMANY)  
Richard J Andrews CFA (USA)  
Austin C Beutel CFA (CANADA)  
Robert F McFarland CFA (USA)



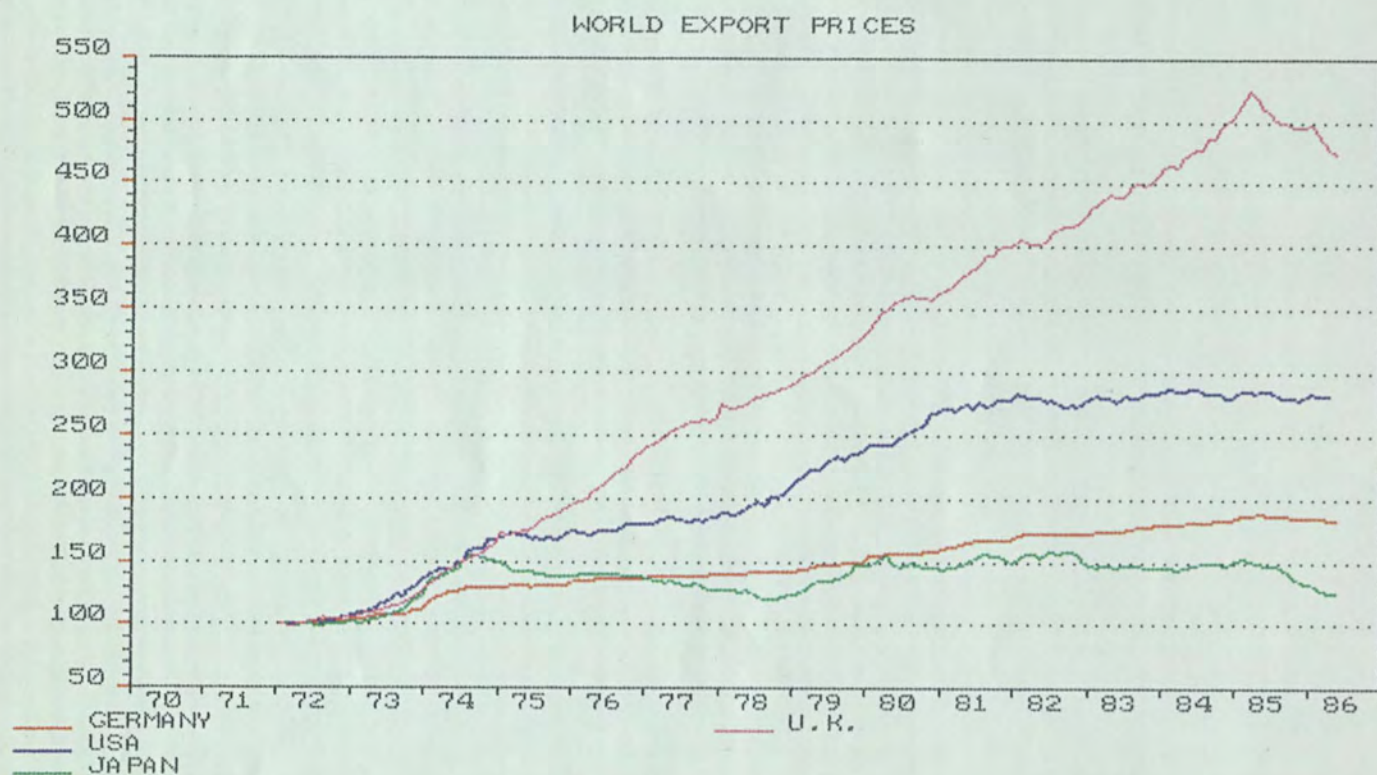
WORLD UNIT LABOUR COSTS



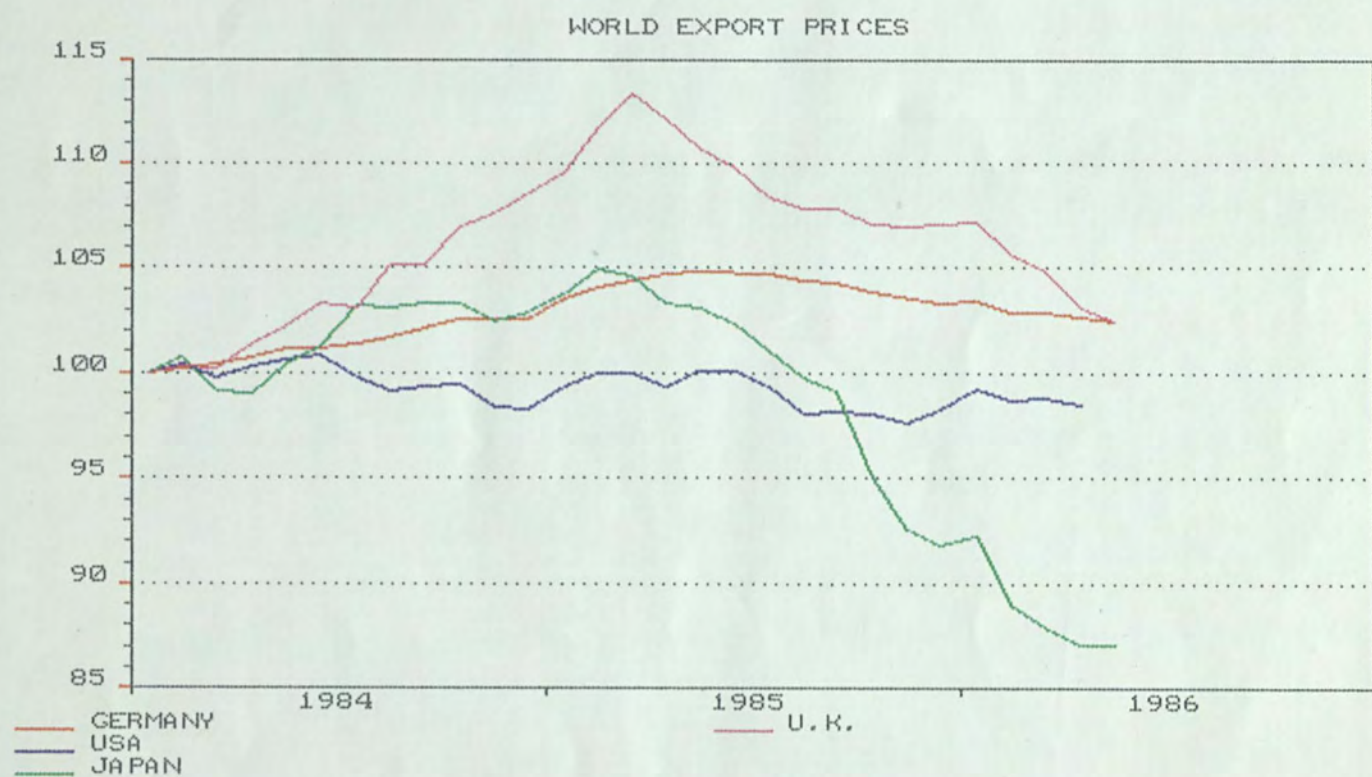














Manpower Spectral  
Enpl. measures







10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

11 July 1986

The Prime Minister is to see Mr. Ralph Howell, MP, on Friday 25 July to discuss Workfare. I should be grateful for a brief please to reach here by Wednesday 23 July. It would be helpful if this could cover in particular the ways in which UK policies coincide with or exceed in strictness the US versions of Workfare. /BP

I shall of course let you know if we learn in any more detail of what he wants to discuss.

(David Norgrove)

John Turner, Esq.,  
Department of Employment.

dg





10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

7 July 1986

**ACTION FOR JOBS - TELEVISION ADVERTISING**

The Prime Minister has discussed with Lord Young the proposal for a TV advertising campaign described in his minute of 30 June, and agrees that this should be very worthwhile.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (HM Treasury), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office) and Jill Rutter (Chief Secretary's Office).

(David Norgrove)

John Turner, Esq.,  
Department of Employment.

2/10



CCBS  
CCB9

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham  
Secretary of State for Employment  
Department of Employment  
Caxton House  
Tothill Street  
LONDON SW1H 9NA

4 July 1986

*Dear Secretary of State,*

*with DN?*

**ACTION FOR JOBS : TELEVISION ADVERTISING**

Thank you for sending the Chancellor a copy of your minute of 30 June to the Prime Minister.

I am pleased that the Action for Jobs campaign appears to have been a success; and I note that you judge that expenditure of around £10m on an extension would be valuable.

You will understand that even at this early stage in the year it is clear that the public expenditure position is extremely tight; there can be little scope for any flexibility. But exceptionally I am prepared to agree to your proposal, on the following basis.

I would ask you to consider very carefully whether the total amounts you propose represent good value for money, especially the sums to be spent in August.

I agreed that £5m could be used for GCSE on the basis that you would not make claims on the Reserve this year for items for which the £5m would have represented a significant offset. Equally, it will be for you to take any steps necessary this year to contain within your provision any calls due to increased take-up of schemes you publicise in this campaign, and any other excesses that prove unavoidable. I must ask you in addition to surrender any underspends this year in order to help with the difficult situation we face.

You also agreed in the PES context to take any steps necessary to ensure that expenditure in the PES years is contained within your existing baseline. This agreement must cover any increased take up of schemes in the PES years.



I gather that our officials have reached an agreement on the handling of this expenditure in Votes.

I am copying this letter to the Prime Minister, the Lord President, and the Chancellor of the Duchy of Lancaster.

Yours sincerely,

Jim Ruth

PP JOHN MacGREGOR

(Draft approved by the Chief Secretary and signed in his absence).





PRIME MINISTER

## ACTION FOR JOBS - TELEVISION ADVERTISING

The first part of our Action for Jobs campaign draws to a conclusion at the beginning of July. Over 1 million booklets have been distributed to the public through Post Offices, Jobcentres and other outlets. Our researches show that 85% of those who have seen the booklet are impressed with its style and layout and find it easy to understand. The same research shows that about 30% of the public are aware of the campaign without prompting.

These are encouraging results for a campaign which has so far been based only on newspaper and radio advertising. I believe, however, that we now need to step up the pace of the campaign and tell a wider audience of the help that is available on our various employment, enterprise and training schemes.

I am, therefore, setting up a programme of television advertising. This will begin towards the end of July with advertising to establish the overall Action for Jobs campaign and its symbol of the opening door, and to emphasise the range of employment and training measures on offer. This will be followed towards the end of August by television advertising of the Restart Programme, which would aim to show some of the specific opportunities which are available to those who take up the offer of a counselling interview at the Jobcentre.

I have in mind to follow this up through the autumn with further bursts of television advertising both of the campaign itself and of specific measures. The MSC already have planned





for the autumn some more YTS advertising which will be brought under the Action for Jobs umbrella. But in addition I think we need to raise the profile of other programmes, like the Community Programme, the considerable achievements of which are little known to the general public.

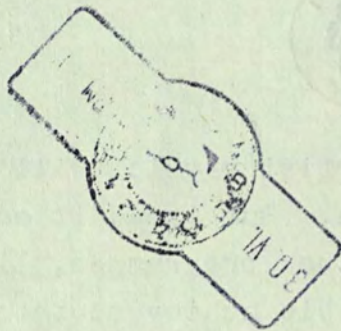
I will finance this programme of advertising from within existing resources. The advertising of the overall Action for Jobs campaign will cost in the region of £5 million which I will find from within existing provision for employment measures, principally the New Workers Scheme, on which we expect some degree of underspend this year. The Restart advertising, the cost of which would be about £3-4 million would come from MSC's existing funds for that Programme. Subsequent advertising of specific programmes would be found from within the relevant programme expenditure.

I believe this scale of advertising is necessary to help people find their way onto the various employment and training schemes and to emphasise the scale of what the Government is doing. I will, of course, keep you informed about progress.

I am copying this minute to the Lord President, the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster.

30<sup>th</sup> D Y  
June 1986





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CC 156



PRIME MINISTER

*To see before your bilateral with Lord Young tomorrow.*

## WORKFARE: THE RESTART PROGRAMME

*AKS**30/6,*

Your private secretary's minute of 2 June on this subject records that at your meeting that day you "stressed the urgency of getting effective arrangements in place and following up the information provided by the Restart pilot schemes. A full report on the action taken and the results should be provided by Wednesday 2 July."

I am glad to say that Norman Fowler and I have reached agreement on the arrangements necessary to make Restart effective (as you will have seen from his minute to you of 19 June and my minute to him of 20 June). As a result adjudication on all benefit referrals from the Restart programme will be concentrated in the Unemployment Benefit Service. I am sure this will greatly enhance the impact of the programme and I am very grateful to Norman Fowler for his co-operation. Our officials are also discussing the steps necessary to secure the early transfer of the work of the Unemployment Review Officers from DHSS to my Department.

The national extension of the Restart programme began on 6 May, when the first Restart Teams outside the pilot areas began to call long term unemployed people in for interview. By 27 June, all but a handful of the Restart Teams were operational and more than 60% had started interviewing. All the Restart Teams will be fully operational by the end of the first week of July.

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This has involved recruiting and training from scratch some 1,800 staff in little more than two months. I have been very impressed by the skill and commitment of the MSC in gearing themselves up for this programme.

I am confident that, with the advantage of the early start we have made in many areas, we shall have no difficulty in meeting the target of covering all the current stock of 1.3m long term unemployed by March next year together with those who flow into this category by then.

Norman Fowler and I will be putting our proposals to colleagues about the more fundamental changes in departmental responsibilities for payments to the unemployed which were also mentioned at your meeting on 2 June.

I am sending copies of this minute to the Chancellor of the Exchequer, the Chief Secretary, the Secretary of State for Social Services, the Chancellor of the Duchy of Lancaster and Peter Morrison.

D Y  
30<sup>th</sup> June 1986

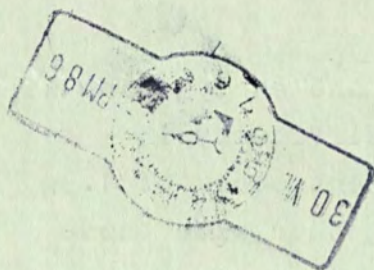
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MANPOWER

SKM'S

PT 14







allp

CDP  
18/6

FCS/86/163

PAYMASTER GENERAL

European Community: United Kingdom Initiative  
on Creating Conditions for Employment Growth

1. Thank you for your letter of 2 June about the employment growth initiative, which I am delighted to see making good progress. I agree that the Community needs to turn away from peripheral issues such as the directive on parental leave, and that our initiative can make a major contribution to shifting discussion onto creating the conditions for employment growth. This must be a priority for the UK and the rest of the Community, through and beyond our Presidency.
2. Both at the recent informal meeting with my EC colleagues on 7/8 June and at my meeting with the Dutch Prime Minister, Mr Lubbers, on 6 June, I emphasised the importance that we attach to this initiative and the real need for the Community to be seen to be taking practical steps to tackle unemployment.
3. As you know, following these meetings and your own meeting with them, the Dutch are intending to concentrate the economic discussion at the European Council on 16/17 June on lifting the burdens on businesses and on the labour market. The Dutch specifically agreed at the Foreign Affairs Council this week that your paper would be on the table for discussion. We are aiming to secure language in the European Council conclusions mandating the Commission and Council to come up with a labour market strategy based on our ideas.





4. I agree that the phrase "labour market flexibility", like "deregulation", produces some unease in the Community, mainly because the terms are given a rather narrow interpretation. I think we have both found that the terms "employment growth into the 1990s" and "reducing the burdens on business" make the same ideas more readily acceptable.

5. I am copying this minute to the Prime Minister, other members of OD(E), Nicholas Edwards, Norman Fowler, Tom King, Kenneth Baker, Malcolm Rifkind, Sir Robert Armstrong and Sir David Hannay.

A handwritten signature in dark ink, appearing to be 'G. Howe'.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

18 June 1986



MANPOWER: Special Employment: Pt 14.







Caxton House Tothill Street London SW1 9NF

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

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The Rt Hon Norman Fowler MP  
 Secretary of State  
 Health and Social Security  
 Alexander Fleming House  
 Elephant and Castle  
 London SE1

*Prime Minister 2*  
*Lord Yang and*  
*N Fowler continue to*  
*squabble. A report is due to*  
*reach you by 16 June 1986*  
*2 July.*

*DLW*

*16/6*

*mt*

*at 11:00*

Thank you for your letter of 10 June.

You are quite right to point out that at the meeting on 2 June I should have quoted 1300 rather than 1700 as the total number of cases referred to your Department under the Restart pilots as a result of unemployed people failing to turn up for their compulsory Jobcentre interviews. I misread the figure and they were not all "lost". But my concern about the handling of such cases remains.

As you know, the compulsory Jobcentre interview is a key element of the Restart programme. Failure to attend carries the penalty of benefit loss and it is imperative that this sanction is known to work. It is vital that the long term unemployed appreciate the importance we attach to the Restart interview and they must be in no doubt that they are required to attend as part of the condition for the receipt of benefit. If the sanction for ignoring the summons to a Jobcentre interview is not swift and effective - and seen to be so - then the credibility of the programme will be undermined.

As I understand it, of the 1300 "failure to attend" cases referred to your Department by the end of May, there are nearly 900 cases where the outcome of the referral is not known. At the latest count (6 June) there were a total of 1510 referrals but only 471 cases where the outcome is known to us. You rightly point out that the pilots revealed weaknesses in the procedures for benefit referral in both our Departments and that steps have been taken to try to correct them. But I suspect that any procedure which involves passing papers between three separate organisations - the Manpower Services Commission, your Department and finally the Unemployment Benefit Service - is likely to give rise to some delays and uncertainty.

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The Unemployment Benefit Service in my Department is already responsible for deciding all other benefit referrals from Restart (notably cases of people who are suspected at the Jobcentre interview of not being "available for work"). The suggestion I have put to you is that responsibility for deciding "failure to attend" cases should also be located in the Unemployment Benefit Service. I believe that this concentration of responsibility for specific benefit sanctions arising from Restart in one organisation is the only way to ensure that decisions are taken swiftly and consistently in all cases. I am not asking for any extra resources from you to do this work, other than those allocated under Restart, or for any staff to be transferred from your Department to mine.

I very much hope you can agree to this change, on which I have already written to you, so that new arrangements can be in place as soon as possible after the nationwide launch of Restart next month. We also need to discuss the transfer of the Unemployment Review function which similarly could enhance the work of Restart if located in my benefit offices. I know you are seized of this point; our Private Offices are arranging a meeting.

I am sending copies of this letter to the Prime Minister, Nigel Lawson, Norman Tebbit, John MacGregor, Kenneth Clarke and Peter Morrison.

*See l.*  
*See 10*

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MANPOWER SEMS PT14.





010  
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cc BG no! 1  
rare!  
any PV comments?

Prime Minister 4

Prime Minister

The summary below suits  
some interesting points, marked in the

paper.

DLG

Incentives in UK, France and Germany

13/6

You asked at the meeting on Workfare on 2 June for a note on benefits in other countries. I attach a paper which compares the financial incentive to take a job faced by the unemployed in the UK, France and Germany.

Such comparisons are difficult because of the very complicated benefit and tax system in each country. But I believe we have captured the essential differences between the three countries.

Inevitably, the picture is not clear cut. For single people, the financial incentive to find work appears to be higher in the UK. For the lower paid, and particularly for married men who have been unemployed more than a year, the financial incentive to take a job is lower in the UK than in France and Germany. This partly reflects the different benefit systems, which are earnings related in France and Germany, and partly the lower level of taxation. Another essential difference is that their systems of unemployment benefit are more clearly separate from the general social security system. But a common factor is that the incentive gap, at whatever level remains constant in the UK but widens with time in both France and Germany.

This work could be extended and has not covered young people. I believe that a note on benefits paid to young people will be produced by DHSS.

But these comparisons do nothing to allay my concern over the incentive to find work, particularly for the lower paid.

ref



## INCENTIVES IN THE UK, FRANCE AND GERMANY

1 This paper compares the financial incentive of unemployed people to take a job under the existing tax and social security systems of the UK, France and Germany.

2 The financial incentive to take a job is usually measured by the gap between net income in work and net income when unemployed (called the "replacement rate"). The size of this gap will depend principally on tax and social security contributions, housing benefits and child benefits, and social security payments made to the unemployed. These typically vary with family characteristics and level of income in work.

3 The tax and social security system in the three countries differ in many ways and the effects of these systems on individuals with particular characteristics vary too. Our approach has been to compare financial incentives for three family types - single, married and married with two children - at varying income levels. This is inevitably a selective approach but these three family types cover 75 per cent of the unemployed in Great Britain.

4 The graphs which are attached show the different replacement rates which people face as they move through a period of unemployment in the three countries. Replacement rates change over time as the benefits which the unemployed receive vary with the length of time they have been unemployed. Replacement rates are compared for the three family types - single, married and married with two children - on both average earnings and two thirds average earnings. In the graphs, replacement rates are defined as the proportion of net income support when in work (made up of gross earnings, child benefit and housing benefit less payments of tax and national insurance and payments for rent, rates and travel to work) received when out of work.



## UK AND FRANCE

5 The most obvious differences between the UK and France are:

- benefits received by the unemployed in the UK do not vary over the period of unemployment as supplementary benefit sets a floor to benefit payments. In France, benefits fall as the period of unemployment lengthens, typically falling by 35 - 40 per cent.
- replacement rates are higher for single people in France, that is to say the incentive to take a job is lower since they receive a higher proportion of their income support when unemployed than in the UK.
- replacement rates are higher for the first twelve months of unemployment for married couples in France but are then slightly lower than in the UK.
- replacement rates are higher for the first twelve months of unemployment for married couples with two children in France but are then lower than in the UK.

6 Income support is lower in France in particular cases than these examples show. Unemployment benefits are exhausted after a period, which may vary between two and a half years and six years. Then only some people are eligible for means tested benefits in limited circumstances such as families where there are more than two children.

16 - 18 year olds without qualifications are not normally eligible for benefit.

## UK AND GERMANY

7 The most obvious difference between the UK and Germany are:

- incentives to take a job are higher (ie the replacement rate is lower) for the lower paid in Germany, those on two thirds average earnings. The replacement rate is considerably lower for married couples with two children, significantly lower for married couples, and slightly less for single people unemployed over a year.



- the financial incentive increases in Germany after one year of unemployment, but in the UK it remains constant.
- the financial incentive is higher in the UK for single people and married couples with no dependants on average earnings.

#### ESSENTIAL DIFFERENCES BETWEEN THE COUNTRIES

8 The main features of the social security systems in France and Germany are set out in Annex 1. The main differences which affect the financial incentives of the unemployed to take a job are:

- unemployment benefit are related to earnings in France and Germany so incentives for the lower paid tend to be higher than in the UK where flat rate benefits are paid.
- unemployment benefits tend to fall as the period of unemployment lengthens in France and Germany so that the incentive to find work is increased. In the UK the incentive remains the same irrespective of the length of unemployment.
- the tax burden on the lower paid is significantly less in France than in the UK. It is less in Germany too.

#### CONCLUSION

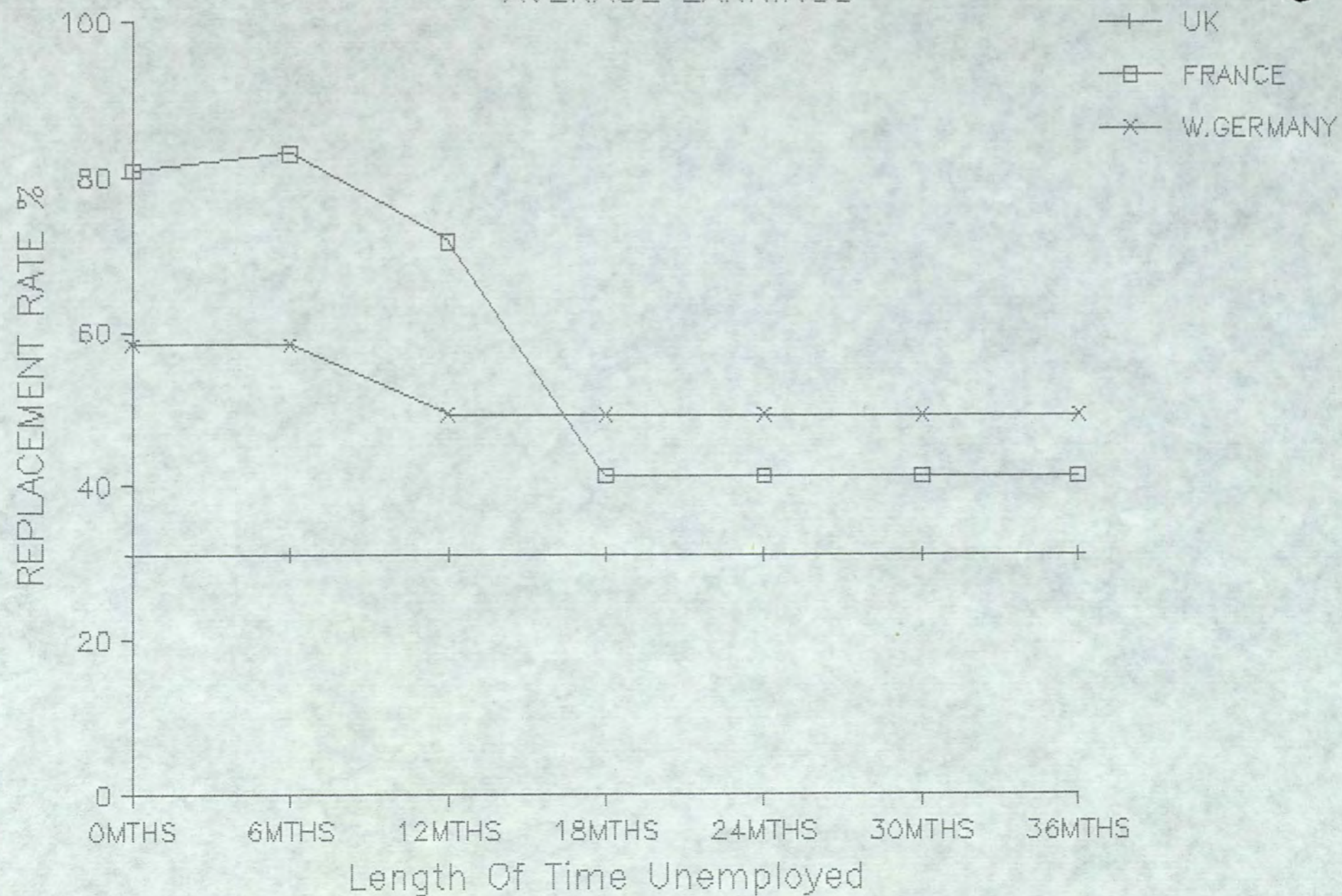
9 The financial incentive to take a job varies considerably with family type and previous level of income. Inevitably, the comparisons here capture only part of the picture since so many variations in payment can occur and we have been unable to compare some features, for example, the treatment of mortgage interest payments under the different social security systems.

10 And of course, the incentive to find a job is much more than the financial comparisons which have been made in this paper. The tests of availability for work and severity of means testing are likely to differ between countries quite apart from wider cultural differences.

11 But, it is apparent that the financial incentive for married men, particularly those on below average earnings, and particularly those who have been unemployed for a long time, is generally lower in the UK than in France and Germany.

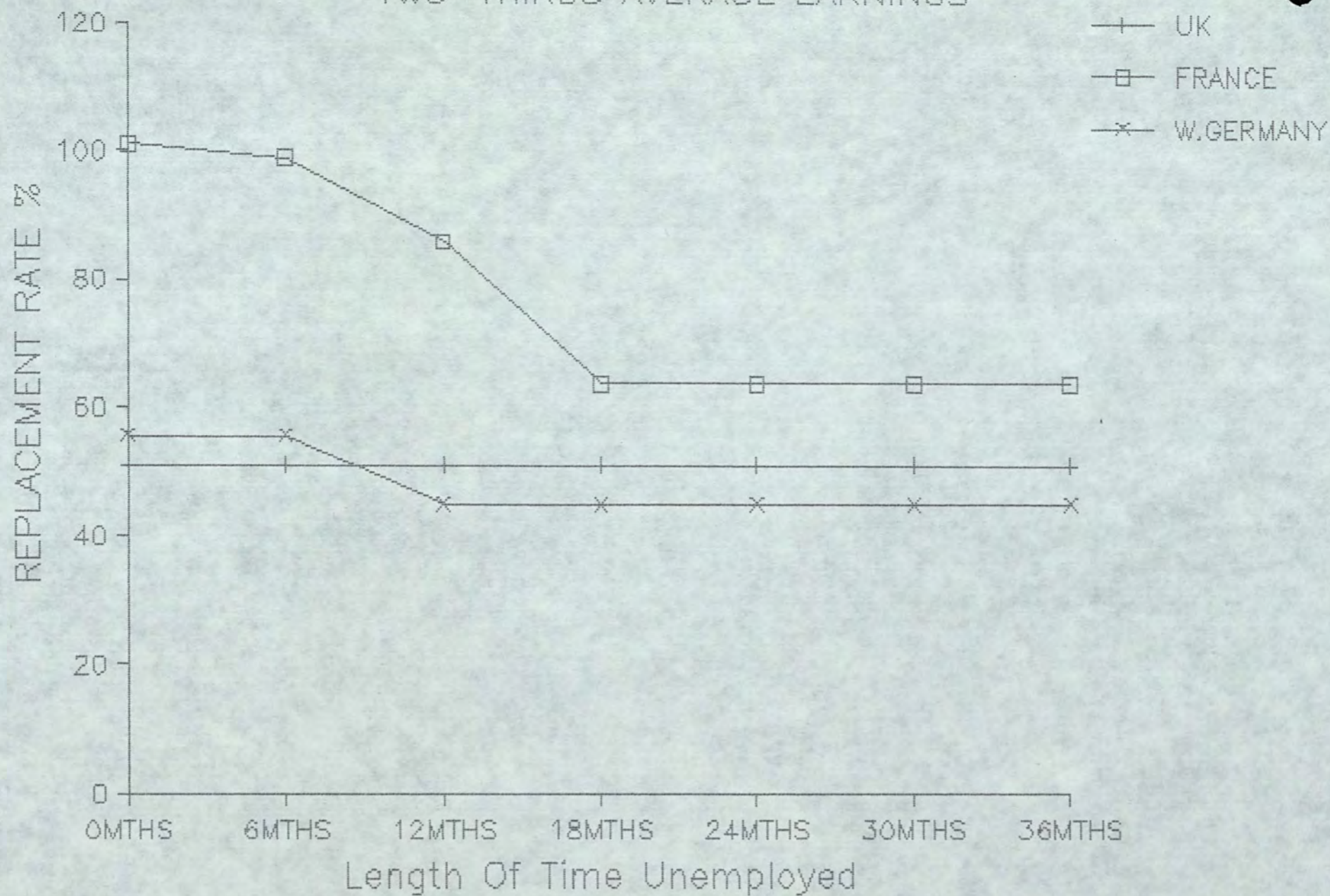


# SINGLE PERSON AVERAGE EARNINGS



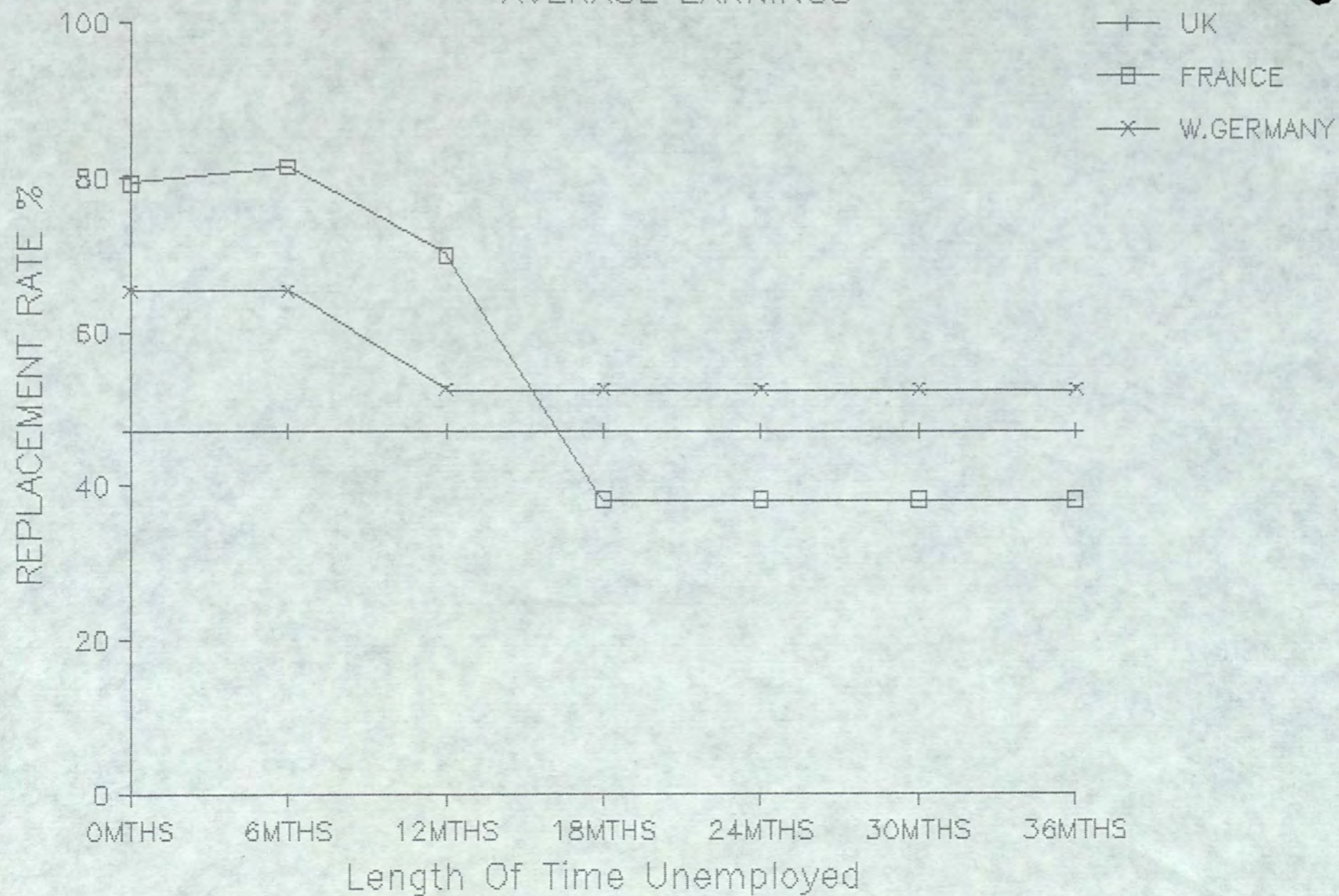


# SINGLE PERSON TWO-THIRDS AVERAGE EARNINGS



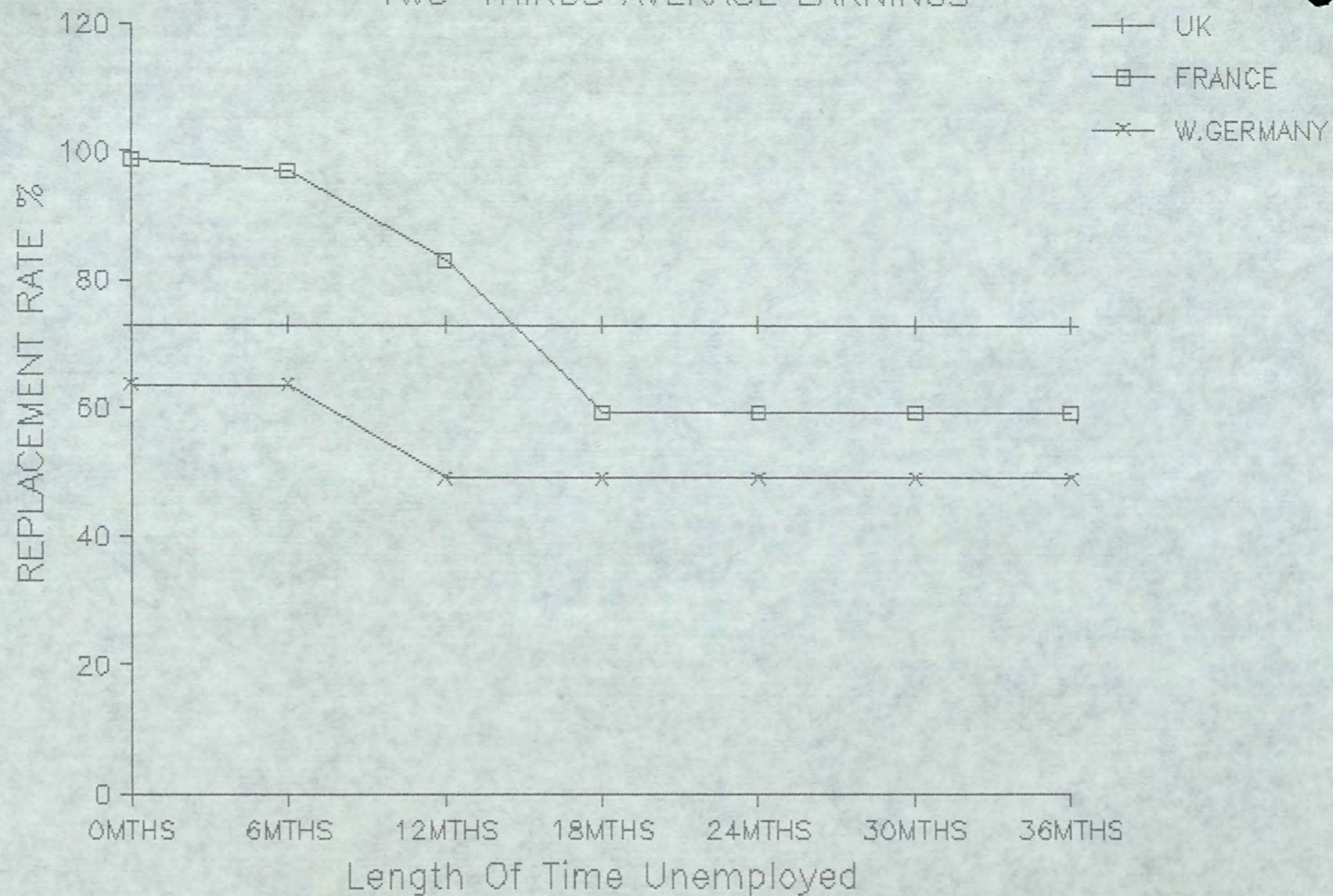


# MARRIED COUPLE AVERAGE EARNINGS





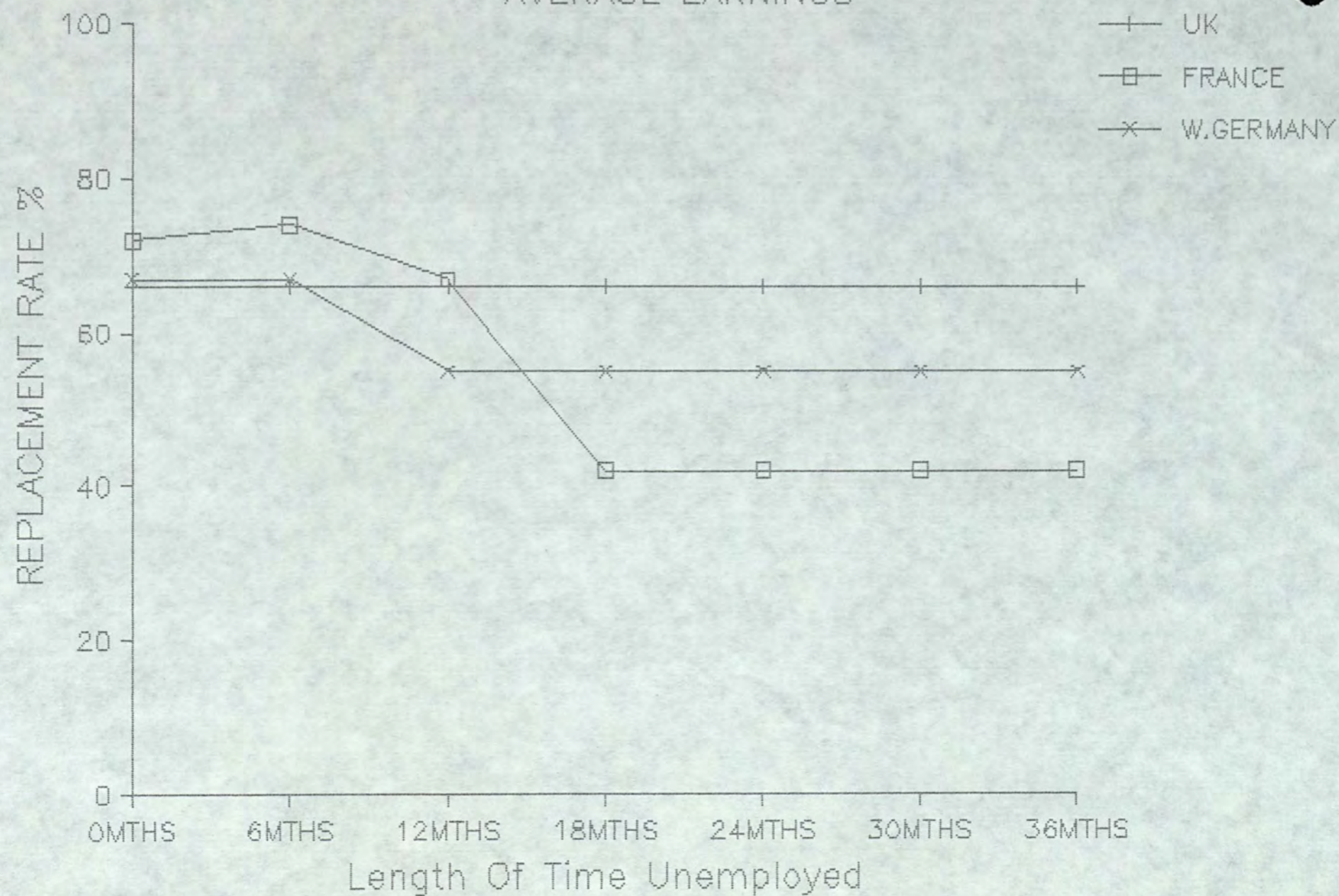
MARRIED COUPLE  
TWO-THIRDS AVERAGE EARNINGS





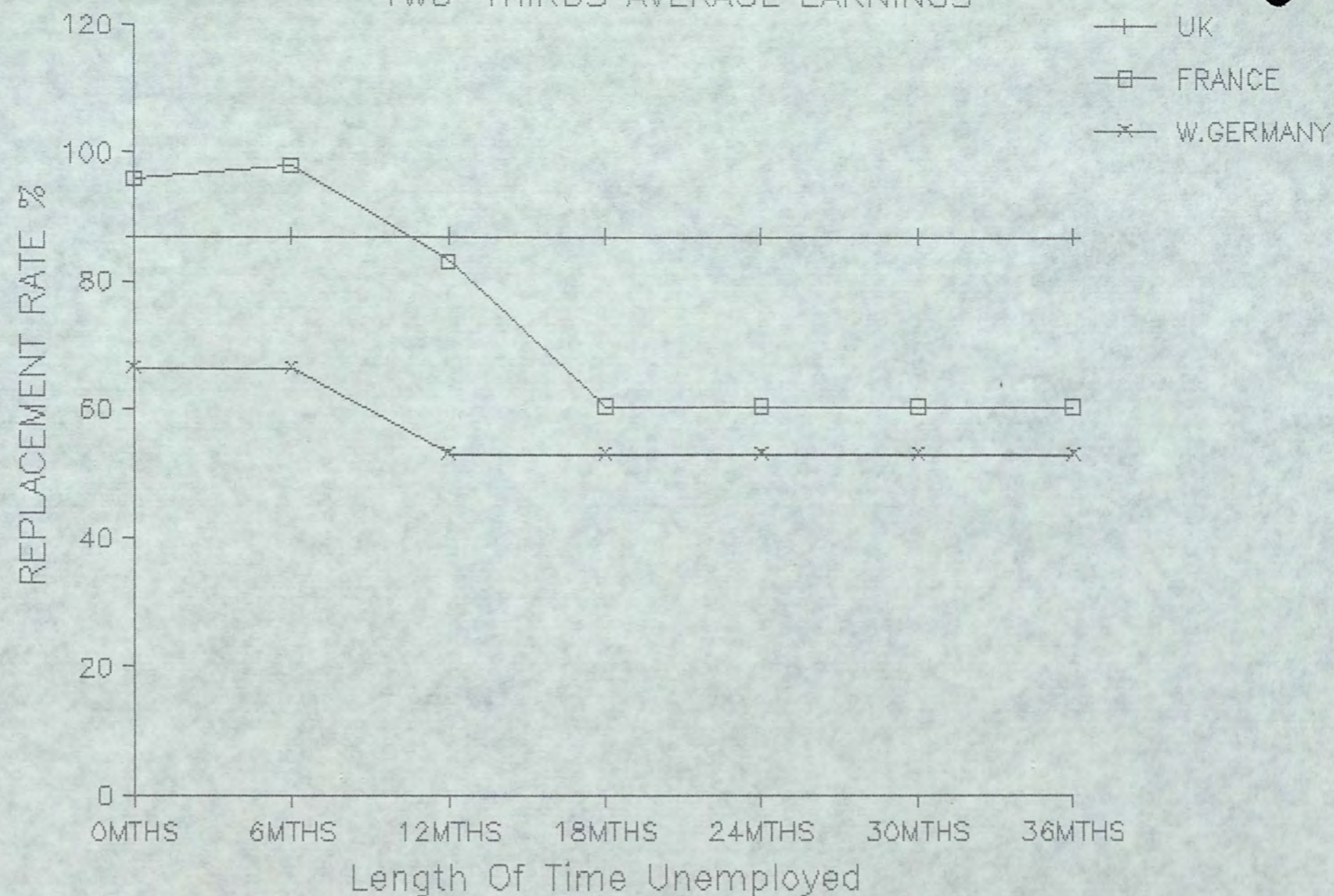
# MARRIED COUPLE WITH TWO CHILDREN

## AVERAGE EARNINGS





# MARRIED COUPLE WITH TWO CHILDREN TWO-THIRDS AVERAGE EARNINGS





**FRENCH AND GERMAN BENEFIT AND TAX SYSTEMS**

1 As in the UK people who become unemployed after a period of employment initially receive unemployment benefit, which is a contributory benefit, and once this is exhausted they then receive social security payments which are not based on contributions. But there are considerable differences in the details of the French and German system which both provide earnings related benefits in the initial spell of unemployment.

**FRANCE****Unemployment Benefit**

2 The length of time for which unemployment benefit is paid depends on age and contribution record. It can last up to 5 years, but average duration is 6½ months. Benefits are taxed as earnings.

3 Unemployment benefit is earnings related. It is based on either 57% of previous earnings or a flat rate payment (Fr 43.87 a day) plus 40% of previous earnings. (It is subject to a minimum of Fr 104 a day, and a maximum of 75% of previous gross earnings.) Once the initial entitlement has been exhausted, benefit may be extended for a period at 85% of the initial rate.

4 After rights to earnings related benefits expire, an "End of Rights" allowance is payable for up to 16 months at a flat rate (Fr 64.00 per day).

**Social Assistance Payments**

5 When rights to unemployment benefits expire, some of the long term unemployed - apparently those with more than two children - can receive means tested social assistance payments. These are payable indefinitely at a flat rate (64.50 Francs a day) to people actively seeking work and with a 5 year work history in the preceeding 10 years.



## Other Payments

6 Other income support payments are available to persons in or out of employment. Family Allowance is a major source of income for larger families, paying Fr 530 a month for 2 children, Fr 1200 for 3 and Fr 1860 for 4. Higher rates are paid for children over 10.

7 Housing benefit is calculated on income in the preceding year. Benefits are increased for the unemployed, and particularly those receiving non contributory benefits.

8 French income tax rates are low. Tax is in theory payable at low levels of income, but tax allowances, particularly for married couples and children, are high, and the rate begins at only 5% of taxable income at the lower end of the scale.

## **GERMANY**

9 People who become unemployed initially receive unemployment benefit, which is a contributory benefit. Unemployment benefit is based on previous net earnings at the rate of 68 per cent, 63 per cent for those with no dependants. (Net earnings are defined as gross earnings minus income tax, health, pension and unemployment insurance) It is typically paid for up to twelve months, although now older people can receive unemployment benefits for longer (eg up to 2 years for those aged over 55). Unemployment benefit is not taxed.

## Unemployment Assistance

10 Once unemployment benefit is exhausted, people receive a means tested benefit ("unemployment assistance") for an unlimited period. Unemployment assistance is also paid to people who do not qualify for unemployment benefit but who were employed before and are registered as available for work. This means tested benefit normally amounts to 58 per cent of previous net earnings (56 per cent for those with no dependants.)



## Social Assistance

11 Social welfare payments are paid (by local authorities) to families in need on a variable, discretionary means tested basis. It is generally much lower than unemployment benefit or assistance. It is intended to top up family income to a minimum subsistence level.

## Other Payments

12 Other benefits are paid to people in particular circumstances whether they are in or out of work. This applies to child allowance and housing benefits.

## Receipt of Benefits

13 At the end of 1985, there were 2 million registered as unemployed of whom 60 per cent received unemployment benefit or unemployment assistance.





10 DOWNING STREET

From the Private Secretary

13 June 1986

Dear Sir,

**WORKFARE**

The Prime Minister has seen the letter from the Secretary of State for Health and Social Security to your Secretary of State of June 10 about the "lost" cases of unemployed people who had failed to turn up for Restart interviews.

The Prime Minister regrets that an error, though in good faith, was made in providing this information. But the need now is to work for better practical cooperation between DHSS and Department of Employment. The Prime Minister looks forward to receiving by 2 July the report commissioned in my letter of 2 June which recorded the Prime Minister's meeting on Workfare.

I am copying this letter to Rachel Lomax (H.M. Treasury), Tony Laurance (Department of Health and Social Security), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Jacob Franklin (Paymaster General's Office), Jill Rutter (Chief Secretary's Office, H.M. Treasury) and Malcolm McHardy (Mr. Morrison's office, Department of Trade and Industry).

Yours,

David

(David Norgrove)

John Turner, Esq.,  
Department of Employment.

OK



Prime Minister 1

CC B/L/P

Relations between the two departments are not good, and David's suggestion seems a good one.

MR NORGROVE

Agree to write?

DS

12 June 1986

12/6

LOST RESTART CASES

Yes

Norman Fowler is upset because at your meeting on Workfare last week, David Young said that the DHSS had "lost" papers for 800 of the 1,700 people who failed to turn up for Restart interviews. Officials have now checked the figures, and established that they are wrong. I backed David Young at the meeting, and am sorry that we put mistaken figures into circulation.

But our mistake was not a casual one - the statisticians working on the Restart scheme did record that 800 cases had not received attention from the DHSS. Such genuine statistical mistakes reinforce one of the main points the Prime Minister made at the meeting - liaison between the two departments is not as good as it ought to be. Regrettably, the Ministers involved seem to be getting into an unproductive "who does what" dispute, rather than come up with practical proposals for improving the links between the Restart scheme and benefit offices.

The Prime Minister might care to intervene in this correspondence, regretting that wrong information had been used, saying that she understood it was a genuine error, and urging progress in improving practical co-operation between the two departments. <sup>and looking forward to the expected report</sup> This need not involve big changes in departmental responsibilities, but should focus on improving arrangements within the current framework.

David Willetts

DAVID WILLETTS



MJB



## DEPARTMENT OF HEALTH &amp; SOCIAL SECURITY

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

Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon the Lord Young of Graffham  
 Secretary of State for Employment  
 Department of Employment  
 Caxton House  
 Tothill Street  
 LONDON  
 SW1H 9NF

*Prime Minister 2*  
*I shall nevertheless*  
*continue to seek the report*  
*within a month for which*  
*you asked.*  
*June 10. DRS*  
*11/6.*

*Dear David.*

*mf*

I understand that at the meeting with the Prime Minister on Workfare last week you expressed concern that DHSS local offices had apparently 'lost' some 1,700 cases of unemployed people who had failed to turn up for Restart interviews. John Major demurred at this observation but was not immediately able to categorically refute it.

As you know, I strongly support the Restart initiative and therefore I asked my officials to liaise with yours over this matter. I gather from this examination that the position is not as you stated.

The actual number of cases referred to us was 1,300, not 1,700. Only some 40 or 50 cases are left awaiting action in our local offices and most of these have been referred to us only within the last few days.

There does, however, seem to have been some weakness in the early arrangements set up between our offices for collection of statistics - hence, no doubt, your misunderstanding about the number of referrals and the action taken upon them.

I am copying the letter to the Prime Minister, Nigel Lawson, Norman Tebbit, John MacGregor, Kenneth Clarke and Peter Morrison.

*Yours ever*

NORMAN FOWLER



MANPOWER: Special employment measures: PE14





C/F c/cpc



DEPARTMENT OF TRADE AND INDUSTRY  
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Secretary of State for Trade and Industry

R11/9

10 June 1986

The Rt Hon Kenneth Clarke MP  
Paymaster General  
Department of Employment  
Caxton House  
Tothill Street  
LONDON  
SW1H 9NF

CDP 11/6

*Kenneth*

**EUROPEAN COMMUNITY : UK INITIATIVE ON CREATING CONDITIONS FOR  
EMPLOYMENT GROWTH**

Thank you for your letter of 2 June and for sending me a copy of  
your paper on this subject.

Naturally I fully support this initiative, and would be grateful if  
you could keep me in touch with developments. While I fully  
understand the emphasis placed in the paper on the importance of  
promoting the growth of small firms, I hope that the initiatives  
proposed will seek to promote enterprise in companies of all sizes  
and sectors.

I am copying this letter to the Prime Minister, to other members of  
OD(E) and to Nicholas Edwards, Norman Fowler, Tom King, Kenneth  
Baker, Malcolm Rifkind, Sir Robert Armstrong and Sir David Hannay.

*Y  
m - 2/4*

PAUL CHANNON

JF1BEC



MANPOWER: Special Employment measures: Pt 14





SUBJECT  
cc Master

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File CT  
cc to Giffins

10 DOWNING STREET

From the Private Secretary

2 June 1986

Dear John,

WORKFARE

The Prime Minister today held a meeting to discuss Workfare on the basis of your Secretary of State's minute of 2 May. Present were your Secretary of State, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Paymaster General, the Minister of State, Trade and Industry and the Parliamentary Under Secretary of State, Health and Social Security.

The meeting concentrated on the first of the objectives of Workfare mentioned in paragraph 3 of your Secretary of State's minute, namely how the system could be structured in such a way as to expose those who were not genuinely unemployed. There was general agreement that the changes made over the past 10 to 15 years, and going even further back beyond that, had weakened the "availability for work" test to the point where it was no longer in practice applied. This was a matter for the greatest concern.

Lord Young described the results the Restart pilot schemes had achieved so far. These schemes offered help to the long term unemployed, and also had a significant effect in reducing the numbers on the register. The Chief Secretary had now agreed that the pilots could be extended to those unemployed for 6 months or more, rather than a year or more as at present. The administrative arrangements, however, needed to be tightened to ensure a proper follow up of people who did not come for interview. A tentative agreement on revised arrangements had been reached with DHSS which would greatly simplify the task.

The Prime Minister stressed the urgency of getting effective arrangements in place and following up the information provided by the Restart pilot schemes. A full report on the action taken and the results should be provided by Wednesday 2 July. The Treasury should be involved in discussions about the proposed new arrangements.

In further discussion it was noted that the present availability to work test was set in terms of the availability to take up employment in a job similar to the one which the unemployed person had formerly held. This was

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16



over-restrictive. There was a strong case for applying that test only for the initial period of unemployment but thereafter to require the unemployed person to be available to take any job. Changes of this and other kinds would be controversial, and would require careful preparation, but there could be two years of the Parliament left in which to make them. In this context Lord Young described pilot projects to begin next week which would require those unemployed for 4 to 6 weeks then to fill in a questionnaire about their previous employment and other particulars relevant to the availability to work test.

Other main points to emerge from the discussion were as follows:

4-15-7-86  
i) proposals would be coming from Department of Employment and DHSS within about a month or so regarding changes in departmental responsibilities for payments to the unemployed. The Chief Secretary asked that Treasury officials should be involved in the preparation of these proposals;

ii) a job seeking test had been applied in the UK before the last war, but the result had been to burden employers with spurious job applications. It might nevertheless be worth considering restoring such a test in areas of low unemployment;

iii) it would be worth at some stage considering whether the Community Programme and YTS should be used to test availability to work;

iv) Professor Blaug was rewriting the latter part of his report. It would be better to avoid publication if possible and there seemed no reason to send it to the Select Committee on Employment for their comments.

DN  
KOS  
received  
11/6  
The Prime Minister asked finally for a note on the benefits available in other countries for young people and the long term unemployed. (For young people this could be an updated version of the note attached to Stephen Hickey's letter of 25 February 1985 to Andrew Turnbull.)

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chief Secretary, the Secretary of State for Social Services, the Chancellor of the Duchy of Lancaster, the Paymaster General, the Minister of State (Department of Trade and Industry), and the Parliamentary Under Secretary of State (Department of Health and Social Security).

*John,*  
*David.*

DAVID NORGROVE

John Turner, Esq.,  
Department of Employment

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10 DOWNING STREET

Prime Minister

Mr Fowler is unable  
to attend: he has to be at  
discussions about Mr Glynne,  
and Mr Newton is  
overseas. So John Major  
is coming.

DM  
2/5.

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Available for work



PART 13 ends:-

DRN to PM 30.5.86

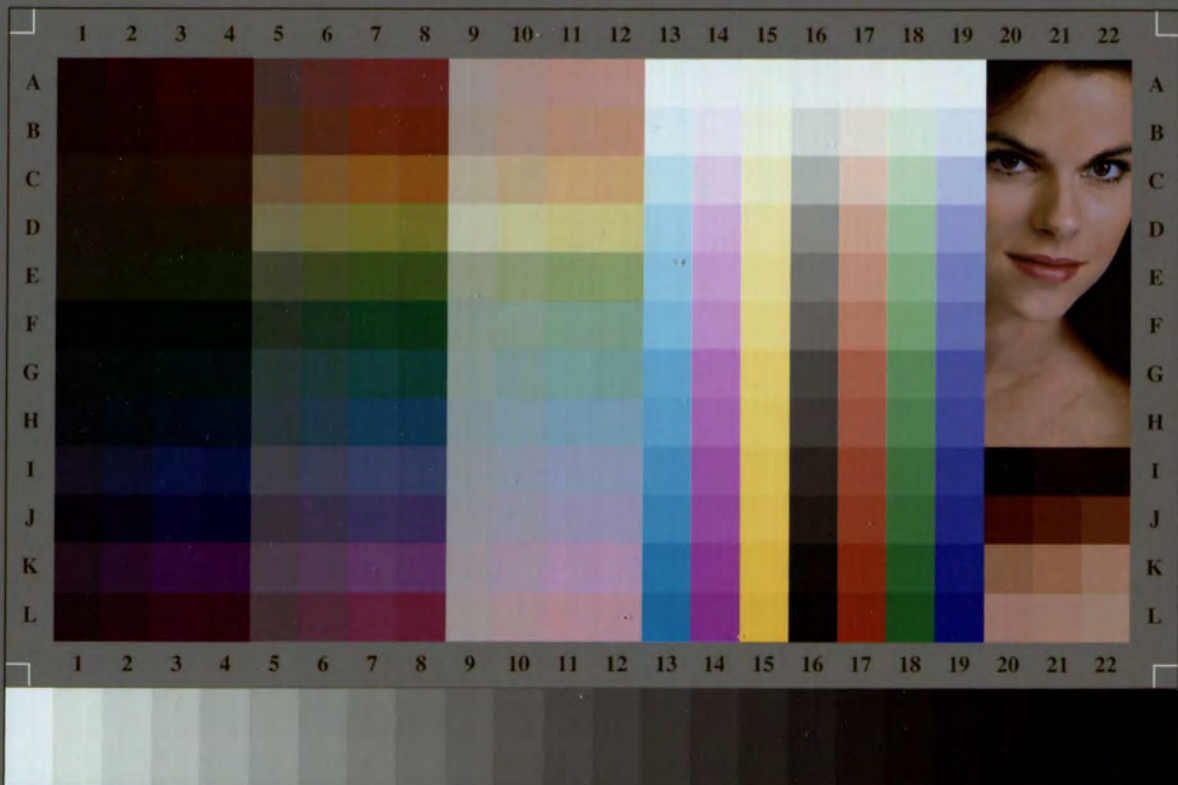
PART 14 begins:-

PMG to FCS 2.6.86



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