

cc Mr. Wolfson
Mr. Lankester

PRIME MINISTER

Your Visit to the Department of Employment

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

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

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

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

/ You may want

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

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

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

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

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

/ Flag E: Pay

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

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

Flag G: Labour Market Problems.

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

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

MAD

22 November 1979