

CONFIDENTIAL



PRIME MINISTER

I attach a report looking forward at my Department's programmes over the next five years, as you asked in your minute to the Home Secretary of 16 September.

I am copying my report to all members of the Cabinet and Sir Robert Armstrong.

NT

N T

23 December 1982

CONFIDENTIAL

FORWARD LOOK : DEPARTMENT OF EMPLOYMENT GROUP

1. The major strategic commitments in the 1979 Manifesto of concern to the Department were:-

(a) to build towards the creation of genuine new jobs in an expanding economy;

(b) to restore responsible pay bargaining;

(c) to strike a fair balance between the rights and duties of the trade union movement;

(d) to improve efficiency and eradicate waste.

2. These are continuing tasks and no major specific commitment has still to be met.

3. The prospects for unemployment over the next five years give extra emphasis to the commitment on jobs. The course of the world economy and the competitiveness of our industries (assisted by our economic and industrial policies) will remain the major factors in enhancing or depressing the prospects of job creation. Within the limits set by those factors action is needed to improve the labour market by improving the quality of labour (by training), its usage (by reducing restrictive practices), its competitiveness (by firm pressures on unit labour costs). Alongside such policies there will be a continuing need for special employment measures to limit the growth of unemployment and to ease the social problems which arise from it.

4. The following proposals for the next five years are primarily directed to the creation of new jobs.

A. TRAINING FOR WORK

5. Training standards in Britain still lag behind those in our successful competitors. The reform of training set out in Command 8455 in December 1981 must be continued.

→ 6. Training for work starts with education. No training scheme can pick up and in one year prepare youngsters thoroughly for work in a modern economy unless they have been properly orientated beforehand. The vocational and technical education in our schools needs radical improvement. This will no doubt be an object of DES policies. The new initiative of pilot schemes to restore vocational education is an important step forward. To the extent that it is successful it will reduce the scope and demand for the Youth Training Scheme.

7. Nonetheless over the period to 1987 the Youth Training Scheme will play the major role in eliminating unemployment for young school leavers in their first year on the labour market. Beyond that our objective remains to ensure adequate training for all up to 18. The steps to that end would involve first bringing in other unemployed 17 year olds (at a cost of £70m), then 17 year old school leavers in employment (£160m). To give all 16 and 17 year olds a year on the scheme would cost up to £400m. Decisions about such extensions could only be taken in the light of the outcome of the study of funding industrial training (see paragraph 10 below) and it would be unacceptable for the taxpayer to assume permanent responsibility for such a large sector of industrial training.

8. Outdated restrictions on entry to apprentice training must be ended. Both for apprenticeship and adult skill training recognised standards for all the main skills in place of time serving and age-restricted apprenticeships must be attained by the target date of 1985. TOPS should be increasingly directed to up-grading for new skills required for the upturn and to encourage provision by employers themselves.

9. The development of the Open Tech programme has potential for making a significant impact on future methods of training. The results of the initial phase will be carefully monitored.

10. The usefulness of YTS as a special employment measure must not be allowed to bring about a long term transfer of training costs from the users to the taxpayers. A study of the funding of industrial training generally is to be undertaken over the next year and any significant change would probably require legislation.

B. REMOVING MARKET IMPEDIMENTS

11. There is more to be done to remove statutory and other obstacles to the efficient working of the labour market and the promotion of employment.

(i) Pay

12. A number of statutory impediments to efficient working of the labour market remain. The option will arise in the next Parliament to repeal the legislation providing for Wages Councils and this could become effective in 1986 following the necessary renunciation of the relevant ILO Convention. Incidental savings of about £4m pa and 250 staff would arise. (The two Agricultural Wages Boards are the responsibility of the Secretaries of State for Agriculture and for Scotland).

13. The Fair Wages Resolution will cease in September 1983 when the renunciation of the relevant ILO Convention becomes effective.

14. Legislation will be proposed to repeal the Truck Acts and associated legislation which tend to inhibit the payment of wages to manual workers other than in cash. It is the intention to consult on this issue, together with proposals to protect employees from unlawful deductions from wages, early in 1983 and to consult

on the denunciation of the relevant ILO Convention which needs to be effected by September 1983.

(ii) Industrial Relations

15 Trades unions have played a major role in our economic problems and it is essential that their power and influence are harnessed to more constructive tasks than near-blind support of the Labour Party and totally blind pursuit of socialism. Reform so far has begun to limit their destructive power. In the long run the best hope of diverting unions from political posturing is to make the leadership more responsive to the mass membership.

16 To that end the Green Paper "Democracy in Trade Unions" will deal with the possibilities of legislation (not before the 1983/84 Session) on:-

- (a) the election, by secret ballot, of the governing bodies of trade unions;
- (b) secret ballots before strikes;
- (c) the reform of the statutory arrangements whereby trade unions can adopt and finance political objectives, notably by ending "contracting-out".

17 At the same time the objective will be to stimulate and foster demands from trade union members themselves for internal reforms to ensure that unions act in accordance with their members' wishes democratically expressed at all levels.

18 In continuing to follow the step by step approach for the reform of industrial relations law, we should be ready to legislate further to deal with abuses for which there is practical remedy and evident public support. Possibilities might include:-

(a) legislation enabling employers to lay-off their employees without pay when their work is affected by the industrial action of other employees of the same employer or when industrial action in a major dispute in other employment affects the work of a substantial number of all employees;

(b) legislation to remove immunity from all secondary industrial action;

(c) legislation to remove immunity from industrial action in breach of substantive or procedural agreements.

There are however major political or practical difficulties to be overcome before these become practical propositions.

19 On employee involvement, employers should be stimulated and encouraged to improve communications and involvement of all kinds voluntarily, whilst we continue to resist the draft Fifth Directive or the Vredeling Directive.

20 The essential framework for employee protections (ie for redundancy and unfair dismissal and on maternity) needs to be retained. However, we should continue to monitor the effects of these protections and the means by which they are afforded. In particular, consideration is being given to further relieving small and new employers from the unfair dismissal provisions (which could require legislation). A study is underway to examine how the industrial tribunal system might be reformed or wholly recast to make the jurisdiction simpler and less costly.

C DIRECT ACTION AGAINST UNEMPLOYMENT

21 Current plans for the special employment measures (including YTS) envisage their reducing the number of unemployed by about 500,000 by early 1984. TSTWCS and JRS are due to end by early 1984. Decisions on the scope of the employment measures programme

thereafter have yet to be taken. But while unemployment remains high a major programme of such measures is justified in order to improve the chances of employment of those groups most afflicted, notably the young and the long-term unemployed (often unskilled manuals).

22 These measures can hardly be regarded any longer as temporary expedients. As they continue, we shall need to give them forms which support (or least conflict with) the strategic objective of building towards more genuine jobs. YOP is being transformed into a vocational training scheme for young people (YTS). The Young Workers Scheme is assisting in getting more young people into jobs by stimulating adjustment of youth wages to the market. Consideration should be given to the incorporation of the Job Release Scheme into a system of flexible retirement.

23 Increasing employment might be encouraged by assisting the unemployed to open small businesses (through a national Enterprise Allowance Scheme) and by stimulating more flexible work patterns to open up more market jobs (as through job splitting).

24 Special measures concentrating on the long term unemployed seem bound to focus on non-market working opportunities. That should lead to remuneration on a basis nearer to benefit-plus than to market rates of pay.

25 The European Social Fund is currently under review. Our aim is to ensure that young people and the needs of industrial regions with high unemployment have high priority. We will press for a considerable expansion of the Fund in order to remain a significant net beneficiary and no more than a marginal net contributor (at worst) after the accession of Spain and Portugal. Changes in the presentation of Community receipts in public accounts may make the Fund a more salient and significant item in the planning of Government programmes than at present.

26 Apart from the Social Fund, few community initiatives in the employment field are helpful. The draft Directives on employee involvement are certainly not. The Commission has endless ambition and energies to produce initiatives at the best useless and at the worst positively harmful. Where community legislation is not essential to avoid distortions of competition (eg standards of protection against asbestos and lead) it should be resisted in total. The use of EC legislation to give privileges not won in industrial bargaining should be stopped.

27 The Department will reconsider its regional role and responsibilities in the light of Ministers' conclusions on the forthcoming inter-departmental report on regional policy, on the assumption that these conclusions will intensify the job-creation emphasis of regional policy.

D OTHER POLICIES

28 There are other matters, not central to the objective of stimulating productive jobs, which should feature in the Department's plans. These are in the appendix to this report.

APPENDIX

MISCELLANEOUS DE GROUP PLANS

1 Action in this Parliament to provide for equal pay for men and women for work of equal value is required to comply fully with the EC Equal Pay Directive. This will no doubt reduce the number of jobs available for women but is unavoidable.

2 In the ports, employers must continue to be encouraged to establish arrangements with dock workers to enable the statutory dock labour scheme to be ended. The Dock Work Regulation Act 1976 (the substantive provisions of which have not been commenced) will be repealed at a time calculated to minimise the risk of industrial action or to avoid frustrating voluntary agreement.

3 The Government is committed to maintaining the level of assistance for the disabled, but we will continue to seek improvements in efficiency consistent with that, notably with regard to replacement of the statutory quota scheme by a more flexible and possibly voluntary Code of Practice. Changes to the quota scheme would require legislation.

4 It is proposed to take power for the Secretary of State for Employment to amend draft Codes of Practice as they are submitted to him by the Commission for Racial Equality under the Race Relations Act and by the Equal Opportunities Commission under the Sex Discrimination Act. Legislation would be required in the 1983-84 or 1984-85 session.

5 Computer terminals in unemployment benefit offices will be replaced to enable an on-line enquiry service to be introduced in 2-3 years time. This is expected to bring savings of about 2,000 staff and £15 million as well as improving the service to the public. Further improvements in the benefit service might result from review of the DE/DHSS boundaries, eg management responsibility for the NUBS computers.

6 In the course of the next Parliament (1987 at the earliest), it may become technically possible to do away completely with regular attendance to sign on for unemployment benefit with consequential savings of perhaps 700 staff and in expenditure on premises. Exploratory discussions are under way with DHSS and Inland Revenue.

7 Following the introduction of voluntary registration in the Employment Service and the recent Rayner scrutiny, further reviews are expected to lead to developments which should further slim the placement service and improve its efficiency. The MSC will be looking for applications of new technology generally.

8 Relations between the LEA based Careers Service and the Employment Service will be reviewed after a year's experience of the new Youth Training Scheme.

9 There are two potential candidates for privatisation. The MSC's Professional and Executive Recruitment Service is to be placed on a fully commercial basis from April 1983. Its future will be kept under review. Privatisation is only one of a number of options, which include winding the service up and leaving the field clear for private agencies with a saving of 350 staff.

10 Under new arrangements intended to operate from April 1983, it is planned to run the MSC's skillcentres as individual cost centres by managers accountable for their performance. After a year or two's experience of this new organisation privatisation will be considered.

11 Resource control of MSC and handling its political impact will remain a major concern. This and its structure are currently the subject of a desk review under the Pliatzky programme.

12 The Work Research Unit is to continue on its present basis until 1986. It could then become a candidate to be moved out of the Department. Another possibility is abolition. On either course 18 staff and £300,000 pa would be saved.

13 Legislation can be introduced to ensure that the costs of the work permit system are met by fees from applicant employers. A commitment in principle to make this change has been announced. Savings of the order of £1 million a year are involved.

14 The Financial Management Initiative will promote a keener awareness of cost effectiveness and efficiency. Savings will be expected.