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Industrial Policy: Meetings with the TUC: Pt 3.

NOTE OF A MEETING WITH TUC REPRESENTATIVES ON POLICY
FOR THE INNER CITIES HELD AT 1500 HOURS ON TUESDAY
1 SEPTEMBER AT 10 DOWNING STREET

Present:

Prime Minister

Home Secretary

Secretary of State for
the Environment

Secretary of State for
Employment

Chief Secretary

Mr. A.W. Fisher

Chairman, TUC General Council

Mr. D. Basnett

Chairman Economic Committee

Mr. G.A. Drain

Chairman, Public Services Committee

Mr. K. Gill

Chairman, Equal Rights Committee

Mr. C. Jenkins

Chairman, Education Committee

Mr. W.H. Keys

Chairman, Employment Policy and
Organisation Committee

Mr. T. Parry

Chairman, Social Insurance and
Industrial Welfare Committee

Mr. L. Murray

General Secretary.

Mr. N.D. Willis

Deputy General Secretary.

Mr. K. Graham

Assistant General Secretary.

Mr. D. Lea

Assistant General Secretary.

Mr. B. Barber

Press & Information Officer.

Mr. B. Callaghan

Secretary, Economic Department.

Mr. R.A. Jackson

Secretary, Education Dept.

Mr. P. Jacques

Sec., Social Insurance and
Industrial Welfare Department.

Mr. J. Monks

Sec., Organisation and Industrial
Relations Department

Mr. P. Ashby

TUC Office

The Prime Minister

The Prime Minister, welcoming the TUC representatives, said that the state of the inner cities was a difficult, serious and deep problem which successive Governments had attempted to tackle with limited success. Mr. Fisher said that the TUC had issued its document early in July. This happened to coincide with the disturbances in several major cities, and therefore focussed national attention on what the TUC saw as a major problem. When meeting the Prime Minister the previous October, the TUC had hinted that the range of problems facing the country could lead to social unrest in some of the cities. These potential effects of going further into recession, with high unemployment, had now come to reality.

Outlining the key points in the TUC document, Mr. Murray said that the TUC claimed no monopoly of concern or wisdom, but hoped that their suggestions would help to concentrate minds as the Government tackled the problem. The events of July were, in a sense, a distorted mirror image of many of the problems in our society. The TUC, through its various committees, had been working on individual aspects, such as occupying the unemployed, and the issues of ethnic minority education. The shock of the riots had emphasised a sense of alienation and polarisation. It would be less than honest to deny that the TUC thought the Government's policies had contributed to a new divisiveness. Unemployment was a major factor. There had been a diminution in respect of law and order. The TUC had always condemned the use of violence, but did not believe that the police were above criticism. In setting out the proposals for improvements, the TUC had suggested a comprehensive programme, emphasising above all the need to provide work. This involved more resources, but, in their view, the social need coincided with sensible economics. The TUC had never simply believed in throwing money at problems. It would be mainly for the Government to respond to their proposals as action lay within the Government's power. They acknowledged that there was an issue of priorities. They did not believe that mere diversion of resources was the answer, and the document made the case for additional resources. The young unemployed were a special problem. The TUC acknowledged that the Government had made moves to help them with the July package, but aspects of

this seemed misconceived - especially tying some of the support to the wage levels of some of the people. There was also growing criticism within the trade union movement on aspects of the Youth Opportunities Programme. An effective training element was essential. Without this, there was a risk that union support would be undermined. The trade union movement was looking for a comprehensive national commitment, involving Government, unions, and employers. The TUC shared much of the approach of the Home Affairs Select Committee on race relations.

The Prime Minister said that she and her colleagues were about to start discussing Mr. Heseltine's report on his visit to Merseyside and would also be looking at Mr. Scarman's report when that was complete. The day's discussion could not pre-empt specific issues to be looked at in that context, but she would ask Mr. Heseltine to outline his impressions from his visit. She emphasised that he had gone to Merseyside as an example of an urban area with major problems. There was no intention to concentrate on one to the exclusion of others. Many areas shared the problems caused by the decline of traditional industries. The Government had offered certain special programmes, for example on education, for some years, but the problem had still not been solved.

Mr. Jenkins commented that the state of inner city schools was continuing to decline. There was a wide disparity in standards between different LEAs. Population migration worsened the inner city position. The TUC felt that unemployment was at the heart of these problems, and would get worse as new technologies threatened office movement. Young people were left in a hopeless situation if they had no prospects of work after receiving their basic education. The Prime Minister commented that Liverpool had at least two modern schools (Netherley and Paddington) with the best equipment, one of which she had opened herself as Education Secretary. Now those schools could not fill their roles.

The Secretary of State for the Environment said that his report to the Prime Minister and colleagues must remain private, and decisions on it would have to be discussed collectively. Whilst he could not therefore press particular ideas that he might have put to colleagues in the present forum, he could set out his impressions from a two and a half week visit to Merseyside, in which he had been free to find out for himself how people had reacted to recent events and what their pre-occupations were. First, the central problem was a national one, of which the inner cities were only a part. In general, the inner cities could not offer the same quality of life as the leafy suburbs. Those in a position to do so inevitably decided to move out. Those left behind all tended therefore to be the unskilled, handicapped, etc. The local authorities were left to provide for these groups, and the problem was thereby compounded as the areas became increasingly unattractive for other sections of the population. Industry generally was now controlled from London. Even the unions themselves were now centrally organised. Central and local Government seemed both massive and distant. He had been accused of cutting subsidies to these areas. But nothing he had seen changed his view. He was seeking to cut current consumption, so that he could press for restored capital programmes from the resources thus released. The previous Government had already cut capital programmes by half. In the inner cities, the level of rates was a further disincentive to new investment decisions in the private sector. The situation was desperate, and it was international. The traditional approaches to these problems would not reverse the decline, but could only delay the process.

Mr. Fisher commented that public expenditure cuts were blamed for the social tension in the inner cities. In those areas there were often very few jobs outside the public sector. It was not possible simply to turn the tap off and expect no reaction. Mr. Heseltine said that to any policy change there were opposing vested interests, yet many local authorities had achieved the Government's 5.6 per cent target. It was this

kind of effort which could release resources for more creative expenditure. He had not cut the metropolitan counties' share of funds except in reversing the last Government's expansion of spending for London.

The Home Secretary said that it was important to look at the police service in the right perspective. The riots had been a dramatic experience for those in the police and responsible for the police. Other countries had had even worse experiences, but our police service had been facing considerable strains for many years. There was certainly scope for improving police/community relations in some areas, and he would never wish the police to be above criticism but it was too easy to judge the service as a whole on the basis of the instinctive reactions of the rawest recruit. He did not accept that Chief Constables tended to cover up lapses, indeed, in the disciplinary cases which came to him on appeal he often felt that the Chief Constables had been too tough. There would always be mistakes, but in very difficult circumstances. People were quick to criticise, and slow to praise when policing was effective and thoughtful, as - for instance, over the previous weekend in Nottingham. He had heard from the Liverpool police of the provocation they faced - with officers brought from outside to help - during the protest march against the Chief Constable.

The Chief Constable/^{had} judged that he should not apply for a ban. The result of the provocation was to polarise relations between the police and much of their community. Co-operation between the Chief Constables and the police authorities was essential. He was trying hard to calm down the unfortunate breakdown on Merseyside. The right sort of police training was essential, and improved recruitment offered the necessary flexibility for this. There was a great deal to be done. He was also anxious to see more coloured policemen, although this was proving difficult both on grounds of educational achievement and because, in the riots, coloured policemen had often been particular targets.

/Mr. Keys

Mr. Keys said that he was shocked at the hostility shown during the riots. The environment in which many young people were living promoted violence. The Government's policies had very much accentuated the differences. The July package of employment measures was far too little. Young people were losing all confidence. YOP was not expanding in sensible ways. The £23.50 allowance was becoming a matter of ridicule. This problem of offering hope for the young was crucial. Government had to tackle it effectively and quickly. In particular, the present recession must come to an end before too long, and this surely provided an opportunity to invest in the young. Serious efforts needed to be taken on the training front before employers joined unions in losing confidence. The Government also had obligations to the old. The TUC were very much in support of the new training initiative, but this was on the understanding that there would be a statutory underpinning, and that the necessary resources would be provided.

The Secretary of State for Employment said that the problems were deep seated, and could not be resolved simply through by throwing a bit of money at unemployment. He welcomed the TUC's constructive attitude to YOP. The Government were by no means complacent. The youth programmes had had to expand at a tremendous rate, which created problems. A better training element would be the best prevention of abuse. In his discussions with the Environment Secretary, they recognised the need to work on what inner city people could do for their own communities. Resources had been significantly increased. It could yet need more, with better use made of them. He did not think that the YOP allowance was subject to ridicule nationally. There were many more people now going into the programme, and there was still a gap between the allowance and supplementary benefit rates. With improved training, the scheme would continue to work. As regards the statutory underpinning of training, statutory boards would continue in some areas. The MSC had indicated to him where voluntary arrangements might be able to take over in others. The Government was well prepared to meet the need and accepted the challenge. He was keeping in touch with the TUC view, and would work closely through MSC.

Taking the discussion back to the wider issues, Mr. Basnett emphasised that the TUC would give top priority to the problems of the inner cities. There was a threat of destabilisation of our society in these areas. He had considerable personal knowledge of Toxteth. It was a long standing slum, with chronic unemployment compounded by the decline of the docks and public service cutbacks. Yet it was an area accustomed to mixed ethnic groups. He saw the major problem as that of the young unemployed black, which required positive discrimination. He shared Mr Heseltine's wish to press ahead with capital programmes. Was there a role for Enterprise Boards, as in Greater London, or should there be more partnership areas? Despite all the problems of education, housing, policing, etc., jobs remained central. Public sector jobs could have a role but new industry was needed. In an area like Toxteth, there was great scope for housing projects, for example.

The Prime Minister commented that, whilst Government held the purse strings, union members and others filled the purse. The country had to earn its living. She would love to hold back current expenditure to provide more capital finance. But she could not increase both, when the Government was already borrowing £10.5b. a year. Union members would resist increased taxes to pay for it. Mr. Murray commented that the unemployed would happily increase the tax take if they could find jobs. The Government seems to be taking a static view of the economy. The TUC were working for a dynamic view, with constructive job creation as the priority. Mr. Jenkins commented that the multiplier effect of Government spending would be important. Mr. Fisher acknowledging existing economic problems said that it was time to decide whether to allow the decline to continue, or whether to take steps to reverse it.

/The General Secretary

The Chief Secretary said that finance was only a part of the problem, given the scale of resources which already had gone into the inner cities without producing a real success. Further finance could only be found from taxation, borrowing, or a re-ordering of priorities. But one way to create some flexibility would be through pay. This was an important factor in which the trade union movement could assist if it was so inclined. If the Government had to look to further taxation or further borrowing, this led into the areas of confidence and inflation. The Government already faced problems in continuing the recent downward trend in inflation. The impact on confidence of any reversal could not be over-emphasised. Substantial new borrowing would have a bad effect. But he hoped that the 27 July package had shown that the Government was not taking an unduly rigid view.

The Prime Minister stressed that the Government shared the TUC's anxiety to solve the problem most especially in relation to the young unemployed and the longer term unemployed. The Government's approach had concentrated on three particular aspects: the stimulation of industries which could provide new jobs, by encouraging new businesses and the provision of venture capital: the extension of the job release scheme, to maximise the chances of people moving into genuine jobs; and, for the young, incentives to employers to take on additional young people. She recognised that there were differences of opinion about the scheme outlined on 27 July. But she believed that there were many small businesses who would take on youngsters if this cost them considerably less. The Government were searching for valid approaches to these problems, and were ready to consider all constructive suggestions. The TUC represent people with enormous spending power: the more this could be used to "BuyBritish" the more that the situation would improve.

/Mr. Gill

Mr. Gill drew attention to the arithmetic of the damage caused by the riots when seen against the £500m. of new resources called for in the TUC document. He also asked that the Prime Minister personally should take a strong public stand against racialism, and that the Government should take positive action to assist young blacks.

Mr. Parry drew attention to the great demands made on health and personal social services by the tensions and damage of recent events. There was concern in the TUC on this. Cuts in spending on the personal social services and on the rate support grant added to the pressures. The demands would grow.

The Environment Secretary said that he would be happy to pursue with the TUC their ideas on extension of partnership arrangements, the role of the Enterprise Board concept, and other ideas which they wished to discuss. Mr. Prior said that he would be happy to join in such discussions, especially in the context of making best use of the MSC and its resources. The Home Secretary said that he was ready to pursue the particular problems raised by Mr. Gill, and other points which had arisen in discussion. Mr. Murray said that the TUC would be happy to accept these offers.

Mr. Fisher thanked the Prime Minister for receiving the TUC delegation. He and his colleagues would be available at any time to follow up the matters which had been discussed.

1 September 1981