



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
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15 September 1986

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

